

**Rachel Brooking MP**

Chair of the Finance and Expenditure Committee  
New Zealand House of Representatives  
Wellington, New Zealand



CC: Members of the Finance and Expenditure Committee

8 March 2023

Dear Rachel,

I am writing to request that the Finance and Expenditure Committee open a short, sharp inquiry into any competition issues that may exist in the retail banking sector in New Zealand.

New Zealanders enduring a prolonged cost of living crisis will have been concerned to hear the Reserve Bank join a chorus of voices casting doubt on the competitiveness of the New Zealand retail banking market.

Last week the Chief Economist of the Reserve Bank, Paul Conway, went so far as to say he thought a Commerce Commission Market Study into the retail banking sector could be warranted.

Data published by the Reserve Bank suggests net interest margins – the gap between interest paid on deposits and charged on lending by retail banks – appear to have risen across the retail banking sector in the last year.

This comes at a time when bank profitability is high, even while access to credit has become harder for some borrowers and many mortgage holders are feeling crushed by rapidly rising interest rates.

New Zealand bank customers deserve answers to questions about the adequacy of competition in our retail banking sector, why lifts in interest rate rises for deposits have lagged behind rate rises for lending and the impact of new regulations imposed by the Government.

**Parliament**

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**National Party Spokesperson for Finance**

Funded by the Parliamentary Service. Authorised by Nicola Willis, Parliament Buildings, Wellington.

I recommend the Finance and Expenditure Committee open an inquiry with a limited terms of reference, including:

- the state of competition in the retail banking sector,
- any barriers to entry,
- the role of Reserve Bank capital requirements,
- any impact of the bank regulatory environment (including the CCCFA and upcoming deposit insurance rules),
- any impact from the Reserve Bank's Funding for Lending programme,
- and relevant international comparisons.

In examining those factors, the Committee should seek to hear evidence from a narrow selection of stakeholders, including:

- retail banks,
- the Reserve Bank,
- Treasury,
- the Banking Ombudsman,
- international competition authorities,
- and other experts to be agreed by the Committee.

After considering this evidence the Select Committee could then make recommendations to Government about any next steps that may be warranted, including whether there is merit in progressing the Reserve Bank's suggestion of a Market Study.

I see this Inquiry as an opportunity for FEC members to get New Zealanders timely answers to significant questions about the extent of retail banking competition.

I hope you will give this request due consideration and I look forward to formally discussing this as a Committee.



Nicola Willis