

7 June 2023

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RE: Managing climate-related risks Consultation Paper on guidance for regulated entities

The recent Cyclone Gabrielle and Auckland Anniversary Weekend Floods highlighted several key challenges for financial mentors and their client's ability to access the monetary system. The barriers to access created flow-on effects for the ability of whānau to access essentials during the weather emergencies.

FinCap welcomes the opportunity to submit on the Consultation Paper for managing climate-related risks (Consultation Paper). Within the work to develop guidance for managing risk for entities that RBNZ regulates the risks to those that the entities serve should also be considered. FinCap is therefore submitting to highlight the issues that financial mentors raised throughout the recent weather events for those that rely on RBNZ regulated entities.

About FinCap

FinCap (the National Building Financial Capability Charitable Trust) is a registered charity and the umbrella organisation that in supporting 190 local, free financial mentoring services across Aotearoa. In 2022 these services supported almost 50,000 whānau. We lead the sector in the training and development of financial mentors, the collection and analysis of client data and encourage collaboration between services. We advocate on issues affecting whānau, to influence system-level change to reduce the causes of financial hardship.

Response to the consultation questions

Q2. Is there anything in the Guidance that you would remove, add, or amend? Please provide specific reasons and details as far as possible.

Financial mentors reported severe challenges with accessing cash during and following Cyclone Gabrielle. With power outages across entire regions, cash was the only payment option for many essential services and items. However, cash was incredibly difficult to access. Many Automatic Teller Machines (ATMs) were not operating, bank branches were not open and in some areas bank branches are no longer open at all - even without an emergency.

Financial mentors also noted that Work and Income (W&I) did not accept or provide cash during the emergency. Furthermore, financial mentors raised that W&I payment cards for food were not operating during the direct aftermath of the cyclone. This made access to essentials incredibly difficult for those in the most drastically impacted areas.

Financial mentors who are walking alongside whānau while they grapple with the cyclone aftermath have raised the importance and need of clear strategies to prevent barriers to accessing essentials during any future emergencies. While we acknowledge that the proposed guidance focuses on the risks to the entities that RBNZ regulates, FinCap recommends that the guidance includes a focus on the risks to the customers of those entities. This focus should include plans to ensure that whānau are not denied access to essentials due to barriers to acquiring cash during or before emergencies.

Recommendation: The guidance includes a focus on the climate-related risks to banks customers. In particular, the guidance includes clear plans for ensuring access to cash, and therefore essentials, during weather related emergencies.

Access to bank accounts

During the preparation for the anticipated Cyclone Gabrielle, the Government released an emergency management statement. The statement from the Minister for Emergency Management, Hon Kieran McAnulty, warned of the potential for loss of EFTPOS and ATM access due to power outages. The release encouraged those in the areas subject to weather warnings to ensure they had cash at home. However, there is a cohort that are already excluded from the monetary system and accessing cash under time pressure is not always possible.

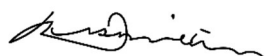
Access to a bank account is crucial for everyone to be able to prepare for climate-related emergency situations, as well as for receiving support such as the Civil Defence Payment during or following emergencies. Cases of exclusion from banking services are apparent for those who are currently in or have recently exited prison, have been through insolvency procedures or are homeless. The reasons for declined bank account applications are typically related to issues of identification, address or account history. Although at times declined, account applications are also given with vague or unknown reasoning, according to financial mentors that work with declined bank applicants.

There needs to be widespread and urgent attention given to access to bank accounts for all of this cohort. Ensuring that all in Aotearoa have a right to access essential banking services is crucial for planning ahead for climate-related emergencies. The already severe and multiple challenges that are created by barriers to accessing bank accounts are exacerbated in times of weather-related emergencies.

Recommendation: RBNZ prioritises work on financial inclusion in conjunction with developing guidance for climate-related risks, to avoid the compounding of hardship because of these combined challenges.

Please contact Janeka Rutherford-Busck, policy advisor at FinCap on 027 261 3690 or at janeka@fincap.org.nz to discuss any aspect of this submission.

Ngā mihi,



Ruth Smithers
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FinCap