

19 September 2025

Hon Scott Simpson
Minister of Commerce and Consumer Affairs

Copy to:
Hon Nicola Willis
Minister of Finance and Minister of Economic Growth

By email

Dear Minister Simpson

12-month report on industry progress to implement recommendations from the personal banking services market study

Following publication of our competition report from the personal banking services market study (20 August 2024), the Commission committed to monitoring progress with the implementation of the recommendations that were directed to industry and to reporting back to Ministers 12 months post the final report. We wrote an interim update to you in May (our letter of 1 May 2025). This is our 12-month report. We intend to publish this letter on our website late September.

Progress and matters of note

Over these 12 months we have had constructive engagement with the four major banks, Kiwibank, industry associations (the New Zealand Banking Association (NZBA), Fintech New Zealand and Financial Advisers NZ (FANZ)) and Payments NZ. There has been pleasing progress across all of the study's recommendations, both those that were addressed to government and those that were addressed to industry.

The Government has supported R1 (capitalise Kiwibank) and R2 (accelerate and co-ordinate progress on open banking). The passage of the Customer and Product Data Act 2025 (CPD Act) and MBIE's progression of regulations will support open banking. The Reserve Bank is making good progress with reviews of its regulatory settings.

In-market, we have observed some positive indications. Payments NZ has launched a new switching service website (www.readytoswitch.co.nz), banks are more actively promoting the use of this service and we are seeing reports of increased switching behaviour from consumers. In addition, the NZBA has developed a new home loan comparison calculator web-hosted by www.interest.co.nz, designed to make it easy for consumers to compare up

to three different home loan offers and see an effective annual interest rate for each offer once variables such as cashback offers and other incentives are taken into account.

More remains to be done, particularly to progress open banking and to improve competition for home loans. We continue to see a range of Fair Trading or Credit Contracts and Consumer Finance issues impacting consumers that are often connected with failures to invest in core systems. The Commission and the FMA will continue to pursue these issues where they breach the law.

FEC Inquiry into banking competition

The Finance and Expenditure Committee's final report from the inquiry into banking competition is consistent with many of our findings and recommendations from the market study and built on the work of our study including by looking at rural and business banking.

The Government response to the FEC's recommendations is an opportunity to consolidate progress made by the market study to strengthen competition in banking.

12-month report - summary

Our 12-month report focusses on progress with the recommendations from the market study that we addressed to industry. We note briefly the status of each along with any observations as to progress or next steps, and we note the areas where the Commission will continue to influence using its available tools.

Recommendation 2: Industry and the Government should commit to ensuring open banking is fully operational by June 2026

New Zealand is starting to realise some of the benefits of open banking. Earlier this year we estimated at least 15% of eligible customers at each of the four largest banks had made an open banking payment using APIs and the number continues to increase. This is encouraging and is comparable to levels seen in the UK.

To date industry has led the development of open banking, and industry will continue to lead until the banking open data designation comes into effect later this year.

In August 2024 industry (banks, Payments NZ and fintechs) were granted authorisation by the Commission to collectively develop an accreditation framework and standard terms for partnering between banks and third parties. Industry has, however, made only minimal progress towards these goals. Outstanding commercial issues such as liability allocation will now need to be resolved by regulations under the CPD Act, which MBIE is working on.

The transition to open banking has some inherent risks that will need to be managed under the CPD Act for the full competitive potential of open banking to be realised. At a general level:

- The network effects of interconnection for open banking mean that progress will continue to move at the rate of the slowest adopter. This makes it important to pay

particular attention to individual banks' progress, as well as overall industry progress.

- Markets with such characteristics are also prone to “tipping” in favour of, and becoming dominated by, early movers and established providers.

More specifically we have seen:

- Minimal industry-led progress on the accreditation framework and standard terms (as noted above).
- Some improvements to the governance of the Payments NZ API Centre, but there remains more to be done to provide greater confidence to the wider payments ecosystem.
- Positions being taken on screen-scraping in bi-lateral partnering terms, potentially with a view to positioning competing products and applications.
- Issues being raised with the price and terms of access to Confirmation of Payee services for smaller deposit takers through Get Verified (which is owned by retail banks).

The Commission is taking a range of actions to manage these risks, including:

- Working with MBIE as it develops the regulations, an accreditation framework and standard terms for banking sector designation under the CPD Act.
- Making clear our expectations for industry in the transition to open banking under the CPD Act, most recently through our open letter of 2 September, *Update on open banking progress*.
- Holding Payments NZ and the API Centre to account to continue to improve their governance structures.
- Identifying and seeking to address any gaps in government's regulatory toolkit to facilitate widespread adoption of open banking-enabled services. Current concerns include small bank participation in open banking, ensuring an orderly transition away from screen-scraping, access to digital wallets, and barriers to payments gateways.
- Engaging with Get Verified to speed up access to Confirmation of Payee services by smaller deposit takers.

Recommendation 9: Industry should invest in making improvements to its switching service

Payments NZ has led work to improve the effectiveness of the switching service, establish reporting on switching volumes and turnaround times, and to increase public awareness. That has included establishing a dedicated consumer-facing website <https://www.readytoswitch.nz/> (launched in June 2025) along with a promotional campaign. Banks are promoting the service to customers.

Payments NZ reports that, since reporting was initiated, there has been a sustained uplift in switching requests over the past months indicating greater usage of the service.

Payments NZ has signalled an intention to ensure the service remains open to new participants, emerging product features and evolving market needs. It has signalled plans to continue enhancements to the switching service and to increase public awareness of it.

We intend to monitor Payments NZ's progress with further refinements (including a process to switch Direct Debits).

Recommendation 10: Home loan providers should present offers in a readily comparable manner, accounting specifically for the effective value of cash contributions

The NZBA has worked with member banks and interest.co.nz to build a "Home Loan Comparison Calculator", which launched in September 2025:

<https://www.interest.co.nz/calculators/home-loan-comparison-calculator>.

The calculator enables consumers to readily compare up to three home loan offers, incorporating variables to account for costs and incentives such as fees, cashbacks and cash contribution clawbacks, to determine an effective interest rate for each offer. It is a significant improvement on previous calculators that have been available to the public.

The calculator is initially hosted on interest.co.nz, with banks able to link to it from their own websites.

The NZBA has signalled further planned refinements to the calculator, as well as developing the ability for banks to host the calculator on their websites.

We intend to monitor the NZBA's progress with further refinements.

Recommendation 11: Home loan providers should pro-rate all clawbacks for mortgage adviser commissions and bank cash contributions

Most banks have made some progress and ANZ has shown leadership by implementing the recommended changes in full and with verification. Several banks have told us they prioritised other systems investment ahead of this recommendation, but most banks have concrete implementation plans in place to close out this recommendation by the end of the year. We will continue to monitor and engage with banks to ensure they work to their stated milestones.

Our expectation is that slower-movers do not delay implementation in order to exploit a competitive advantage over others who have responded to our recommendation on a more timely basis. We will be monitoring this area.

Recommendation 12: Mortgage advisers and banks should make changes to promote price competition and choice for home loans

This recommendation has several components aimed at promoting price competition and choice. It was addressed to both home lenders and mortgage advisers. Progress has been mixed.

We are pleased the five largest banks have confirmed they do not currently monitor or set targets for advisers in a way that limits or discourages them from submitting home loan applications for a single client to multiple banks.

We have also seen lenders move to consistently provide “rate cards” to advisers which detail rates and discretionary discounts across loan and LVR options. This puts mortgage advisers in a better position to know the rates they are likely to be able to access for their clients without having to first make a (time consuming) application. The major banks and Kiwibank have supported this and have said they intend to continue with it. We see this as a practical improvement and a good interim step to promote competition between lenders.

There remains real potential for further streamlining of mortgage lending processes to support greater consumer choice but this is likely to require investment in new technology by the banks and mortgage advisers, and we are seeing mixed appetites for the necessary investments and co-ordination.

It is possible that competitive pressures may prompt further progress and technology improvements, but we will continue to monitor and engage with industry on the various aspects of this recommendation.

Recommendation 13: Industry and Government should prioritise reducing barriers to lending for housing on Māori freehold land

ANZ and ASB have initiated discussions with Kāinga Ora with a view to considering joining the Kāinga Whenua Loan Scheme, in response to our recommendation. We understand progress of these discussions has been slowed due to capacity constraints at Kāinga Ora.

Outside of these approaches to Kāinga Ora, banks are continuing to individually pursue their own initiatives to increase lending for housing on Māori freehold land and to better cater to the needs of Māori customers more generally. The scope, scale, and nature of these initiatives remains similar to what we observed during our study.

Recommendation 14: Industry should co-operate to make basic bank accounts widely available

The Reserve Bank is leading CoFR work to take forward work on basic transaction accounts as part of wider work on financial inclusion.

Since our study the Reserve Bank has undertaken a deeper and broader analysis of what may be required. The Commission endorses the Reserve Bank policy process as an appropriate vehicle for progressing this important work.

Yours sincerely



Dr John Small
Chair