
Westpac NZ Access to Banking in Aotearoa Report

April 2023



Small numbers, big impact

An exploration into the barriers to obtaining a bank account in Aotearoa New Zealand.

Acknowledgements

With sincere gratitude, we would like to thank all the people and organisations who generously gave their time to talk with us, or to refer us to other helpful people and documents. We know that speaking about this issue is sensitive and stressful for many people who are working to help their clients and whānau access banks and bank accounts.

We understand that taking time to speak with us was done out of altruism, and to build understanding of this issue and hopefully make some strides towards a better future.

Ngā mihi

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Disclaimer

This project allowed us to explore the lived realities of some communities in Aotearoa New Zealand who struggle to access bank accounts. While the stories and findings may not align with the intent of government regulations and banking policies and procedures, it's vital to reflect what is happening on the ground if we are to truly understand the difficulties these communities face.

We are aware of programmes that some banks have implemented to help address these difficulties: it may say something about the reach or consistency of these programmes if the communities they are intended to help are not aware of them.

This report by ThinkPlace was commissioned by Westpac New Zealand Limited



Contents

1	04	The challenge
	05	Introduction
	07	Relevant literature
	10	Methods
2	12	Findings
	14	The barriers to obtaining a bank account
	16	Community-specific insights
	30	What people are doing to cope with the barriers
	33	Estimating the size of the issue
	34	Other findings
3	36	Recommendations
	37	Participant ideas
	39	Recommendations for change
	40	Recommendations for future research and activities
4	42	Conclusion
	45	Bibliography
	46	Appendices

Section 1

The Challenge

This report, commissioned by Westpac New Zealand, discusses the topic of 'the unbanked' in Aotearoa New Zealand, meaning those people who, for various reasons, cannot obtain a bank account.

Rather than pointing fingers of blame, we hope to shed some light on what we found to be the vexing issue of those in Aotearoa who can't take part in the banking system.

Four key questions

This report explores the issue of access to bank accounts in Aotearoa. For this project, we set out trying to answer four key questions:

1. Who is affected by this issue?
2. What are the barriers preventing access to bank accounts?
3. What is the impact of not having a bank account?
4. What is the estimated size of the issue?



Introduction

The World Bank, whose data is often used by policy makers and the United Nations, estimates that 1.25% of people over the age of 15 in our country are unbanked¹. What we discovered in this current research was that, although being truly unbanked was not common, the negative impacts on people who have trouble accessing bank accounts are significant, and unfortunately this burden generally lands on those who are already experiencing crises or disadvantage.

We spoke with a wide range of people across the social services sector, from national offices to local branches, to help paint a picture of bank account challenges in our communities. Many people felt strongly about this issue and pointed out how impactful not having a bank account can be. During our conversations, several participants commented that basic banking in this country should be a *right* rather than a *privilege*. There is a system involved in this problem of banking access, involving regulators, policymakers and banks; solutions to the problem will require a joined-up approach.

While opening a bank account may seem like one of life's reasonably simple tasks, for some New Zealanders it is difficult, if not impossible.

The reality is that some people are barred from banks; due to a history of aggressive behaviour, or because the banking and regulatory requirements involved in getting a bank account create burdensome delays and other barriers that impact detrimentally on their livelihoods, health and wellbeing. **This means for some, they cannot get salary or wages, nor can they get a benefit, so they struggle paying for the basics, such as food and shelter.**

For others, it may mean resorting to unsafe practices, such as unfair under-the-table cash jobs and using family or friends' accounts. This exposes people to theft and also an inability to receive fair entitlements for support.

Barriers to banking increased with the introduction of the Anti-Money Laundering and Countering

Financing of Terrorism Act 2009, which made the identification and proof of address requirements for New Zealanders trying to get bank accounts more stringent.

In addition, people experiencing insolvency and bankruptcy lose bank access, as do those with a history of certain types of criminality and bad behaviour at banks (being trespassed). Other reasons for not having a bank account are more complex and nuanced, such as lack of trust, fear of judgement, anxiety, working in a cash economy, language or numeracy barriers, and challenges dealing with formal bank settings.

While we heard of rare instances of people who were 'off the grid' and did not wish to participate in banking, those people are outside the scope of this project. Instead, we wanted to hear about those who wanted or needed an account but were having trouble getting one.

Because the literature on this topic in Aotearoa is scant, we started by casting our net wide and contacting a variety of organisations that might deal with this issue directly, have data about it, or have heard about it anecdotally. **What we found is that getting an exact figure for the number of unbanked people is exceedingly difficult, if not impossible, but gathering stories of the impact of being unbanked was easy** – frustrated social services and budgeting agencies were happy to tell us how hard being unbanked can be for their vulnerable and complex-needs clients.

There is not one source of truth on how many New Zealanders this issue impacts, and there are a few reasons for this. Survey-type 'counts' of the population of interest are difficult, given the people involved can have complex needs, are potentially vulnerable and are less likely to be survey participants in general. Also, the story of this population is not static – we heard that this group moves in and out of banking over time, making a count inaccurate. For instance, a person may have had a bank account, but after an extended stay in

1. This figure was drawn from its 2021 survey, which included 123 economies and almost 128,000 people, and data from face-to-face and phone-based interviews. The survey can be found in the Global Findex Database 2021.

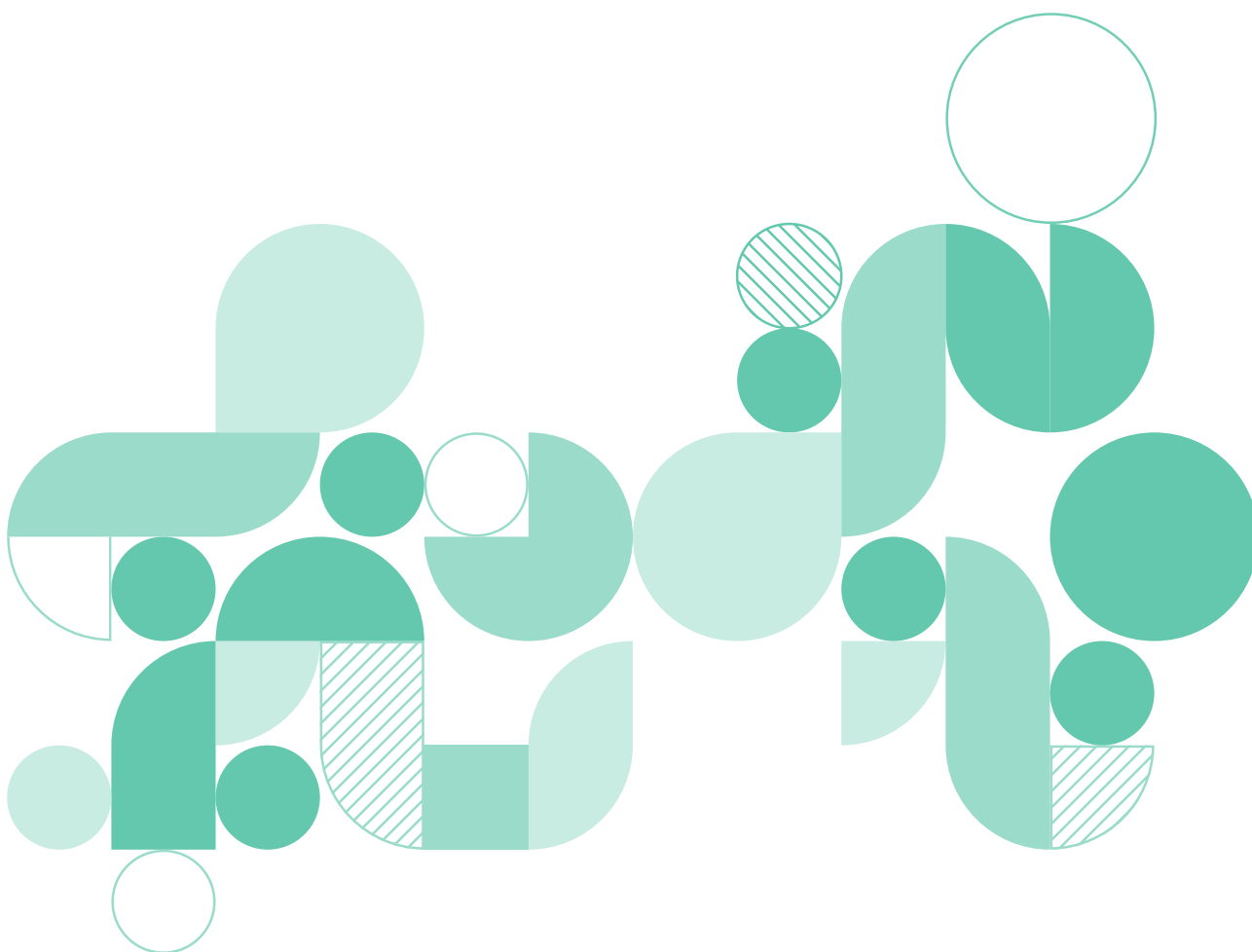
hospital for mental health treatment, found their account had been closed due to lack of funds and an overdraft. They then lost their ID, which in combination with the debt, put them in the position of having no access to a bank. In addition, some people use a partner's, family member's or friend's bank account, making proxy population counts difficult as well.

We did glean that the true numbers of 'unbanked' people in Aotearoa New Zealand are probably modest. Despite this, the negative impacts of not having a bank account are abundantly evident, and the burden is falling onto groups who are already experiencing hardship.

In addition, many participants of this research noted the increasing difficulty of accessing bank accounts for members of their communities, leaving them with few options. Several workarounds are being employed to get around the issue of not having a bank account – some of which leave people open to financial control and abuse.

This paper begins with a brief scan of some relevant literature, then outlines the methods we undertook, followed by the findings and some ideas for change.

Our aim is to shed some light on this topic and stimulate some thinking about how changes could be made to remove some of the barriers to accessing bank accounts, especially for those already experiencing hardship.



Relevant literature

The global view

With the prevalence of digital transactions, contactless, and automatic payments it's easy to assume that most people can function smoothly in the modern world.

However, for some people around the world, their reality is much different, as they are excluded from these seemingly essential services. According to The 2021 Global Findex Database, 24% of the world's population does not have an account of any form (i.e. bank, credit union, microfinance institution or mobile money service provider). While this is a major improvement from the 49% of ten years ago, it is still a significant portion of people who cannot use, or opt out of, financial services (Demirgüç-Kunt, Klapper, Singer, & Ansar, 2022).

There are a variety of reasons why people do not want an account or cannot access one, and these are similar across developing and developed nations. According to several reports, the main barriers include:

- **not having enough funds to open or maintain an account**
- **lacking the required documentation**
- **feeling that they don't need one**
- **finding the physical distance to the bank too far**
- **not trusting banking institutions.**

Not having a bank account limits civic inclusion and exposes people to risks. Without a safe place to store money, it can be very hard to accumulate long-term financial security, and there are risks of cash theft and loss of accumulated savings. Without a bank account, people are unable to take out loans and are therefore more vulnerable to predatory lending services that take advantage of them with high-interest rates (Tax Outreach).

According to the UN, financial inclusion is an enabler for 8 of the 17 Sustainable Development Goals, is key to reducing poverty globally and is a focus for the G20 (United Nations Capital Development Fund, 2022).

In this context, accessing a transaction account is seen as a step towards financial inclusion.

The World Bank has many initiatives and programmes in place, and partners with different groups and organisations, to try and increase inclusion. Its Financial Inclusion Framework aims to increase the effectiveness of country-led actions through support programmes and knowledge sharing.

Different countries are also trying to improve financial inclusion for their people, with some of these efforts described below. The estimates given for each country's unbanked population come from the World Bank 2021 database.

United Kingdom

99.76%

In the United Kingdom (UK), it is estimated that 99.76% of people over the age of 15 have an account.

Despite the considerable proportion of the United Kingdom population with an account, there are still approximately 160,000 people who don't have one. When searching online for how to get a bank account if you're struggling to open a conventional account or if banks are rejecting you, two alternatives are offered. The first is the basic bank account, designed for those who have no or poor credit history. Money can come in and out, and users aren't charged fees, but they can't get an overdraft or chequebook. This is different to the standard account type, the current account, which usually has the option of credit cards and overdrafts (Citizens Advice, 2022) (Flavius, 2014) (Cavaglieri, 2022).

Another option is through challenger or mobile-only banks. These are relatively new banks that tend to offer online-only services. Challenger banks may provide more services than traditional banks, such as budgeting and spending notifications. Furthermore, some challenger banks have easier entry requirements, foregoing the need for documentation such as proof of address and a credit history (Buswell, 2022) (Flavius, 2014).

United States

94.95%

In the United States (US), it is estimated that 94.95% of people over the age of 15 have an account.

The US has a similar service to the UK's basic bank account, with its second chance checking accounts for poor credit history. For those who don't qualify for a traditional account, these accounts lack some services (such as overdrafts) and may have higher than normal fees, but they give users a chance to build a banking history, which can then qualify them for a more standard account option (Gravier, 2022).

Prepaid debit cards are also an option in the US, for those without a bank account. Available at retail stores, users can buy a card for a fee and load money onto it, like a prepaid gift card, without needing a bank account (Khartit, 2021) (Tierney & Sarreal, 2022).

Canada

99.63%

In Canada, it is estimated that 99.63% of people over the age of 15 have an account.

Canada takes the approach that everyone has the right to a bank account, even those who don't have money to deposit or have been bankrupt.

Bank accounts can be opened online, in-person or over the phone. Identification is still required, however, there are two different ways to meet the identification requirements. The first is the usual two documents from a "reliable source", such as the government and utility bills. The other is more lenient, which works well for those who may not have much government-issued identification or pay bills.

In this process, customers only have to provide one document from a "reliable source", and have their identity confirmed by:

- "a customer who is in good standing with the bank, or
- someone who is of good standing in the community where you are opening the account."

(Government of Canada, 2022).

Australia

99.32%

In Australia, it is estimated that 99.32% of those over the age of 15 have an account.

The Banking Code of Practice, published by the Australian Banking Association in 2019, states that banks that have adopted the code will "ensure banking services are accessible, inclusive and provided to you in a fair and ethical manner".

In addition, they will take extra care with those experiencing vulnerability, and will "work with you to identify a suitable way for you to access and undertake your banking."

Australian banks also have basic accounts, with low or no fees, that provide basic services as a minimum, such as free direct debit facilities. Basic accounts may also have special features, such as no provision for informal overdrafts (Australian Banking Association, 2019).

European Union

The European Union (EU) states that legal residents of the EU have a right to a 'basic payment account'; an account that allows users to make deposits, withdraw cash, and receive and make payments. Such accounts may also have online banking and payment cards available, but do not necessarily have a credit or overdraft function, and may have fees.

Accounts may be refused to those who do not comply with the EU's rulings around money laundering and terrorist financing (Your Europe, 2022)².

2. The World Bank does not have a figure for the unbanked population of the European Union as a whole, just for the individual countries.

Aotearoa New Zealand

98.75%

In Aotearoa New Zealand, it is estimated that 98.75% of those over the age of 15 have an account.

Research on those who don't have bank accounts in Aotearoa is scarce. However, according to the World Bank, 98.75% of all New Zealanders over age 15 have at least one account. This figure has been decreasing slightly since its peak at 99.53% in 2014, the year after the new Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (the AML Act) came into effect. **The AML Act aims to ensure that financial institutions (among other entities) are doing enough to prevent money laundering and terrorism financing. This means that all banks are required to collect more information about their customers than in the past, such as more evidence proving each customer's identity** (Department of Internal Affairs, 2021).

While protection from money laundering is obviously an important goal, it can be argued that the Act's requirements and the way banks interpret and enforce them may not only be a hindrance to customers, but can also lead to the exclusion of individuals and businesses from the banking system. According to the Banking Ombudsman, 140 people complained about the Act in 2020, saying the process was "really inconvenient, intrusive or even discriminatory" (Banking Ombudsman Scheme, 2010). Businesses also feel the struggle, as some (such as those who transfer money to people outside the country, known as money remitters) are unable to open accounts at banks, because the transactions coming into their accounts appear random, and they are unable to verify where they are coming from (Fonseka, 2022). We talked to Community Networks Aotearoa to more fully understand the impact that the AML Act's requirements have on not-for-profit organisations (page 34).

A 2022 public review of the AML Act by the Ministry of Justice highlights that submitters were concerned about the 'unintended consequences' of the Act, meaning that minority groups in society are being unduly impacted by the requirement to have an address and identification (Ministry of Justice, 2022)³.

People who become insolvent are another group impacted by the Act's requirements, which can significantly impede their ability to access banking. In 2021, almost 50% of those who entered into an insolvency procedure (such as debt repayment orders, no asset procedures and bankruptcies) had their account closed by their bank, and were obliged to try and open a new account elsewhere. This process can be long and difficult, and individuals may face numerous rejections.

Like the countries described above, many New Zealand banks offer low- to no-fee transaction accounts. However, a key difference is that these accounts may let the user go into overdraft to meet regular payments.

In 2020, the cross-government Safer Credit and Financial Inclusion Strategy group, which aims to find solutions for those facing financial difficulties, held a workshop with banks to discuss the issue of access to bank accounts. Unfortunately, no solutions were agreed (Robson, 2021).



3. During the writing of this paper, the government has taken note of the review and is introducing changes such as relaxing the requirement on businesses to verify some customers' addresses. Further work will be required to see how these changes filter down to the community level.

Methods

To learn about the barriers to accessing bank accounts in Aotearoa New Zealand, we began by brainstorming a list of all agencies that might have a view on the topic, or who hold data about the number or types of people affected. This long list included several government departments, professional bodies such as advocacy and ombudsman agencies, researchers, budgeting providers, community services, and health, wellbeing and hauora organisations and rūnanga.

Over 130 invitations to participate were made via cold calls, emails, personal contacts and referrals. This purposive, snowball sampling technique was aimed at hearing as many perspectives as possible, and ensuring we covered particular special groups and a good geographic spread.

We had nearly 60 representatives from various agencies wanting to be involved. We conducted semi-structured interviews with 48 of these representatives. The rest were quick conversations, as they either don't see, or aren't particularly impacted by this issue, or they had ideas of where else we could go for information.

Overall, the organisations interviewed operate support services within one or more of the following contexts:

- **budgeting and financial mentoring**
- **bankruptcy and insolvency**
- **homelessness**
- **sex work**
- **intellectual disability**
- **youth**
- **youth in state care**
- **prisoner release**
- **aged care**
- **former refugees and migrants**
- **domestic violence**
- **Māori health and wellbeing**
- **Pasifika health**
- **housing**
- **beneficiary advocacy**
- **international students**
- **mental health**

The interviewees included:

- **ten budgeting and financial mentoring services** (some were standalone money management agencies, others were connected to a bigger health or social service agency)
- **six refugee or migrant support services**
- **eight social support organisations** (multiple types of offerings)
- **five youth support organisations**
- **three professional bodies**
- **three women's refuges**
- **three prisoner support services** (generally as part of a larger support agency)
- **two organisations providing housing and specialised support for homeless people**
- **two Māori hauora/wellbeing organisations**
- **one disability support organisation**
- **one elderly support organisation**
- **one insolvency agency**
- **one international student support organisation**
- **one sex worker support organisation**
- **one Pasifika health and wellbeing organisation.**

Many of these organisations or groups have communities that intertwine. For example, while we spoke directly with a Pasifika organisation, most of the other agencies also had a view on their Pasifika clients. Caution should be exercised in viewing the types of agencies, as they may not be exclusively serving one particular group.

In addition, whilst we spoke with agencies who support Māori whānau, we did not learn anything specific to Māori to highlight separately - the challenges were the same, but unfortunately amplified, given that Māori are overrepresented in some of the groups we contacted, such as youth in state care and rough sleeping.

Estimation of the problem

We also approached what we felt were the most likely places to find actual counts of the ‘unbanked’ in Aotearoa, such as Stats NZ, the Reserve Bank, and the New Zealand Banking Association. However, the actual number doesn’t appear to exist in any one place.

We then asked agencies such as the Banking Ombudsman, the Productivity Commission, the Financial Markets Authority and others. We quickly realised that one estimate wasn’t available, so we set about trying to get proxy data from:

- **the New Zealand Insolvency and Trustee Service** (provided by the Ministry of Business, Innovation and Employment)
- **the Ministry of Social Development (MSD)** (via an Official Information Act (OIA) request)
- **ACC** (via an OIA request)
- **the Department of Corrections** (via an OIA request).

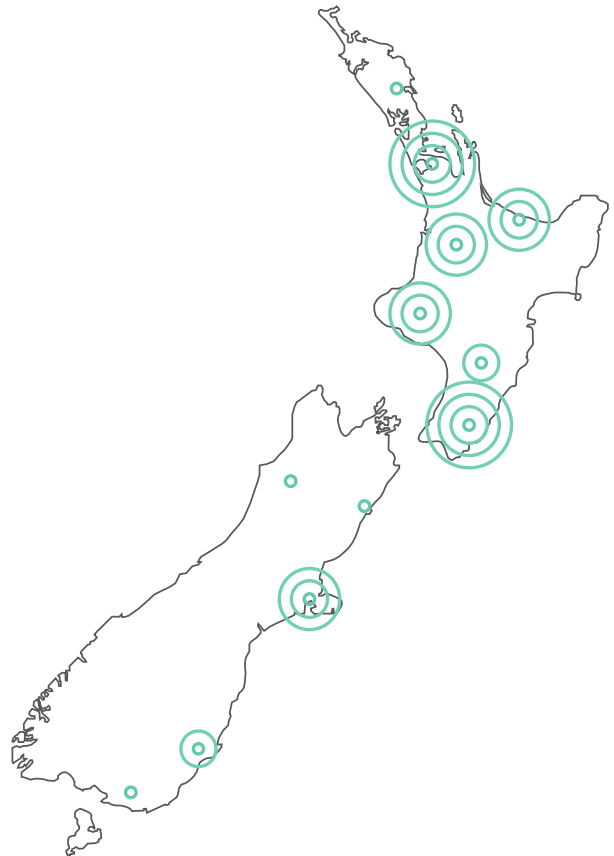
Limitations

We did not approach the actual individuals who are unable to access bank accounts. Instead, we started with the agencies working in these communities, as we felt this was more respectful. We do, however, think the problem was clearly articulated by these agencies, as they see the problem day in and day out. A respectful approach to some individuals who would like to tell their story could be done in another phase of work if it’s considered appropriate and useful.

We contacted quite a few agencies and government departments that did not respond to our request. Although we got a comprehensive view, there may be more opinions and information out there than we were able to obtain in the study’s timeframe.

Map of where the participating agencies are located

Note: some are national agencies with regional offices.

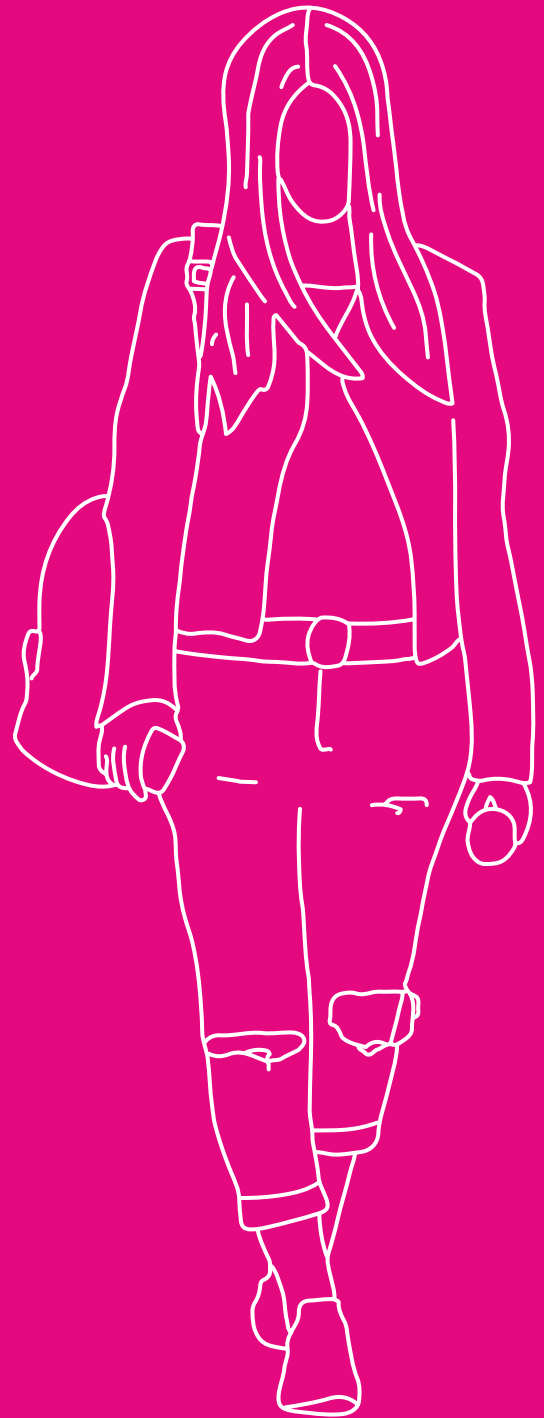


Section 2

Findings

The findings in this section initially explore the themes that emerged in the research around the barriers to obtaining bank accounts.

We then dive deeper into the particular issues that affect different communities of interest and list some of the workarounds people employ.



To underscore the points made, we have used direct quotes from our participants, without revealing their identities (participants are referred to by their internal project number). In some cases, we have edited the quotes for readability, by adding missing words or summarising a thought from a longer paragraph. To illustrate the experience further, we have created some representative case studies, based on the amalgamated stories we were told.

Ownership of an account is not a static thing – throughout their lives, people may dip in and out of having bank accounts, often because of some disruptive event in their life (going to prison, escaping violence, spending time in a mental health facility, becoming homeless, experiencing insolvency). Accordingly, the number of people who are temporarily or permanently unbanked is always fluctuating. To get out of this situation, these people must get past both the systemic barriers and the perceived barriers (e.g., feeling judged). The length of time a person spends stuck in this unbanked phase depends on the size and number of these barriers, and how much support they receive throughout the process.



The barriers to obtaining a bank account

The research uncovered many different barriers that people come up against when trying to open a bank account. We start by explaining the common barriers that impact most communities. The next section explores the more nuanced, community-specific barriers.

Obtaining ID

The most common barrier experienced by people across all groups was obtaining ID.

This is required by most banks to satisfy AML Act requirements. We heard that sometimes, where a person has had some form of ID in the past, they may no longer be able to access it for various reasons (e.g., family breakdowns, mental health crises).

Re-obtaining the required forms of ID, such as a birth certificate, passport or driver's licence, can be cost prohibitive. There is variation between banks as to which forms of ID they will accept. In addition, it can take time, effort and paperwork to get an ID, a difficult task for someone experiencing hardship.

Proof of a fixed address

Showing proof of address was also a barrier, particularly for people who are homeless, have just moved into emergency housing, or are couch surfing with friends and family. This may include people living in camper vans and boats. Social service agencies sometimes offer their own address for banking purposes.

One organisation that works with youth, tried to circumvent the address issue by bringing a police officer with them to the bank, in order to verify the address of a youth trying to open an account. Despite being shown the address from the Police database, the bank still did not accept this as evidence.

“Bringing in a letter from home isn't the holy grail of identification proof, it doesn't make much sense when you've got a police officer who's got live data that they can show you.”

–Participant 35

Bad credit history

Not being able to open or access a bank account can be an issue when a person has experienced insolvency or has a history of bad debt at banks. We heard about this challenge from many agencies that deal with money management. Sometimes people get into trouble with overdrafts, and they simply abandon their bank account and switch banks or use a family member's account instead.

Being trespassed from banks

Aggressive behaviour can happen at banks for a variety of reasons. We heard that the experience of dealing with a bank can be extraordinarily difficult for people in the middle of a crisis, and those with certain mental health issues, and that this can lead to people acting out at banks. Sometimes seeing a security guard can create anxiety or fear and things escalate. Dealing with money is an emotionally charged issue for people in vulnerable circumstances and situations get heated, particularly when they are turned away without help. It was acknowledged by the participants that banks also have a duty of care to keep their staff and other customers safe.

Accessing a physical branch

Visiting a physical branch is generally a requirement for opening a bank account in Aotearoa New Zealand. With physical bank branches declining (Reserve Bank of New Zealand, 2021) and opening hours becoming shorter, this has made accessing a branch more difficult for some communities. For many community service providers, the people they work with don't have cars and are unable to access transport to get to branches.

Even if they can arrange transport, getting time off work to get to the bank can be difficult. We heard this was especially true in rural areas.

Financial literacy

Multiple organisations said that financial literacy can be a challenge for the communities they deal with. They described situations where individuals visiting a branch struggled to understand the language used within the process and in the paperwork. This created fear, embarrassment and a general barrier to engaging with banks and completing the necessary forms.

“ A lot of people working in a bank use language that even I don't understand, and it just makes you feel stupid, and most people aren't.”

–Participant 22

Digital literacy and access to a device

Setting up a bank account and then accessing it can require using a digital device. Multiple organisations stated that having access to a device and a decent internet connection wasn't always guaranteed, and general digital literacy was a challenge.

Fear of judgement

Many of the communities involved in this research expressed that individuals and whānau can fear judgement when walking into a branch and dealing with bank staff. The corporate nature of the banking environment can feel foreign and they can feel out of place. Because of their backgrounds, how they look, how they talk etc., people can be fearful of experiencing prejudice.

“ They can feel like very professional environments.”

–Participant 6

“ Going into a bank can be intimidating for those with low self-esteem; they are fearful of being judged.”

–Participant 16

Inconsistency in application of rules

A challenge many organisations faced was the inconsistency in how banking rules were applied. Many times, these organisations would use some form of evidence for a person's identity or address, and sometimes it would be accepted, and other times it would not, depending on who was serving them. This leads to a lot of confusion and delays, as organisations are unsure of what they need their clients to have.

Not identifying with their given name

If someone is transgender, has always been called by a different name, doesn't know their birth name, or is wanting to separate themselves from the trauma associated with their given name, they may have challenges obtaining ID and completing banking forms. We heard that for some people who want to change their name legally to avoid these issues, the process is cost prohibitive.

While we have highlighted the main barriers to accessing a bank account, the other barriers that people experience tend to be more nuanced and complex and can contribute to the main issues described.

These additional barriers are described in the next section, where we highlight the experiences of particular groups in trying to get bank accounts.

Note: This does not mean the following groups experience all the issues, nor does it mean that everyone in these groups has trouble obtaining bank accounts.

Community-specific insights

Rough sleepers

Rough sleepers, in the context of this research, were defined by participants as people who were sleeping on the street or couch surfing with friends or family. They were described as transient; generally not staying in one location for long. In general, for both Māori and Pākehā, most were middle aged, although with some youth as well.

Impact of mental health

Mental illness is a common issue within the rough sleeping community. At times, the severity of a condition makes it difficult for an individual to understand and engage with banking staff, paperwork and their environment. The cognitive challenges presented can lead to emotions rising and overflowing into confrontational behaviour. It's not uncommon for these individuals to be trespassed from banks, thus creating a further barrier to banking.

Mistrust of banks

The fear of losing control of their money and thinking that banks have other agendas can lead to a deep mistrust of banks within the rough sleeping community, creating a further barrier. It can take community support workers a year or two to build relationships with rough sleepers, enabling them to engage and make a connection. With banks, every time an individual goes in, there tends to be a new bank employee serving them, so there never is a chance to build that trusted relationship.

“ Walking into a bank can be like walking into a hospital for some people. It's an environment they immediately stress up about and they don't feel comfortable as it's not their world.”

–Participant 22

“ It would be good if the banks had an understanding of these guys' circumstances and could see why they're so upset. They need to understand their whole story.”

–Participant 2

Personal hygiene

It can be difficult for bank staff to engage with rough sleepers who have challenging levels of personal hygiene. Staff can also have concerns around the experience of other customers.

Limited social capital or social connection

Having an acute mental illness or living a transient street-based lifestyle can make it difficult for someone to develop social capital. Mental illness can make it hard to develop and maintain relationships with family, friends and support services, yet these relationships are key social capital that can be used to navigate banking barriers. Moving from town to town creates further separation from these links. Lack of social capital also makes verifying someone's identity difficult and can slow down the process of getting of ID.

Limitations on support services

There are many non-government organisations (NGOs) in New Zealand that are well equipped and eager to support the rough sleeping community. These organisations often try to work with banks to overcome the barriers described here, supplying alternative forms of ID, becoming approved signatories, etc. However, these organisations stated that restrictions around these alternatives are becoming tighter and tighter.

Lack of formalised processes for complex needs

The NGOs that work with the rough sleeping community said that, when dealing with banks, there doesn't appear to be any formalised process for customers with complex needs, such as rough sleepers. The support workers' ability to make progress seems to depend on who they talk to at the bank, and how helpful they are on the day, rather than a consistent process.

“ Things like this mean they return to offending because they kind of give up.”

–Participant 34

The impact

When the rough sleeping community is unable to obtain bank accounts the situation becomes a vicious cycle. Not having a bank account means people are unable to receive income or a benefit. It means they are not able to pay bills, such as bond, rent or power, when they are offered a home. They are forced to return to the street and engage in other ways of supporting themselves, such as begging and sometimes crime. People feel they have little choice or control, and are left feeling disempowered. Their rejection by the bank reinforces their mistrust of institutions.

Furthermore, rough sleepers must resort to carrying cash, which can be dangerous. Gangs often hang around the homeless communities. They know who the new and vulnerable people are and can use violence to get the cash or basic cards these people may be carrying.

“ They need a bank account for everything.”

–Participant 10

Story of a rough sleeper

Say hello to Jack. For most of his adult life, Jack has suffered from schizophrenia. His mental health has made it difficult to cultivate social connections, hold down a job and maintain supportive relationships. This has led to him sleeping on the street, with next to nothing to his name.

Jack knows that to survive he needs money; he knows he needs to get a benefit.

Jack walked across town to a Work and Income office.

He felt out of place; he knows he's not well groomed and he was dressed differently from everyone else. People were staring and he felt anxious. The conversation with a staff member was difficult for Jack to follow, but he **learned that he qualified for a benefit.**



However, he **needed to open a bank account** to receive the funds. He asked if he could receive cash instead but was told they couldn't do that. Jack doesn't have a phone or computer, so he walked into the nearest bank branch.



Immediately he felt out of place again; everything felt so formal and corporate, and people stared at him. The security guard began to hover around. Jack's anxiety increased.

When it was his turn to speak to the bank teller, they informed him that to open an account he **needed to have ID and proof of a fixed address. Jack didn't have any of that.**



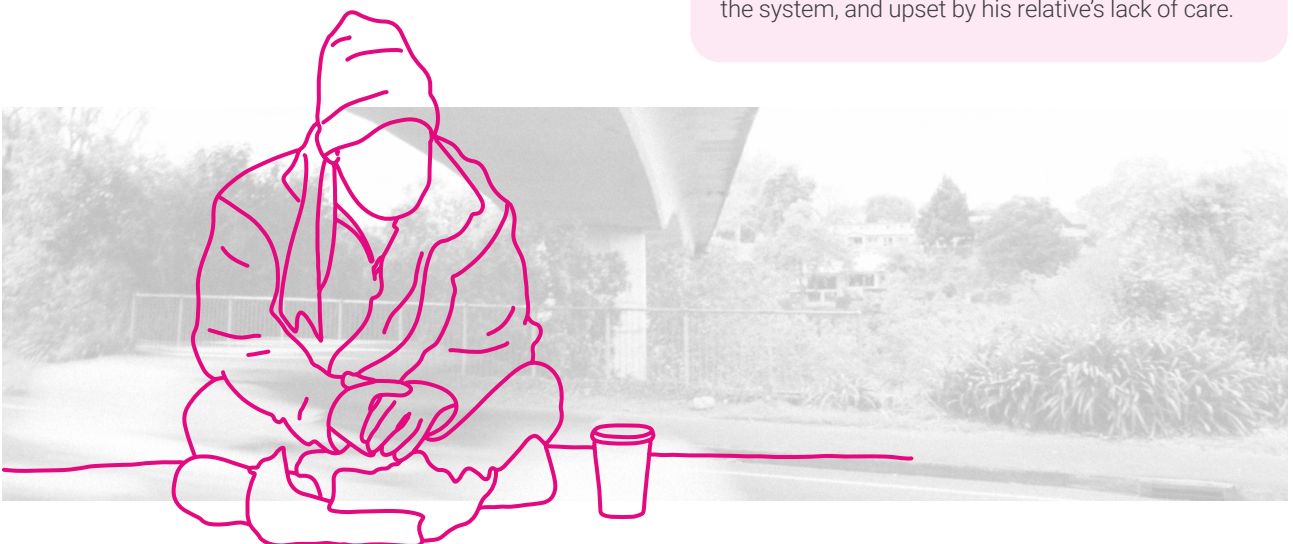
Feeling hungry, judged and confused, his anxiety went up to boiling point and he shouted abuse at the bank staff. The police were called, and **he was trespassed from the bank.**



The police referred him to an outreach support agency. Hearing about the episode at the bank, a **relative offered to have Jack's benefit directed to their account**, draw it out as cash and hand it on to Jack. Relieved, Jack agreed and this was arranged through Work and Income.



Within a few weeks, Jack noticed that the amount of cash he was receiving was getting smaller. He confronted his relative and there was an argument. They parted ways and Jack remained on the street, with **no bank account or any form of financial support.** He was left feeling rejected and angry with the system, and upset by his relative's lack of care.



Involvement with the criminal justice system

This category was defined as those who had been released from prison or who had previous convictions.

Closed accounts

When an individual goes to prison and their accounts become inactive, banks may close these accounts. The individual will then need to open new accounts upon leaving prison. However, they sometimes have old debt with their bank and are rejected. Others who end up in prison may never have held a bank account or they have lost track of their identity documents.

Criminal history

Some crimes, particularly financial crimes, can leave an offender in a situation where banks will refuse to serve that individual for reasons of risk and negative association.

Social isolation

Committing a crime and going to prison for it can be an isolating experience. People can leave prison with limited ties to their family and friends; yet family and friends can be a crucial support network for reintegration back into society.

501 deportees

We heard conflicting accounts of what happens to 501 deportees (criminals extradited from Australia back to New Zealand). One organisation that sees many deportees in its region told us that deportees tend to go straight to gangs to get support, because they have little documentation to support their reintegration with banks and other agencies. Another agency thought 501 deportees had passports, making this less of a challenge for them, than for people leaving prison.

The impact

Leaving prison often means starting over with everything and not having any ID. It takes money to get ID, and it takes a bank account to get money, thus a vicious cycle is established. The nature of a person's conviction may result in their rejection by banks and employers. Westpac and the Department of Corrections are seeking to address this issue through the New Start programme which provides prisoners with the required identity documents to set up a bank account before release. Without significant social capital to fall back on, people can end up in gangs and a life of crime. There have been cases where organisations try for a long time to open an account for people who have left prison, and a bank finally agrees. However by that stage, it's usually too late. The person has already gone off the grid.

“ Time is very crucial - we've got 1-2 weeks once they come out of prison.”

—Participant 19

Youth without family support

This group was defined by the research participants as, predominantly, youth who are without much family support, who may be in youth justice, in the care of the state (Oranga Tamariki), or who are not in employment, education or training (often referred to as NEETs). We did not define an age range for these youth for this research.

Family breakups

Youth may no longer live or have contact with their family for a variety of reasons. This can mean they have no permanent address, have difficulty accessing any ID, and possibly have no parent or guardian to help them understand how to get into banking. Leaving the family home also tends to remove financial support and easy forms of transport.

“ A lot of these things you can only get if you have the other thing – it’s like a circle that goes round itself.”

–Participant 35

Youth in state care

Getting a legal guardian to support a bank account may not be easy or possible. Obtaining ID has challenges as well, depending on the situation of the parents and the nature of the case. In addition, children in state care get pocket money, which used to be given in cash. Nowadays, without bank accounts, they are given pocket money payments via gift cards instead.

No experience in a formal environment

Many of these youth have never been in a banking environment and are unfamiliar with dealing with adults in a formal setting. Even when staff try to be friendly, youth can misinterpret this and think they are being made fun of. Alongside fear of judgement, these feelings can cause youth to act out and risk being trespassed from banks.

“ If they don’t have a bank account, they don’t have money, full stop.”

–Participant 6

“ You would think within a ‘pathways to future life workshop’ that the driver licence would be the most difficult, but by far and large the bank account is the most difficult. All 10 youth who were on the programme this year were unable to open an account.”

–Participant 35

The impact

Aside from the obvious impact of not being able to receive financial support, moving into adulthood without access to banking can have a significant impact on a youth’s identity. Having a bank account and being able to access their funds gives an individual more leverage to engage in society. It gives them some decision-making autonomy through which to explore who they are. Without a bank account or access to any significant amount of money, these opportunities are missed.

In addition, young people’s employment prospects can be affected. With no bank account, youth who are wanting to work are faced with three options:

- don’t work, and lose a potential form of income and chance at independence
- work under-the-table cash jobs, putting them at risk of exploitation and tax issues
- find work and use a family member’s or friend’s account, making them reliant on other people’s trustworthiness.

“ The impact is huge, they can’t pay board, they can’t go to training, they can’t go to health appointments, they can’t go to job interviews...”

–Participant 45

Story of a youth without family support

Imagine a young woman, aged 18, who hasn't had a job or a bank account before. This is Kayla's story.

Kayla applied for the **Job Seeker's Benefit at Work and Income**, because she left her care home and wanted to be more independent.



Work and Income **referred her to a community organisation that would coach her and help her** find opportunities for employment. The organisation told Kayla the first thing she needed was a bank account, so **she could get a benefit immediately, and then hopefully some wages from a job in the near future.**



The closest bank was 7 kilometres away. Kayla **walked all that way to open an account.** She was nervous and tired when she arrived. The bank gave her some paperwork to fill out, but she **didn't understand the forms** and felt like they were asking too many questions.

Kayla felt silly, because she thought she was just going to open an account and get a debit card on the spot. **Her confidence was shattered.**



The bank teller kindly explained that **she needed ID,** but Kayla hadn't lived with her parents for several years and **didn't know where any of that stuff was kept.**

She left feeling humiliated, angry and defeated, because she was trying to be independent and it didn't work out. **Kayla didn't have any money and didn't know what to do next.**



Insolvency, bankruptcy, victims of scams and bad credit ratings

This group was defined by the research participants as people who have become insolvent, bankrupt or have poor credit ratings. We have included those who they saw as vulnerable to scams, such as the Pasifika community and the elderly. These scams often result in poor relationships with banks, which can impact on people's access to accounts.

Closure of accounts and inability to open a new one

When someone becomes insolvent, some banks automatically freeze their accounts, regardless of whether there is \$1300 available in the account (being the amount at which the money in the account becomes considered an asset). While it is a bank's right to do this, it is not required of them. Once an account has been closed, it can be difficult to open a new account. In a survey done in 2022 by the Insolvency and Trustee Service, 48.96% of 192 respondents said they faced account closures, and 21.88% said they had difficulty in finding a new bank or credit union.

The impact

Individuals going through insolvency or bankruptcy who have their accounts closed are left to rely on friends and family members who let them use their accounts for benefits and other income. More than this, not having a bank account also limits the help these people can receive from organisations like budgeting services. Financial mentors need to see bank statements as a starting point, to verify expenses, to then set up a budget. This transaction history is also important as proof for creditors, who are wanting their loans repaid. Sometimes, if they can't see transaction histories, they threaten fees and heavier actions, making it harder for people experiencing insolvency and bankruptcy to recover.

There is also an impact on the family member or friend receiving the benefit on the insolvent person's behalf. We were told of one instance where a sister was receiving her brother's benefit, with his debt repayments also coming out of her account. This caused the sister ongoing issues, as she too was trying to sort

out her finances, and the bank would regularly question her about the transactions coming in and out of her accounts, and to whom the debts belonged.

It was out of the scope of this research to investigate thoroughly the various financial scams and their impact. However, it did appear that being the victim of a scam can cause debt, leading to closure of accounts. More work could be done to explore this issue. We also heard that, despite the AML Act, vulnerable people are sometimes tricked or induced into participating in money laundering activities as "mules". For example, where a customer allows their account to be used for scammers or fraudsters to deposit cash, then under their direction transfers the money to other specified accounts, often offshore.

Trying to set up a new account when you have been insolvent or bankrupt, or have a poor credit rating, is not only time-consuming and tiring, but also stressful and embarrassing, especially as it often requires approaching numerous banks, in some cases located very far away, only to be faced with rejection. In addition, sub-groups such as women, younger people and Māori are impacted by this issue at disproportionate rates (Robson, 2021).

“ What our families who are struggling tend to do is, if they have an unpaid overdraft at one bank, and that account gets closed, they hop to other banks until it catches up to them and then no one will open an account.”

—Participant 48

A story of insolvency

Amy has always had difficulty managing her finances. Recently she found herself with substantial amounts of debt, and as a result, she entered the insolvency process.

When the banks were notified of Amy's insolvency, they **shut down her accounts**, leaving her with nowhere to receive her benefits, and struggling to pay her bills and rent.



Seeing her struggling, Amy's sister stepped in to help her, and after a tricky process, **Amy redirected her benefit to her sister's account.**



Getting desperate, she started travelling further afield, with her baby in tow, to see if there was any bank that would help her.



Amy approached another bank to try and open an account with them. However, they **refused to do so, as she was insolvent.**



Not wanting to be dependent on her sister, or to cause her any extra inconvenience, **Amy visited every local bank** (which isn't very many, as she lives in a small town) seeking to open an account, but each time was met with the same answer.



Eventually Amy came across a smaller bank that was willing to take her on. It's **three hours from where she lives**, meaning it will be quite a hassle to visit in the future, but she is grateful that at least she can open her own account and take control of her finances again.



Migrants, former refugees, and those with refugee-like backgrounds

This group was defined by the research participants as people entering the country as refugees or with a similar background (such as asylum seekers), and families of former refugees who are sponsored by the former refugee to come into the country under the family support or partnership category and are treated as migrants. It also covers potential overstayers and those coming from the Pacific region.

There wasn't agreement among participants on whether quota refugees are better supported to get bank accounts than other categories of refugees and migrants. Most participants said that quota refugees (refugees who come in under the official refugee programme) were supported to get a bank account during their 6-week induction at Māngere Refugee Resettlement Centre. Quota refugees tend to have their ID documents and a fixed address.

Language

For people coming in from overseas, one of the biggest challenges they face is not knowing English. If people can't speak the language, they are unable to engage in the services that are available to them. The burden often falls to children, who tend to pick up the English language faster than their parents but are often unable to translate the legalities of what is happening. To make matters even more difficult, banking processes are usually not expressed in plain English, but are filled with jargon and, at times, lengthy legal disclosures required by regulation that even support workers say they struggle with.

“ I've got a master's degree in English, and I received a document that even I couldn't understand.” –Participant 13

Cultural differences

For some former refugees and migrants, there is a cultural difference, where it is usually only the breadwinner of the family who has a bank account. Other members of the family may use this account, instead of having their own.

Low trust in institutions

Due to experiences in their home country, former refugees and migrants can have extremely low trust in institutions. If institutional corruption and bribery are common in their homeland, then there is a chance that migrants and former refugees will bring that distrust with them, and not open a bank account for fear of having their money seized. There appears to be a link to people's age at play here too: migrants and former refugees who come into the country as youths tend to overcome this barrier more readily than those arriving as adults.

It's interesting to note that the banks are only one part of the new systems that migrants and former refugees face. If a migrant or former refugee faces an issue somewhere else, such as at a school, this can affect the way they feel about all other institutions, including banks.

Visa overstayers may also be reluctant to approach banks, due to the legality of their situation.

Lack of support

Migrants, asylum seekers and people with refugee-like backgrounds, are often unsupported when they transition to Aotearoa, and are entirely dependent on any family they have here. If their family don't have the skills or knowledge to support them, then they can't help them get into the banking system.

Lack of ID

According to our research participants, refugee youths in particular can struggle to open accounts, as the only form of ID they have is their refugee travel document. Participants reported experiences where some banks often won't accept this document as a form of ID, because, even though it doesn't expire, when refugees arrive in Aotearoa the document is no longer valid for them to travel on, so banks treat it as expired⁴.

The impact

Having to start out in a new country, unable or unwilling to access banking can leave migrants and former refugees vulnerable. Everyone needs a form of income, especially when trying to support their family. But without an account, migrants and former refugees cannot receive the MSD payments they are entitled to. This often means they must find jobs that pay in cash. However, it isn't always possible to find a legal cash job, and under-the-table jobs open them up to exploitation.

In addition, as migrants and former refugees build up savings, they must find ways to store them. For some, it may be as crude and insecure a method as putting the money under a mattress at home.

“ There's quite a few other things attached to the account, not just the account. There are other opportunities that you miss because you don't have an account.” –Participant 3



4. The researchers note that Westpac does allow this to be used as a form of ID. It should also be noted that participants often referred to “banks” in general without naming which one(s).

A story of Afghani nationals

After the government of Afghanistan was overthrown last year, New Zealand brought in 1,700 evacuees over the course of 12 months. These people are not considered to be refugees, but share similar struggles to asylum seekers. For the vast majority, the transition was relatively smooth, and they were able to access basic services, like banking. However, for some, it wasn't as easy...



Akram arrived in New Zealand after fleeing from Afghanistan. He only had the clothes he was wearing. Unlike refugees coming through the quota programme, he didn't have his residency processed before his arrival, so **he didn't have any legal identification documents with him.**



These checks lasted 8 months. During this time, Akram had no ID, and was therefore unable to open a bank account. **He couldn't access any benefits either, or get official employment.**

Although Akram was grateful that his rent was paid through the Emergency Fund, life was still difficult. He tried to settle into Aotearoa, but **on \$80 a week, Akram couldn't purchase the things he needed**, like a car, TV or other household appliances.



In most cases, processing for Afghan nationals was extremely fast, and they were able to get their ID quickly and therefore access most basic services. However, due to his job in Afghanistan, it was decided that **Akram needed further safety and security checks by Immigration.**



Instead, he relied on the weekly \$80 Prezzy cards he got as a stop gap from Immigration New Zealand, which he used for his day-to-day expenses.



So, he took on under-the-table cash jobs. **This left him vulnerable to exploitation**, and had legal ramifications, but for him, it was a risk worth taking.

Until he could get his bank account, Akram was left feeling excluded from the society he hoped he would be a part of.



Sex workers

Due to the level of anonymity required and fraudulent behaviour by some clients, sex workers prefer to deal in cash. This is true for those working in brothels and working independently. Whilst we learned that many sex workers manage cash well, there are potential challenges, such as the risk of receiving counterfeit funds.

Fear of exposure or judgement

Sex workers may feel exposed when going into a bank branch with cash. This is not exclusive to sex workers, as banks may be suspicious of anyone with large cash deposits (or even moderate amounts like \$300), and some questions may be asked of the depositor. This can be an issue because despite sex work being decriminalised in New Zealand, stigma remains. Therefore it's not uncommon for sex workers to want their source of income to remain private.

“ There are stigmas attached to being a sex worker.”

–Participant 44

“ Banks can be busy and overwhelming; [customers] want a quiet conversation.”

–Participant 44

Tax implications

A fear of authority or lack of tax literacy can be an issue for some sex workers. They can be afraid that if they deposit substantial amounts of cash, they will be liable for a large tax bill.

The impact

Whilst we learned that the common issue of obtaining ID was the main challenge for a small group of sex workers and banking, using cash adds a layer of complexity. Sex workers have similar challenges as those experiencing lack of an address, itinerancy, incarceration, lack of computer literacy and poverty level incomes.

There is the added issue of depositing cash, which doesn't necessarily limit their ability to obtain bank accounts but may put stress on the banking relationship.

We learned that some sex workers pay for safety deposit boxes for their cash instead of using bank accounts, making it harder to access their money when needed. Having large amounts of cash may make sex workers more vulnerable to theft.

International students

International tertiary students coming to Aotearoa are not required to hold a New Zealand bank account. They are required to supply evidence that they can financially support themselves, and this can be through an overseas bank account. Some choose this option. Others choose to open an account here and this can cause some challenges.

In-person meetings and waiting periods

Banks may require international students to visit a local branch in person to open an account; something which clearly can't be done from overseas. Banks may also make international students wait up to 4 weeks for this meeting once they arrive, leaving them in a situation where they are forced to seek alternative forms of cashflow.

ID and proof of address requirements

Banks may have different ID and proof of address requirements for international students; some of which are harder to obtain than others. For example, some banks may require a formal tenancy agreement as proof of address, but if the student is staying with friends or family, this can be difficult to obtain.

Short-term students

International tertiary students coming to Aotearoa for a short time, such as one or two semesters, can be rejected by New Zealand banks when trying to open a local bank account. For example, some banks may require a student to provide proof of residence for a minimum period of 6 months.

In this research, we weren't able to ascertain the impact of difficulties in accessing bank accounts on this group, but our assumption is that it's less problematic, given they are able to use overseas accounts in the interim.



The elderly

We considered that this group might have issues opening bank accounts, but didn't have much evidence that this was the case. The barriers faced by elderly people seem to be more in maintaining and accessing their accounts. A participant believed that the primary issue for older people was having accounts that were "usable and thoughtful."

Obtaining ID

Some elderly people do not have ID, unless they drive, and those that do have ID tend to be male. To get the main forms of ID, they must do it online, or go to one of the main centres.

Loss of partner

We heard that the death of a spouse may cause challenges with account access. This may be due to one partner who was historically in charge of the accounts and therefore the surviving spouse is unfamiliar with the accounts. It could also be that if someone was a signing authority on an account, that authority ceases when they pass away, making account access difficult. Also, the language differences used at banks may cause difficult conversations between bank staff and customers, made more strenuous by grief.

“ Access to bank accounts and family support go hand-in-hand.” –Participant 37

The change in terminology

Over the years, there has been a shift in the language that banks use, with more colloquial and casual terms being the norm. This can cause some difficulties for elderly people who do find the language inaccessible. This also becomes a problem when talking about different account types – each bank has its own name for similar account types and these can be misleading.

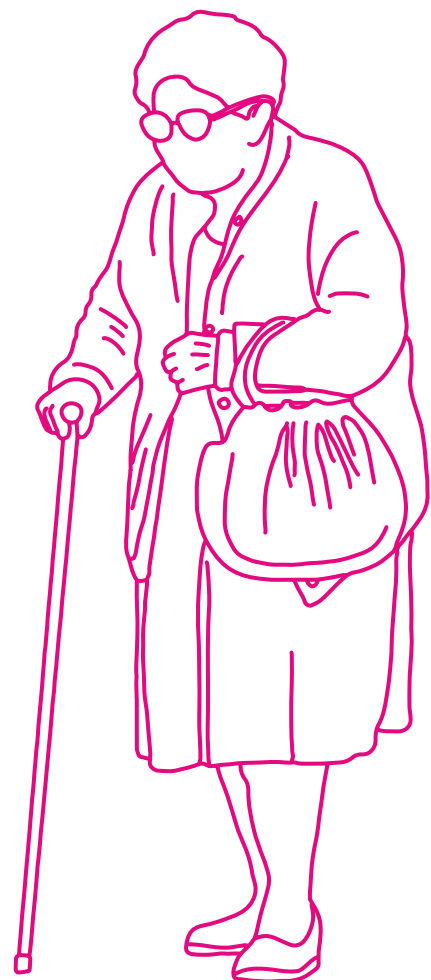
Lack of support

Some elderly people do not have a good support system around them. Without this, it is difficult for them to access and understand information.

The impact

A story was shared where a man was having a medical event, but didn't want an ambulance to be called, as he would then receive a bill. He was concerned that he would be unable to pay the bill, even though he did have money, because all his money was in cash.

Older people may also be forced to rely on family and friends to help them manage their money, which can open the door to financial abuse.



What people are doing to cope with the barriers

This section highlights several workarounds that we were told people use to either live without a bank account, or obtain one without the standard requirements. The section shows the ways that these workarounds are being employed to meet people's needs.

Gift cards

Government agencies and support services give out gift cards to people who cannot open an account and therefore cannot receive their benefits.

We heard how Immigration New Zealand gave Afghan nationals Prezzy Cards loaded with \$80 per person, per week while their immigration applications were still being processed. While this was a good temporary solution, as people could choose where to spend their money, it was also limiting as they couldn't buy larger necessary items.

Oranga Tamariki also uses gift cards. It allows the children in its care to nominate where they want their pocket money gift cards to be for, for example The Warehouse or Hunting and Fishing stores. This option is limiting, however, as it doesn't allow for other options, such as saving pocket money for future use.

Work and Income payment card (Green Card)

This is a MSD-supplied card that can only be used to buy 'essential items', such as food, clothing and medication. The cards can only be used at registered stores, and the funds must be used within 7 days of being issued. Whilst these restrictions were a part of the policy intent, to ensure that the money was spent on essentials only and not used for other purposes like gambling, they can be very limiting for users who rely on them, so are not a valid long-term solution for those who are unbanked. There is also a stigma attached to having the card.

Work and Income voucher

MSD can supply a voucher to be used instead of a payment card in situations where payment is required but there are no EFTPOS facilities, for example to make a payment to a landlord.

Benefit redirection

If someone is unable to open a bank account to receive their benefit, it is not uncommon for this person to have their benefit redirected to a friend or family member's bank account instead. This friend or family member will then draw out cash and hand it on to the beneficiary. A common consequence of this arrangement, however, is benefit theft.

Total Money Management services

For individuals who are unable to effectively manage their finances at all, an arrangement can be made with MSD and other agencies to give a nominated support service the authority to manage the individual's finances. Income and benefits are directed to the support service, which pays bills etc. on the individual's behalf. While this is sometimes the only real solution, it can be disempowering, as the person is now dependent on that support service. We heard a variety of views on this topic, but for some, it's the only option even if it's not ideal.

Some organisations may choose to give their clients gift cards as cash, which also isn't ideal, as there is a replacement fee of \$15 should the card get lost or stolen, which for some people happens on a weekly basis. Yet, there are benefits too, including that the client can move around more. Instead of waiting for their cheques from their money manager, like they did in the past, clients can now have money loaded onto the card remotely. One person told us this meant her client could take up seasonal work by following the crops.

Working a job that pays an organisation, rather than the individual

One NGO has a contract with a large company, where the NGO is almost like a supplier, receiving the work from the company and giving it to their clients. The NGO receives the payment, deals with the tax, and then pays their clients. This is a small project, and it doesn't supply enough money for the individuals, but the system gives them a sense of normality.

Credit unions and avoiding the big banks

People struggling to get into the big banks may use a credit union as a temporary solution. With fewer requirements, the process for getting an account with a credit union may be less stressful. Some credit unions may accept the Steps to Freedom ID given to those leaving prison, or accept people with a bad credit history. The downside is that some credit unions require people to make a payment into their account first, before they can use them, and the accounts may be closed after a few months if they are unable to fulfil the proper ID requirements. In general, there was a perception that the larger banks are harder to deal with, so the preference is to use credit unions, smaller banks or New Zealand owned banks.

Safety deposit box

People who deal with large amounts of cash are sometimes encouraged by support services to open safety deposit boxes at banks and store cash there.

Pawn shops

When short on funds, some people may choose to go to a pawn shop and sell an item of value, e.g. a cell phone. For people without ID, pawn shops with looser selling requirements are typically targeted.

Begging

If an individual who lacks social capital is unable to open an account to receive income or a benefit, they may be forced to live on the street and turn to begging to make ends meet.

Kiwi Access Card

The Kiwi Access Card is an alternative form of photo ID for those who don't have, or can't get, a driver's licence or passport. Kiwi Access Cards are sold by Hospitality New Zealand. The cost is currently \$60, and this fee will sometimes be lent or gifted to an individual by MSD or another support service. Applications can be made online or at a participating NZ Post shop or AA centre. The Kiwi Access Card website states that one of the following identifying documents is required, and must be either current or have expired within the past 2 years:

- passport (New Zealand or overseas)
- New Zealand driver's licence
- firearms licence
- 18+ card
- certificate of identity
- refugee travel document.

Correspondence with a support service

There are many NGOs and support services in New Zealand that are passionate and well equipped to help vulnerable communities. These organisations have been known to work with banks to help people with complex needs into banking. For example, in lieu of a fixed address, the support services may provide a letter to the bank stating that the individual in question either lives onsite at, or frequently visits, the support service's premises. These non-standard alternatives rely heavily on the following point.

Accommodating bank staff

Support services often spoke of how crucial it is to strike the right staff member. The ability to explore non-standard alternatives and cater for complex individuals requires bank staff with the knowledge, authority and desire to deviate from the standard path and make something work.

Letter from the school principal or dean

For youth who cannot prove where they live, sometimes getting an official, stamped letter from their school leader confirming their name, attendance and the address the school has on file can be sufficient for banks.

Letter from Immigration New Zealand

For migrants who come from refugee-like backgrounds, and lack the supporting evidence needed to get an account (usually proof of address), a letter from Immigration New Zealand can help. One support agency goes to the same bank that the sponsoring former refugee uses, and arranges a meeting to discuss the possibility of using the former refugee's evidence to support the migrant's account application. This evidence is a letter from Immigration New Zealand to the sponsor, with the migrant's name on it.



Estimating the size of the issue

One of the goals of this research was to understand the scale of this issue; how many people are living in Aotearoa New Zealand without bank accounts? Very quickly, we discovered that due to the lack of data, capturing the precise numbers of such people was likely to be impossible, and not obtainable within the scope of this project. Instead, we created an estimation framework that, if fully realised, might give a reasonable approximation of the number of people affected by this issue (see Appendix 1).

We thought about what it would be like to do a population survey to estimate the size of this issue. However, it's evident that the bulk of the challenge resides with people who would be less likely to engage with a survey of any kind and would be inherently harder to reach.

Adding to the difficulty, was the way participants described the numbers of people affected. For example, some gave us an indication of those they were currently working with who didn't have accounts, but noted that some of these people may have had an account in the past, or do currently have an account but have lost track of it. Also, the numbers fluctuate.

One year, an organisation may not have this issue much, then the next year see a spike – the patterns aren't obvious. This makes a snapshot count difficult. A more accurate set of definitions might help, such as a person who has never been banked, versus one who has intermittently banked, versus those who reject banks, etc.

To get to an estimate, we also asked all our participants their personal thoughts on how big they thought the issue was. The responses we received varied, demonstrating that it is very difficult to obtain a conclusive figure or even a range.

Almost all participants agreed, though, that this issue only affects a small fraction of the population. But it is evident that a high proportion of this small fraction is made up of people from vulnerable communities who have complex situations and are faced with disadvantages.

Another way of looking at it would be that the number may be quite low in the general population, but is high in vulnerable groups (see Appendix 2 for all the estimates from participants).

Snapshot of the unbanked population



Note: From the conversations in this research, we gleaned that some groups are having more trouble than others obtaining bank accounts. This is not an exact numerical representation, but is a snapshot view of those who are more likely to feel the impacts.

Other findings

While carrying out our research, we discovered other issues that were not directly related to individuals being unable to open bank accounts. Although these issues technically fall outside the scope of the project, we have recorded them because they give a fuller picture of how difficult banking can be for some communities.

Banking for not-for-profit organisations

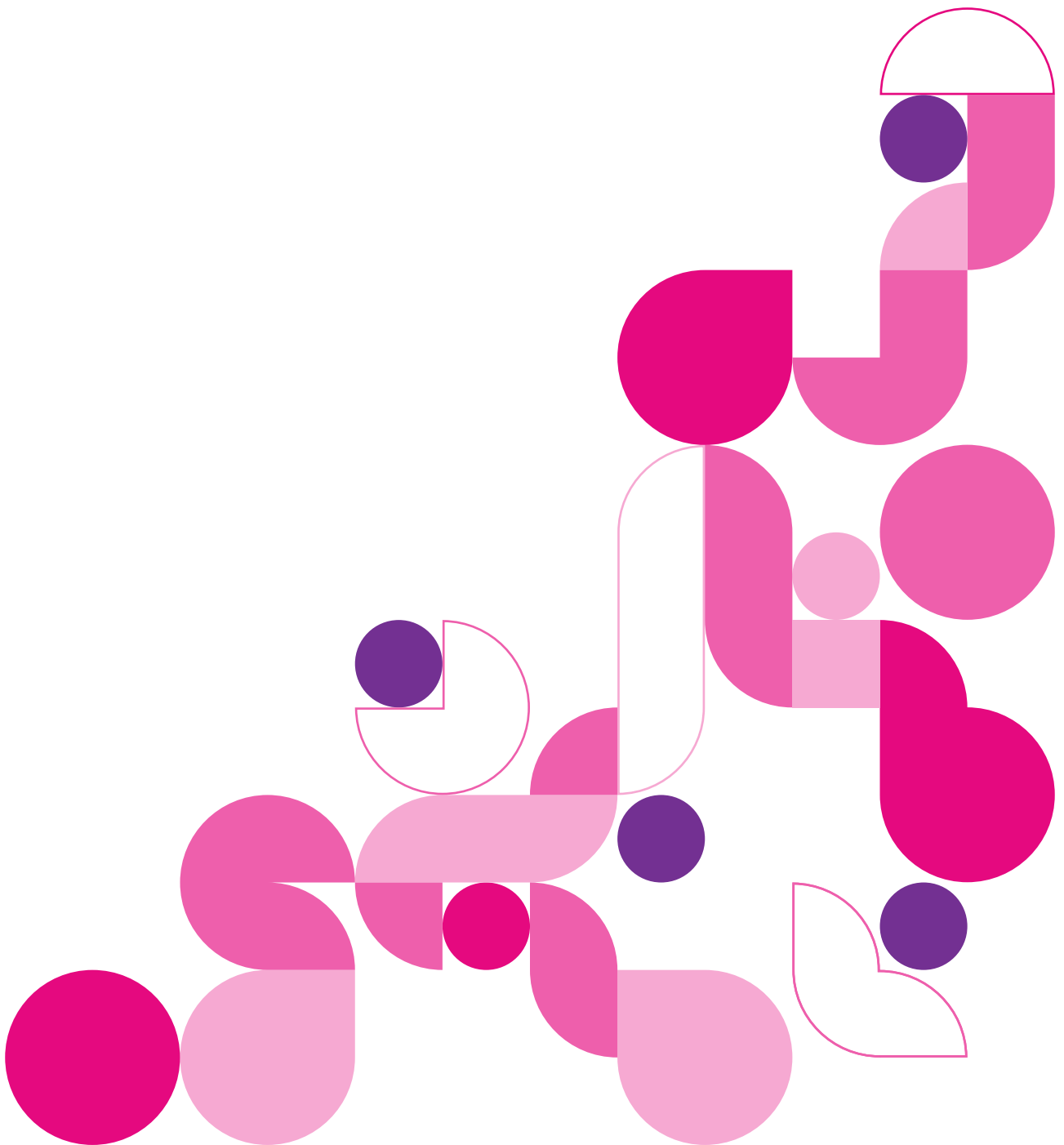
We talked to Community Networks Aotearoa (CNA), an organisation that represents 61 community networks across the country. They told us that banking is becoming increasingly difficult for not-for-profit organisations (NFPs), as government regulation and banking policies create more requirements to be met when obtaining accounts. A high number of NFPs have apparently experienced issues with bank accounts. Because of this, they have commissioned a researcher to explore the issue in more depth. The report is expected to be released in early-mid 2023.

The process of changing signatories on accounts can be challenging. After an AGM, NFPs need to change the signatories to reflect the new leadership. However, this can be a hassle for some due to having to go into branches, with the risk that, if an error is made during processing, their account could be locked, sometimes for months or even years. There have been cases where signatories have passed away, or the banks wouldn't recognise a power of attorney over a signatory, making the changes quite difficult. This means the NFP cannot apply for funds, pay its staff, or do the mahi for its community. There have been instances of organisations turning to third-tier lenders, as a solution to their immediate needs.

CNA believes that banks' interpretation and implementation of the AML Act is the main cause of these issues. There is no differentiation in the AML Act between a private and charitable trust, even though NFPs operate under different legislation, such as the Charities Act 2005. The ways these different policies and acts interact are placing huge demands on the leaders of these organisations.

The need for collective banking

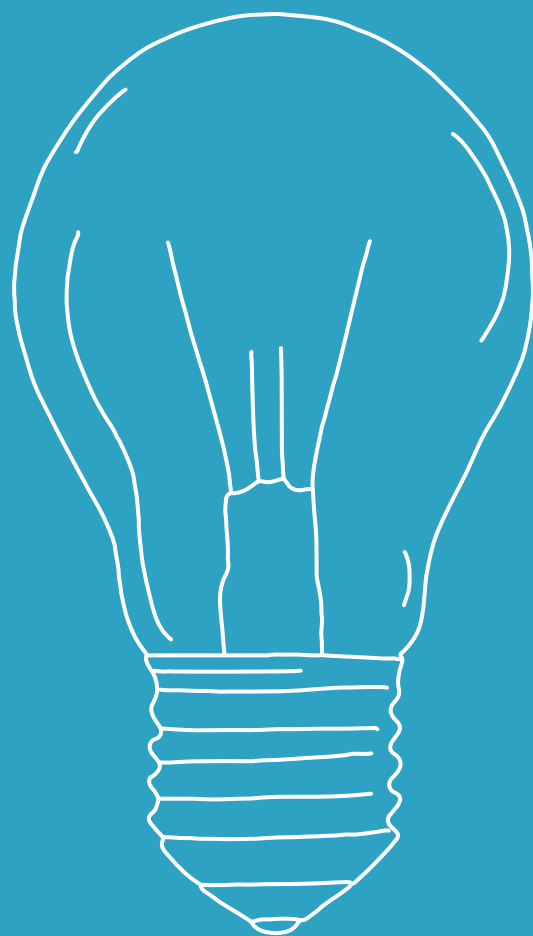
We heard from a few organisations that, especially for migrants and former refugees, the traditional way of banking might not always work for them. These communities may come from a more collective model, and so prefer to have one account for the family to use. This conflicts with the more individual-based model that is used in New Zealand.



Section 3

Recommendations

This section contains the ideas for solutions participants provided, alongside some actions we think need to be taken to address the barriers described.



Participant ideas

Along with identifying banking barriers, participants in this research were asked for their thoughts on potential solutions that could make things easier.

It is important to note that there may be solutions out there already. Participants' lack of awareness of such solutions potentially speaks to their reach or the consistency with which they are applied in communities. Programmes or products to reach those in hardship need to be well-considered, without placing extra burden on communities to also figure out how to engage with them.



More flexibility with identification

Obtaining ID was the largest issue we heard, and many participants wanted better solutions for their clients. The question was asked:

“ Why can't an email coming straight from the government to the bank work for ID purposes?”

–Participant 2

Having an arrangement with government agencies for them to verify someone's ID may help streamline the process, without the individual having to find ways of sourcing and financing multiple forms of ID. This could even be done as a temporary measure, to ensure that people can get their benefit or wages, then they can get their money to purchase their ID later. We heard anecdotal evidence that some bank branches may already be doing this, but there is no consistency. Some of the changes required are bigger system changes, such as relaxing the anti-money-laundering regulations or making it easier or free for vulnerable people to get ID.



An account with limited depositors

For those who have run into financial difficulty before, or are having trouble gathering ID quickly enough, a simple ring-fenced account could be a way to ensure that only income from a government benefit is allowed to be deposited. That would help a person quickly get their entitlements from a trusted source without having to wade through the difficulties of proving ID and fixed address, particularly for those in crises or extreme hardship.

Accounts like this could be extended to trusted and vetted employers if the banking systems could cope with the necessary processes.



An extra-care in-branch experience

An in-branch experience specifically designed for customers with complex needs:

- staff who are specifically trained for these situations, so they are able to help clients while maintaining their own safety
- physical environments that feel informal and welcoming, are private and low stimulus, and allow for a spectrum of personal space needs
- spaces that allow support service staff to attend, and are free from hovering security guards
- collateral without jargon and that is easy to understand
- amnesty for cash holders, with no judgement or alarm bells attached.



Taking banking to the people

Where it's difficult for people to get into a branch, a mobile bank service could help those trying to set up an account. For those in rural areas, having bank staff coming regularly to their town, to help set up accounts and answer basic queries, would be a massive help.

Note: In some parts of the country, a regional banking hub trial with six banks has been running since November 2020 to support small town centres that have no or limited banking due to branch closures. The trial is scheduled to end in mid-2024, after which decisions about the future will be made.



Banking in community spaces

Mistrust is a huge issue in some communities – not just of banks, but of everyone else in general. Many NGOs spend years building trust between themselves and their clients by ensuring they provide a safe environment and have volunteers who are there for the long term. These NGOs also want to work with local banks, so they can help their clients get the support they need.

There is an opportunity for banks to work with community organisations to overcome the barrier of mistrust. A banker could work from a room in a community centre, and the NGO staff member, who has already built a relationship with the clients, could be there for support and to act as a middle person. The banker would need to be the same person and be trained to work with these communities. Having clients in a safe and familiar environment, with a trusted support person, could make banking less stressful and more accessible for vulnerable communities.



Banking advocates

Personnel specifically trained and available to support people through getting an account, and generally navigating banking, could be a useful solution. These advocates could work for banks, or be trained community advocates within NGOs.



Access to interpreters and translated documents

To ensure banking remains accessible for everyone, banks need to ensure that interpreters are available for anyone who needs them, so that everyone can bank with confidence. This is something that needs to be considered for in-person banking and over-the-phone. Also, documents should be translated into multiple languages, particularly those of a contractual nature.

“ Until we have everything available in 160 languages, we are not going to be an equal society.”

- Participant 13



Free and accessible financial literacy education

Financial literacy education could be provided by banking advocates and be a mobile service. Within this, there could be a module specifically designed for youth. The current educational programmes that banks have may not reach our country's most vulnerable populations.

Recommendations for change

The following are recommendations for change based on the points of view we gleaned from this research. Whilst we have listed the recommendations as different for government and banks, some solutions may require a joined up plan.

Recommendations for banks

- Ensure greater flexibility with identification
- Provide training and support for staff so they better understand the flexibility they can already apply under existing policies. Ensure this understanding is consistent across the banking workforce
- Work with government agencies to accept proof of identification directly from them if the customer has been identified by a government agency
- Make the bank branch experience more welcoming for vulnerable customers
- Greater flexibility and case-by-case consideration for customers who are bankrupt, have a bad credit history, or other disqualifiers such as a serious criminal conviction
- Consider community banking in other settings to increase customer comfort outside the bank branch environment
- Continue to work with government on piloting regional banking hubs
- Consider mobile banking services
- Provide better access to interpreters and translated documents
- Provide free and accessible financial literacy and more plain language ways of communicating to customers



Recommendations for government



- Further refine Anti-Money Laundering (AML) rules to allow greater flexibility around identification and proof of address
- Explore giving specified government agencies the ability to ID their clients to banks
- Make it easier and cheaper for vulnerable groups to obtain official identification such as a birth certificate, passport or drivers licence
- Continue to work with banks on piloting regional banking hubs

Recommendations for future research and activities

Given there are many players in the system, we recommend the findings from this report (and others) be stress-tested and workshopped to find some collaborative solutions. We noted the energy of our participants who all felt that change was required – now is a good time to capitalise off the momentum and design more equitable access to banks.

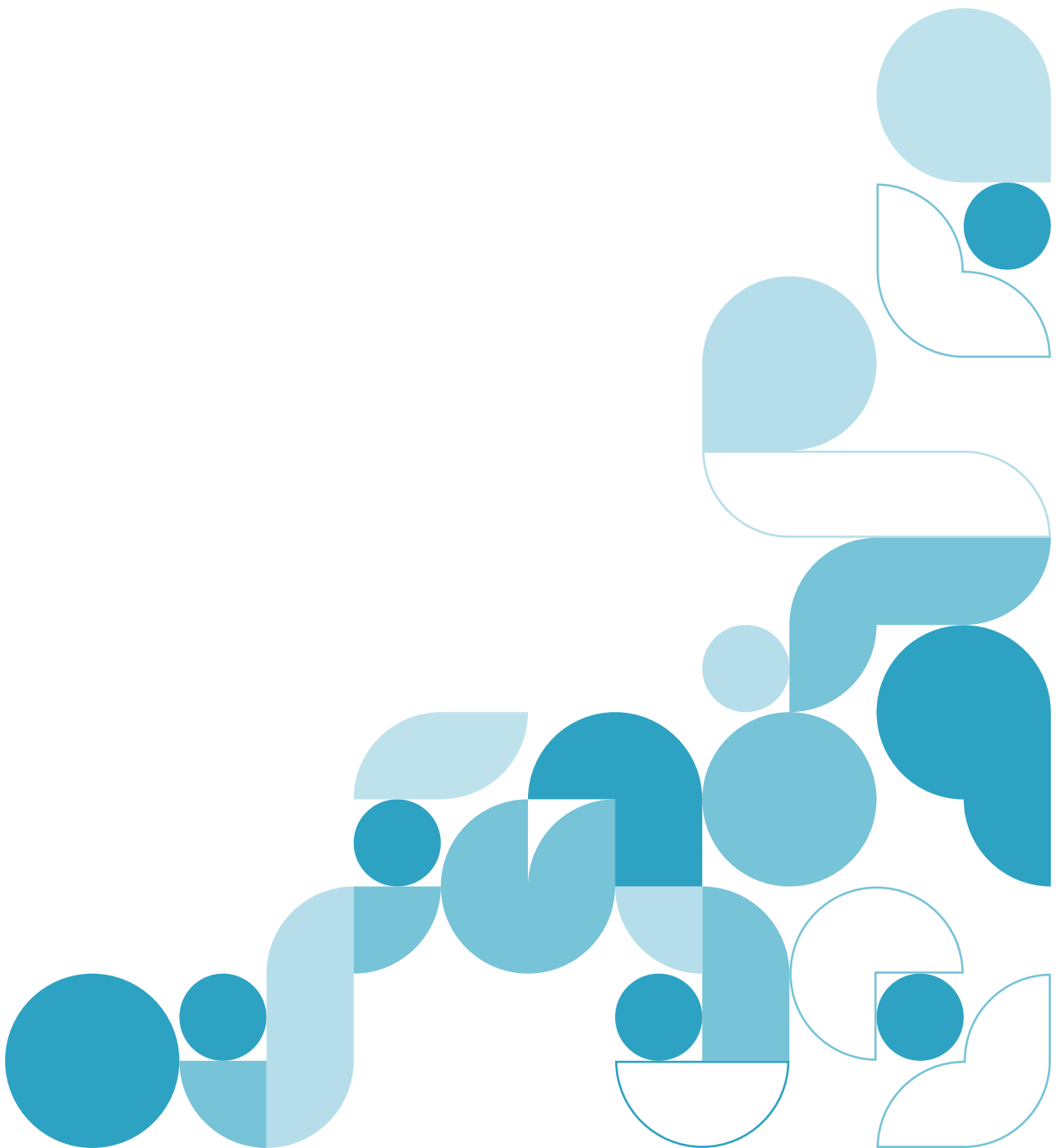
Potential collaborators are government agencies such as Ministry of Social Development (benefits), Department of Internal Affairs (identification), Oranga Tamariki (youth), Ministry of Business, Innovation and Employment (insolvency and immigration) alongside NGOs and iwi and Māori organisations who work with the groups mentioned in this report, banks, and those agencies concerned with regulations.

Co-designing with banks and communities is a recommended way to test some ideas. Try small prototypes or pilots, evaluate, and then decide if and how to scale some new products or programmes. This approach de-risks over-investing in solutions that don't work well for communities. It is not the best approach to assume a one-size-fits-all solution, because community groups and regions have nuanced needs and requirements.

Given there seems to be a variety of experiences at bank branches, we recommend banks explore how their staff make decisions when it comes to opening accounts for those who experience account access barriers. We are aware that banks have decision making methods, and yet, there appears to be different practices at play. As part of this, banks should look at how they can better standardise good practices across branches.

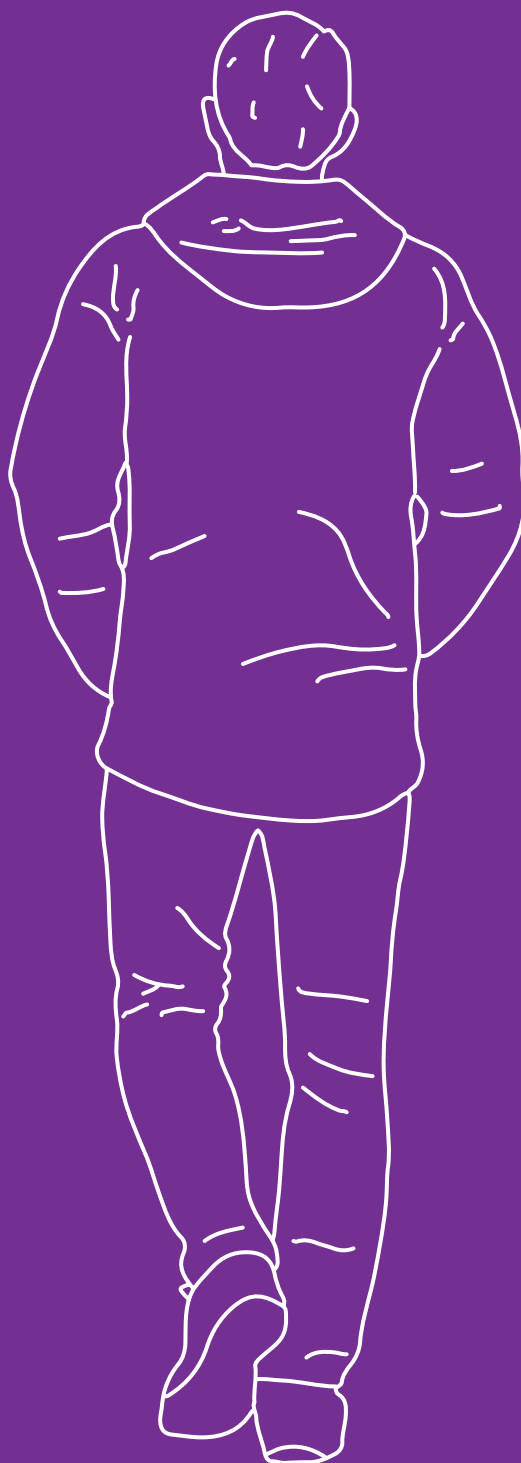
Questions to be explored include:

- Is there discretion being applied when people apply for accounts? In what cases?
- Are there cases that are more lenient? More stringent?
- Who is allowed to apply that discretion?
- Are there locations that are more or less lenient?
- Are there particular biases at play?
- What are the real and perceived risks associated with applying discretion?



Section 4

Conclusion



Conclusion

The insights generated from this research indicate that the number of people living in Aotearoa New Zealand without bank accounts is small, but when an individual is placed in this situation, it can have far-reaching, negative consequences. As one participant said,

“ There aren’t that many cases, but one case is too many.” –Participant 4

Unfortunately, the scale of this issue is not possible to quantify accurately – this data doesn’t currently exist, and is complicated by people moving in and out of banking, hiding in the cash economy or being difficult to reach for a variety of reasons. However, it is clear that this issue predominantly affects vulnerable communities, creating mounting disadvantages by adding to life stressors.

The barriers to banking are complex and involve both logistical and psychological factors. The impact of these barriers goes beyond just cash flow, and raises issues of identity and the ability to fully participate in society.

Throughout this research, we heard of individuals without a driver’s license, a passport or birth certificate; items that in Aotearoa officiate your personhood. We heard that once a bank account was added to this list of things that a person didn’t have, it further compounded their feelings of being disenfranchised.

Banks are the front end of this process, so they are identified by customers and many of the organisations we spoke to as being a large part of the problem. However, it is important to acknowledge that a whole system of rules, regulations and organisations is sitting behind the banks that contribute to these barriers.

While banks have a duty to keep their staff safe and comply with government banking regulations, the question remains:

Without a bank account how is one supposed to participate in society in a manner that is safe, legal and constructive?

Alternatives to bank accounts, such as an MSD Green Card, Prezzy cards and shared bank accounts, have their merits, but also their limitations. We kept hearing questions like: Shouldn’t access to banking in 2022 be a basic human right? This question was posed by our participants and illustrated through their stories. The comments about banking being a human right were usually in reference to a strong need to have banking be easily accessible in order to get income or benefit entitlements. Without bank accounts, people in hardship may not have basic needs met, such as obtaining food and shelter.

Along with the banking barriers identified, and their potential solutions, we believe that this is a conversation worth exploring further and more widely. Many of the organisations we interviewed felt that these issues aren’t talked about enough and were grateful for the opportunity to tell their stories. The solutions, too, will rely on a joined-up system approach; regulators, government departments, banks, iwi and Māori organisations, and social services agencies all have a part to play in supporting the change. While we heard that some banks have policies or products to make banking easier and more inclusive, and positive progress has been made in this area, it seems some solutions may not always be filtering down to frontline operations.



“ If you’re going to live here, you’re required to have a bank account, and there should be no barriers... It should be accessible and it’s not. If you’ve got language barriers and then cultural barriers and all these other things, that push you further and further out on the margins, then it just becomes more and more difficult.”

–Participant 5

“ Things have gone so risk-averse to the point that common sense doesn’t apply.”

–Participant 15

“ It should be a basic human right.”

–Participant 24

“ Having a cashless society means that it becomes a human right to have a bank account.”

–Participant 31

“ The first step in being able to say – I am human.”

–Participant 35



“ In other countries, banking is treated more as a right, not a privilege.”

–Participant 29

“ I wish it was made a law that people could get a bank account.”

–Participant 32

“ It seems like having a bank account should be easy, it should be a right as a citizen.”

–Participant 14



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Appendix 1: Estimation framework

The following table outlines a range of data sources that, if obtained and analysed, could yield a reasonable estimation of the scope of this issue.

Organisation	Data type	Data availability
Ministry of Social Development	Number of individuals who have been denied a benefit due to the lack of a bank account	OIA request – refused as too resource intensive to collate the data
Ministry of Social Development	Number of individuals who have had a benefit redirected	OIA request - there are currently 16,020 people who have their benefit redirected to another's account for a multitude of reasons.
Ministry of Social Development	Number of individuals who have been issued a Green Card due to the lack of a bank account	OIA request – refused as too resource intensive to collate the data
ACC	Number of individuals who have been denied payment due to the lack of a bank account	OIA request – refused as too resource intensive to collate the data
Inland Revenue	Number of individuals and businesses who have been listed as not having bank accounts or operating exclusively with cash	Initial conversations suggested this data may not be available
Oranga Tamariki	Number of youth in state care who are without a bank account	No easily accessible data; this would require an in-depth investigation
Ministry of Health	Number of individuals living under the Mental Health Act without a bank account	Not likely available in a database, but could glean a percentage based on those living under the Mental Health Act
Rough sleeping support services	The total number of rough sleepers in New Zealand x the percentage that are likely to be without a bank account	Request for data refused initially; this would require an in-depth investigation

Sex worker support services	The total number of sex workers in New Zealand x the percentage that are likely to be without a bank account	No easily accessible data; this would require an in-depth investigation
Citizens Advice Bureau	Number of people who come in asking for help to obtain a bank account	No easily accessible data; this would require an in-depth investigation
Department of Corrections	Number of prisoners without bank accounts	OIA request – number cannot be obtained from their database
Budgeting agencies	Number of individuals undergoing total money management	No easily accessible data; this would require an in-depth investigation spanning multiple organisations
Immigration New Zealand	The total number of overstayers, asylum seekers and their families and partners being sponsored and the percentage that are likely to be without a bank account	No easily accessible data; this would require an in-depth investigation
Insolvency and Trustee Service (Ministry of Business, Innovation and Employment)	The total number of insolvency cases per year or the annual client survey (which is probably a better indicator of those without accounts)	Total number of insolvency cases for the 2021/22 year: 1308 Annual client survey – of 192 respondents: <ul style="list-style-type: none"> • 48.96% had account closures • 21.88% had difficulty finding a new bank or credit union

Appendix 2: Participant estimates

The following table shows participants' estimations of the size of the issue, both within their organisations and in the wider New Zealand community.

Organisation type	The participants' estimations or opinions of the quantum
Budgeting and financial mentoring	Very small amount, can't estimate, but has seen two in the past 6 months.
Budgeting and financial mentoring	Doesn't see it often, maybe five times in 4 years. A guess at the overall population size would be less than 1%, maybe 0.5%?
Budgeting and financial mentoring	Not a common issue, it effects a very small population.
Budgeting and financial mentoring	Very small number of clients, maybe 1% to 2%. Estimates 5% of total New Zealand population.
Budgeting and financial mentoring	An issue for less than 1% of clients. Estimates less than 1% of total New Zealand population.
Budgeting and financial mentoring	An issue for 3% of their clients. Estimates 0.5% of total New Zealand population.
Budgeting and financial mentoring	Not a common issue.
Budgeting and financial mentoring	1% to 2% of clients
Budgeting and financial mentoring	They have 180 people in their Total Money Management service and they are about to see 20 more people who seem to need it. Most of them don't have bank accounts. They probably did at some point, but couldn't manage to keep them.
Budgeting and financial mentoring	About one person a month comes in who doesn't have a bank account. It's rare they see someone truly 'unbanked'. They have between 130 to 140 on Total Money Management.
Disability	They said 1% or less simply cannot get an account. A much larger group struggle to get an account but do eventually get access. Approximately 80% of clients struggle with signature issues, and approximately 20% with issues of cash.
Elderly	Very few are without an account. Approx 5% of 200 referrals are having issues accessing shared accounts and therefore may need to open new ones.

Housing	No estimate, but issue is common amongst all their homeless clients.
Housing	They have 42 people on their Total Money Management programme at present, but some have bank accounts or have had bank accounts in the past.
Insolvency	49% of 192 respondents had their account closed, and 22% struggled to open a new account.
International student support	No estimate.
Māori hauora	It's rare for them and they help their people to get accounts.
Māori hauora	Not sure how many, but they do see this when people come in for hardship grants.
Pasifika health	Seldom, and many people use family accounts, so it's hard to know the number.
Prisoner support	Of their 110 clients, 80% to 85% didn't have bank accounts.
Prisoner support	No estimate given.
Prisoner support (for families of prisoners)	Approximately 90% of youth they see don't have an account. All 10 youth they had on one of their programmes were unable to get an account.
Professional body	No estimate.
Professional body	Only knows of the World Bank estimate of around 1%.
Professional body	Affects most NFP groups in New Zealand.
Professional body	Estimates 10% of sex worker population.
Refuge	Very rare issue.
Refuge	Very small amount of people; maybe 4 clients a year.
Refuge	Very small percentage of their clients.
Refugee and migrant	Very small issue. They said, "thinking of those who can't use Eventbrite to buy tickets to our events– there were 4 who asked to use cash this year, which is a decline from past years - in the past it used to be about 15 people asking to use cash." This may reflect those who don't have bank accounts in their communities (generally women in this case).
Refugee and migrant	Very small number.
Refugee and migrant	Knows 'a couple of people' who don't have an account, due to a lack of trust. Wouldn't know how to estimate.

Refugee and migrant	10% of the eligible population that they've worked with.
Refugee and migrant	Has seen four cases this year. Would guess 8% of population and a large portion of that being refugees and migrants. Would think there is a large portion that fly under the radar and are hard to find.
Refugee and migrant	Estimates three-quarters of those coming in under the family support category would struggle to get an account. Used to be 300 in this category a year, but is now 600 from this financial year. For visa overstayers, a significant portion are struggling.
Refugee and migrant	Hasn't personally seen it and would imagine the number to be quite small.
Social service	Five of our 70 clients. Maybe 8% of the total New Zealand population?
Social service	Deals with five, but there are way more in the homeless community. Used to be more.
Social service	Three to five clients a year. Estimates 2% to 5% of the New Zealand population.
Social service	15% of her clients. Estimates 25% of the New Zealand population.
Social service	Small amount of clients.
Social service	They have 50 people on Total Money Management. Of those, about 10 have no bank accounts. They said it's very rare that their clients have never had a bank account. Often, if they don't have one now, they've had one in the past. It's often migrants who have never had one, among their clients. Most 'Kiwi' born people have had brushes with banks in their experience.
Social service	They see two or three people a week without bank accounts.
Social service	Most people coming out of prison don't have bank accounts or ID. Pretty much everyone they deal with.
Youth support	See 150 youth per year. Half of them don't have bank accounts when seen for the first time.
Youth support	See around 200 per year in youth justice and issue would impact pretty much all of them. See 800 to 1000 kids in care and protection, and also affects pretty much all of them. Entire organisation works with 4000 to 4500 kids and it impacts most of them on some level.
Youth support	See about 5 to 10 a year, which is a lot for a small town, but can help most of them.
Youth support	Able to help all the youth that they see.
Youth support	33% of their clients.

Appendix 3: Ministry of Social Development (MSD) OIA response

The following is an excerpt from the response received from MSD in response to the Official Information Act (OIA) request.

The table below shows the number of clients that have had their benefit payments redirected to an Agent¹ as-at end of October 2022, broken down by benefit type.

Benefit Type	Number of Benefit Redirections ²
Emergency Benefit	162
Emergency Maintenance Allowance	6
Jobseeker Support	6,027
New Zealand Superannuation and Veteran's Pension	2,322
Non beneficiary assistance	870
Supported Living Payment	5,793
Sole Parent Support	819
Youth Payment and Young Parent Payment	21
Total	16,020

It is important to note that there can be a range of reasons for why a client may redirect a part or the full amount of their benefit to an Agent. Some common examples include (but are not limited to):

- The client is experiencing sickness or illness and is unable to physically withdraw money or manage their finances
- The court may appoint an Agent if the client is misusing their benefit payment and the wellbeing of their family is put at risk
- The client may be living in residential care or an institution.

To protect confidentiality the Ministry of Social Development uses processes to make it difficult to identify an individual person or entity from published data. This data table provided has had random rounding to base three applied to all cell counts in the table. A value of one or two may be rounded to three. The impact of applying random rounding is that columns and rows may not add exactly to the given column or row totals. The published counts will never differ by more than two counts.

1. More information about Agents can be found here: <https://www.workandincome.govt.nz/on-a-benefit/your-rights-and-responsibilities/having-someone-act-on-your-behalf.html>.

2. The redirection of Benefit to an Agent on behalf of a client can be part or the full amount of benefit.

