

Banking Ombudsman Scheme + Trust us to be fair

Annual Report 14 | 15

## Scheme participants

*(as at 30 June 2015)*

ANZ Bank New Zealand  
ASB Bank (including Bank Direct & Sovereign Home Loans)  
Bank of Baroda New Zealand  
Bank of China (New Zealand) Limited  
Bank of India New Zealand  
BNZ  
China Construction Bank (New Zealand) Limited  
Citi New Zealand  
Heartland Bank  
HSBC New Zealand  
ICBC New Zealand  
Kiwibank  
Nelson Building Society  
NZCU Baywide  
Rabobank New Zealand (including RaboDirect)  
SBS Bank (including HBS Bank)  
The Co-operative Bank  
TSB Bank  
Westpac New Zealand

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The Banking Ombudsman Scheme investigates and resolves disputes between customers and their banks in a fast changing industry.



## HIGHLIGHTS

Disputes resolved rose 11.8 per cent

We met all but one of our eight timeliness targets

We dealt with a higher caseload of 265 disputes

Complaints fell 19 per cent after improving screening processes and introducing a website filtering tool

Visits to [www.bankomb.org.nz](http://www.bankomb.org.nz) more than doubled

Stakeholder consultation began on changes to the terms of reference

**11.8%**

increase in disputes

**265** disputes

**19%**

decrease in complaints

**71,000**

website visits

## FROM THE CHAIR

The independent review of the scheme has been the main agenda item for the board this financial year.



*Miriam Dean*  
Miriam Dean | Chair

The review by Australian consultancy firm Cameron Ralph began in the fourth quarter of the previous financial year. It served the twin purposes of providing a three-yearly “check-up” as well as satisfying a five-yearly legal requirement to conduct a review and report the results to the Minister of Commerce and Consumer Affairs.

Board members were pleased the review found the scheme was effective, professionally run and met its legislative requirements. The review made 23 recommendations, about half of them relating to administrative matters. Some of these have already been put into effect. The balance require changes to the scheme’s rules in order to be implemented.

After considering this second group of recommendations, the board approved a consultation paper containing changes that included extending the time for a complaint to be made; delegating the power to make preliminary decisions to scheme investigators; extending the ability to decline complaints that have no reasonable prospect of success; and modernising the structure and language of the rules.

Having assessed feedback from scheme participants, the finance sector and community groups, the board approved a redrafting of the rules to take in most of the review’s recommendations. The financial year ended with these rewritten rules still out for consultation with stakeholders. After analysis of the feedback, board and ministerial approval will be necessary before the rules can take effect, as scheduled, on 1 January 2016.



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found the scheme was  
effective, professionally  
run and met its legislative  
requirements.

Another matter of high priority for the board was the recruitment of a candidate to replace Banking Ombudsman Deborah Battell, whose term ended on 31 July 2015. That selection process ended in the appointment of Deputy Banking Ombudsman Nicola Sladden. Nicola has an extensive career in dispute resolution, and I am sure she will be a very worthy replacement for Deborah, who has done an outstanding job during her six-year term.

Among Deborah's successes have been a move to put more emphasis on facilitation; more informal processes when dealing with customers; upgrading the case management system and online complaint form; and revamping the website and external communications.

Deborah dealt deftly with the disruptive period after the Wellington earthquake in July 2013, guiding an eventual relocation to our current premises. All the while, she maintained her passion and enthusiasm for the job, leaving the scheme in its present healthy position.

On behalf of board members and staff, I thank Deborah and wish her well for the future.

A last point of note on the year's performance is the strategic framework, developed by the board and staff (see page 7). It tells the story of the scheme's work at a glance and will be a useful document as we chart our way through the next few years.

On other matters, the scheme's membership grew from 17 to 19 during the year with the arrival of China Construction Bank (New Zealand) Limited and Bank of China (New Zealand) Limited. We welcome both to New Zealand and to the scheme.

There was only a single change to the board's lineup. In April, Kevin Murphy, managing director and chief executive of TSB Bank, completed his term. He was replaced by Dr Ben Russell, chief executive of Rabobank. I want to express my thanks to Kevin for his generous contribution.

I also express my thanks to the board for their support during the past year. Barbara Chapman, the other bank representative, who recently completed her first year on the board, has brought a useful perspective to board discussions. Mary Holm and Suzanne Chetwin, as the board's two consumer representatives, continue to provide a valuable addition to board discussions.

Deborah dealt deftly with the disruptive period after the Wellington earthquake ... All the while, she maintained her passion and enthusiasm for the job, leaving the scheme in its present healthy position.

## FROM THE BANKING OMBUDSMAN

The banking sector has moved on considerably in the six years since I took up this role, mainly thanks to technology.



*Deborah Battell*  
**Deborah Battell**  
Banking Ombudsman

In August 2009, when I took over from my predecessor Liz Brown, cheques were in decline, but still sufficiently widely used to warrant a media release reminding people of how to write them correctly. Many people still carried cash in their pockets, despite the introduction of telephone and internet banking. Nowadays, we are one of the most cashless countries in the world.

Technology-driven change has brought its own challenges. Rapid clearance times, for example, mean people must take greater care to protect their banking information – particularly PINs – because banks have so little time to stop fraudulent payments. Some customers, accustomed to instant access to banking services, baulk at the extra security checks banks have had to put in place. And some customers have yet to enjoy the benefits of easier access to banking services, examples being the elderly, those with disabilities and those living in remote areas.

During my final year, I have focused on cementing the gains of relocating after the July 2013 earthquake, and I am happy to report that the scheme has put in a solid performance on several fronts. We have completed 12 per cent more disputes than last year, and all within the time limits set for simple, standard and complex cases. Enquiry and complaint-handling times have also improved sharply, with virtually all concluded within two days.



In 2009, cheques were in decline, but still sufficiently widely used to warrant a media release reminding people of how to write them correctly.

Complaint numbers dipped this year, which I put down mainly to two things: the introduction of a website tool to redirect complaints about non-scheme institutions to the Ministry of Business, Innovation and Employment; and a push by enquiries staff to help customers resolve complaints directly with banks.

Another highlight has been the doubling in visits to the scheme's website compared with last year, up from 34,000 to 71,000. A survey of banks' online complaint forms, a first this year, has produced useful results for banks wanting to improve their website complaint-handling processes. And staying with technology matters, we undertook a review of our IT strategy, and as a result have begun moving to cloud-based software.

A final noteworthy event was an invitation by Queen Margaret University in Edinburgh to participate in research into how different schemes approach dispute resolution. We were one of only 11 schemes around the world to be extended such an invitation.

In my six years, I feel we have made a lot of progress. I am reassured that the next phase has been placed in the very capable hands of Deputy Banking Ombudsman Nicola Sladden, with whom I have had the pleasure of working throughout nearly all of my term. I wish Nicola all the best in her new position. I also want to record my appreciation for the guidance and assistance provided by members of the board. Lastly, I extend my thanks to staff members, who have worked so hard and with such commitment during my time with the scheme. It has been a real pleasure. Thank you.

## OUR ORGANISATION

### Our people

A 16-strong team of full-time and part-time staff assisted Banking Ombudsman Deborah Battell this year to carry out the scheme's functions, which include enquiry advice, complaints referral, investigations, analysis, communications and administration.



### Senior leadership team (left to right)

**Nicola Sladden** – Deputy Banking Ombudsman, LLB, MPH (Boston)

**Elizabeth Ward** – Enquiries Manager

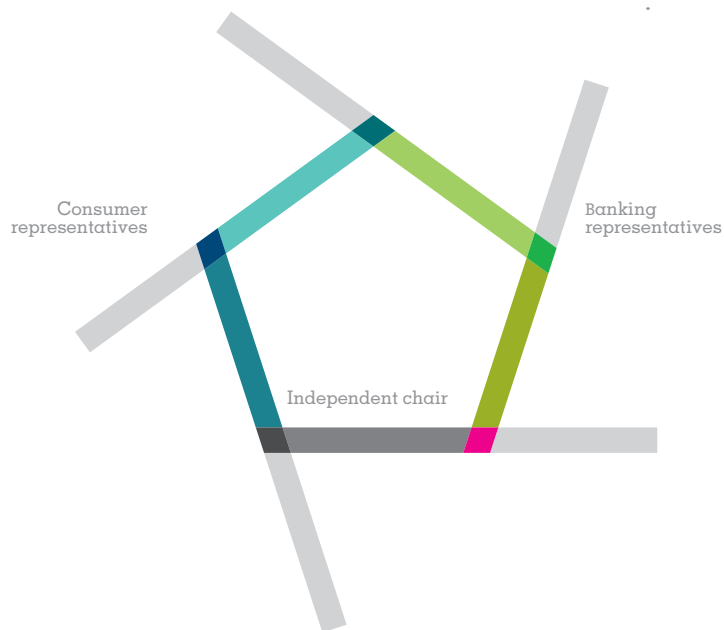
**Deborah Battell** – Banking Ombudsman, BA, MBA

**Cheryl Thomson** – Executive Administrator

**Chantal-Marie Knight** – Senior Analyst, BSc (Hons), MSc

## OUR BOARD

The board's five members are responsible for ensuring the Banking Ombudsman is independent and the scheme is effective and runs smoothly. Two members represent consumers, two represent the scheme's participants, and the fifth is the independent chair. The scheme is a registered company – the Banking Ombudsman Scheme Limited.



### Miriam Dean

LLB Hons (Auckland),  
LLM (Harvard), CNZM, QC

As independent chair, Miriam has substantial experience in mediation, arbitration and legal affairs. She also chairs NZ on Air's board and the Ministry of Justice's Legal Aid Advisory Board. Her other roles include deputy chair of Auckland Council Investments Limited, director of Crown Fibre Holdings Limited and trustee of the Royal New Zealand Ballet.



### Suzanne Chetwin

Suzanne is one of the board's consumer representatives. She is chief executive of Consumer New Zealand, an organisation with strong interests in access to financial institutions and financial literacy. She represents consumer interests on a number of other organisations. She has a journalism background and is a member of the Online Media Standards Authority.



### Mary Holm

MA, MBA

Mary has a wide range of skills she brings to her role as the other consumer representative. She is a personal finance columnist and seminar presenter, author and Financial Markets Authority board member.



### Barbara Chapman

Barbara is one of the board's two banking representatives. She is chief executive and managing director of the ASB Bank New Zealand and the New Zealand chief executive of Commonwealth Bank Australia.



### Dr Ben Russell

BSc Hons, PhD

Ben is the other banking representative. He is chief executive of Rabobank New Zealand and chair of Rabobank Capital Securities Limited.





# STRATEGIC FRAMEWORK

## VALUES

**We strive to be:** accessible, fair, independent, accountable, efficient, effective

## ASPIRATIONS

### We want to:

- improve the banking experience for customers and banks
- be leaders in independent and fair dispute resolution



## OBJECTIVES

### We aim to:

- resolve disputes quickly, fairly and cost-effectively
- learn from complaints and spread awareness of the scheme
- have the best people and systems to do our job



## STRATEGIES

### We work to:

- listen and seek to understand complaints
- put things right
- get to the root causes of complaints and share the insights
- invest in people and systems
- collaborate with other agencies
- influence discussion about legislation and industry standards



## IMPACTS

### We expect to:

- reduce complaints
- improve banks' service and complaint-handling expertise
- improve bank/customer relationships
- increase customers' knowledge of how banking works
- empower customers to better manage their banking affairs and make complaints if needed
- strengthen stakeholders' confidence and trust in what we do

# COMMUNITY ENGAGEMENT

We recognise that our dispute resolution work can have a bigger impact by widely publicising the lessons we draw from our work. To do this, we rely on the media, social media, participants, the finance industry, community groups, government agencies, and our own website.

Visitor numbers to our website more than doubled compared with last year – up from 34,000 to just over 71,000. Strong, vital-looking content has been central to that success, with a steady increase over the year in quick guides, media releases, case notes and weekly news items. We updated or published 16 guides, most of the new ones being in response to similar complaints received during the year. We also published 63 case notes and used our Facebook presence to increase visitor numbers to the scheme's website.

We undertook a variety of initiatives during the year to raise awareness of the scheme and generally promote banking customers' understanding of the sector.

The translation of the scheme's main brochure into New Zealand Sign Language was one such initiative. We also delivered addresses to older people, a potentially vulnerable group we want to educate and help protect from potential financial problems. And we held workshops and consultation sessions on proposed changes to the scheme's terms of reference with scheme participants, the finance sector and community groups. Finally, we made submissions on the Responsible Lending Code, the minimum compensation cap for insurance disputes and securitisations exemptions regulations.

## Satisfaction with our service

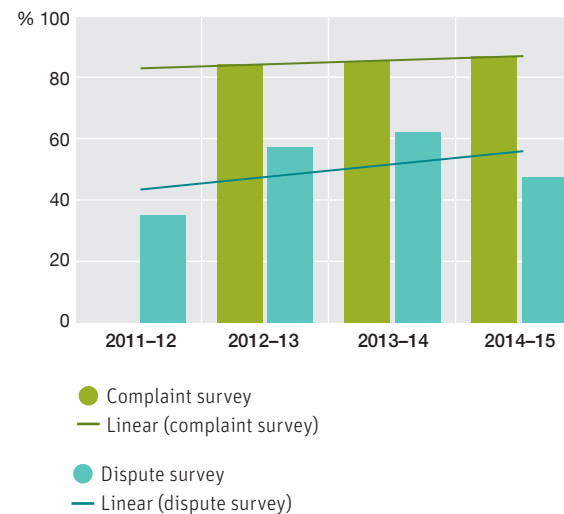
The satisfaction levels of customers who brought complaints to us were little changed on last year, but there was a noticeable drop in satisfaction among those who had disputes with banks.

Overall satisfaction among those who brought complaints to us was up 2 per cent on last year to 87 per cent. There were also increases in individual aspects of our service, such as how we explained the complaint-handling process and how we explained what to do if complainants (customers) were unhappy with the outcome.

It was a different matter for those with disputes. Overall satisfaction ended the year down 15 per cent on 2013-14 to stand at 47 per cent. Feedback in response to questions about individual aspects of our service was also down in every area except one. However, as the graph shows overall consumer satisfaction is trending upward. Nonetheless, we engaged survey company Nielsen to examine the cause of the drop in satisfaction.

At 30 June, Nielsen was still preparing a report with recommended changes for us to consider. Once we receive that report, we expect to move quickly to make the necessary adjustments to our disputes-handling procedures to improve customer satisfaction with our service.

Satisfaction with our service



## Key terms

**Case:** our collective term for enquiries, complaints and disputes

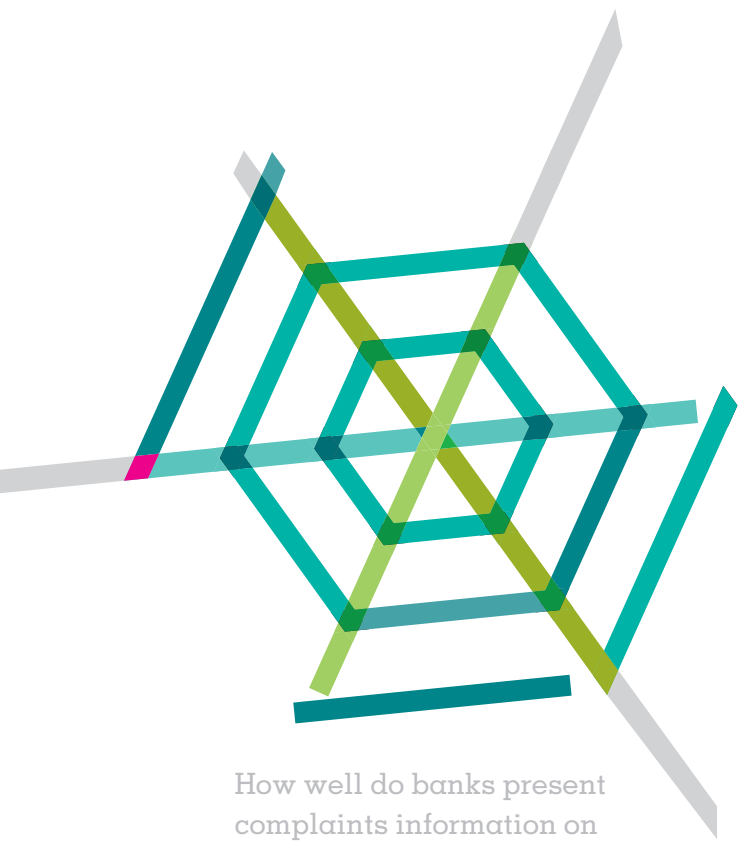
**Enquiry:** an initial contact, frequently over the phone, about a banking problem

**Complaint:** a problem someone has lodged with us about a bank that we formally hand over to its internal complaints process

**Dispute:** a complaint a bank cannot resolve to the customer's satisfaction

**Facilitation:** when we help a bank and a customer to come to an agreed outcome without the need for a formal decision

**Outside jurisdiction:** when a dispute is beyond the scope of our terms of reference so we don't have the power to look at it



How well do banks present complaints information on their websites?

### Banks' complaints forms and website information

This year, we replaced our survey of how well banks deal with complaints at branches with a survey of how well they present complaints information on their websites. We assessed their online complaint forms and website information against 25 characteristics intended to make lodging a complaint as easy as possible.

Overall, we found the results were mixed. The best-performing bank scored on 21 of the 25 characteristics, or 84 per cent. The poorest-performing bank scored only nine, or 36 per cent.

We found that many banks, especially the main banks, provide a lot of information about making complaints, as well as links to other useful websites. Others had gaps in their information, making it harder than necessary for customers to work out how to complain, especially online. All banks have complaint pages accessible from the homepage via a quick link, tab or search engine.

Areas in need of greatest improvement – all directly related to the online complaint form – were:

- asking customers if they wanted a response from the bank (13 per cent of banks we surveyed did this)
- asking customers for their preferred method of contact (19 per cent of banks asked)
- providing a separate online form for complaints (25 per cent had this)
- providing a form in a format that is mobile-friendly (25 per cent offered this).

After evaluating the results, we developed a checklist for banks to use in evaluating their websites, and have also suggested they:

- add the scheme's logo to complaint pages
- provide links to the scheme's quick guides, which explain important or contentious aspects of banking
- demonstrate to customers how they have changed their practices in response to complaints they have received
- accommodate customers who speak foreign languages as well as those with poor eyesight (by providing an option to increase the font size of the complaint form)
- develop a tool to enable customers to track their complaints.

# OUR CASELOAD

Our volume of work was little changed on last year  
– about 3,200 cases received and an equal number resolved.

Within those totals, however, there were two trends of note: the number of disputes we resolved rose 11.8 per cent (despite receiving only 4.2 per cent more); and the number of complaints received (and correspondingly dealt with) fell about 19 per cent. The former was the result of hard work by staff. The latter was due to the use of a more efficient screening process and the introduction of a website filtering tool to redirect non-scheme complaints to the right agency.

## Cases by type

	2013–14	2014–15	% change
<b>Enquiries</b>			
Outstanding from last year	1	0	-100.0
Received	2281	2372	4.0
Completed	2282	2372	3.9
Carried over to next year	0	0	n/a
<b>Complaints</b>			
Outstanding from last year	3	0	-100.0
Received	710	576	-18.9
Completed	713	576	-19.2
Carried over to next year	0	0	n/a
<b>Disputes</b>			
Outstanding from last year	57	79	38.6
Received	259	270	4.2
Completed	237	265	11.8
Carried over to next year	79	84	6.3
<b>Total</b>			
Outstanding from last year	61	79	29.5
Received	3250	3218	-1.0
Completed	3232	3213	-0.6
Carried over to next year	79	84	6.3

## Use of the scheme

Members' use of the scheme remained largely unchanged. Individual banks' market share (as estimated by assets) generally corresponded with the number of complaints and disputes we received about them. We continued to receive a higher share of enquiries about the scheme's eight medium-sized banks (18 per cent) relative to market share (12 per cent) and a corresponding lower share of enquiries about large banks.

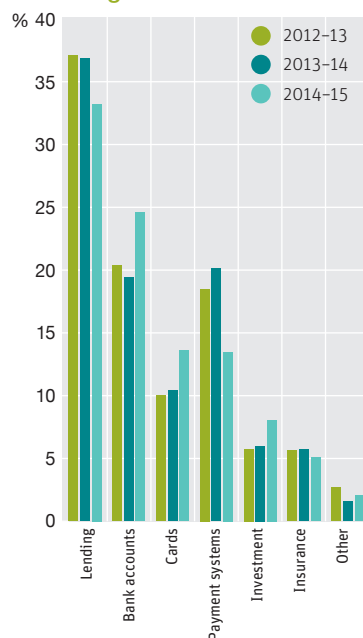
## Cases received: bank by bank

Scheme participants	2013–14					2014–15					% of total assets^
	Enquiry*	Complaint	Dispute	Total	%	Enquiry*	Complaint	Dispute	Total	%	
Large^											
ANZ Bank NZ	501	257	72	830	31.0	552	198	84	834	29.7	32.1
ASB Bank	189	111	56	356	13.3	257	67	37	361	12.9	17.3
BNZ	295	100	56	451	16.9	316	75	78	469	16.7	18.5
Westpac NZ	376	138	52	566	21.2	462	145	46	653	23.3	20.0
Sub-total	1361	606	236	2203	82.4	1587	485	245	2317	82.6	87.8
Medium^											
Citi NZ	1	2	-	3	0.1	-	-	-	0	0.0	0.5
Heartland Bank	11	1	3	15	0.6	12	5	-	17	0.6	0.6
HSBC NZ	17	4	3	24	0.9	17	1	1	19	0.7	1.2
Kiwibank	207	71	4	282	10.5	217	59	9	285	10.2	4.0
Rabobank NZ	5	1	3	9	0.3	5	3	2	10	0.4	3.1
SBS Bank	40	8	6	54	2.0	50	5	4	59	2.1	0.7
The Co-operative Bank	23	5	1	29	1.1	32	9	3	44	1.6	0.4
TSB Bank	25	10	3	38	1.4	29	8	4	41	1.5	1.4
Sub-total	329	102	23	454	17.0	362	90	23	475	16.9	11.8
Small^											
Bank of Baroda NZ	-	-	-	0	0.0	1	-	1	2	0.1	0.0
Bank of China NZ	n/a	n/a	n/a	n/a	n/a	-	-	-	0	0.0	0.0
Bank of India NZ	-	-	-	0	0.0	3	-	-	3	0.1	0.0
China Construction Bank NZ	n/a	n/a	n/a	n/a	n/a	-	-	-	0	0.0	0.0
ICBC NZ	-	-	-	0	0.0	-	-	-	0	0.0	0.2
Nelson Building Society	7	2	-	9	0.3	4	-	1	5	0.2	0.1
NZCU Baywide	8	-	-	8	0.3	3	1	-	4	0.1	0.1
Sub-total	15	2	0	17	0.6	11	1	2	14	0.5	0.4
Total	1705	710	259	2674	100	1960	576	270	2806	100	100

<sup>^</sup> Participants are classified according to total assets at 31 December 2014 as verified by participants in June 2015.

\* Excludes 576 non-participant enquiries in 2013–14 and 412 such enquiries in 2014–15.

Categories of contention



### Areas of contention

The sources of contention between banks and their customers shifted slightly this year. Lending-related problems still dominated, though by less than last year (down from 37 per cent to 33 per cent). Most problems were related to property. Cases about early repayment costs increased as, contrary to expectations, interest rates fell.

Complaints and disputes about bank accounts rose from 19 per cent to nearly 25 per cent. Savings account problems contributed to this rise, with the number of complaints and disputes tripling from 28 to 93 in a year.

When it came to cards, specifically credit cards, customers' chief concerns were excessive or unfair fees, particularly for international transactions and late payments, and banks' refusal to compensate customers for fraud or theft involving their cards. Payment systems cases fell this year. We attributed the decrease to fewer problems with telegraphic transfers and in-branch transactions.

### Analysis and trends

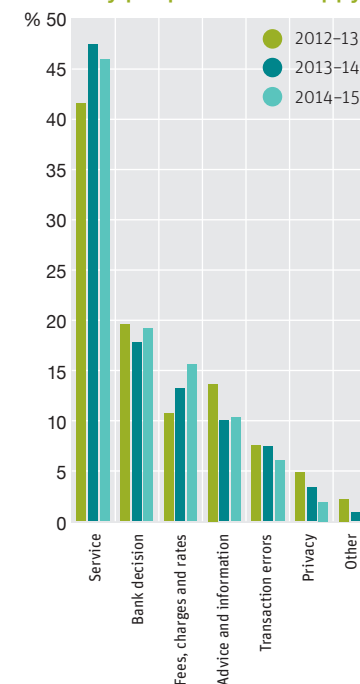
The underlying causes of complaints and disputes remained little changed compared with last year. Customer service accounted for almost half of the total. Within this category, the main concerns included: the failure of bank staff to act as instructed or promised, particularly over signing authorities on transactional accounts and property lending; and, unhappiness with how banks collected debts, particularly property and credit card debts.

Complaints and disputes about bank decisions, the second-biggest category, centred mainly on declined applications and claims (for property loans, KiwiSaver withdrawals, credit cards and life insurance). The third-biggest category – fees, charges and rates – continued its steady growth, rising to 16 per cent this year, up from 13 per cent the year before, and 11 per cent the year before that.

This year, the bigger banks began to introduce explicit notice periods for customers who want

to break their term deposits. The intention is to maintain liquidity levels. We received 51 cases (40 enquiries, seven complaints and four disputes) on this point. Customers felt the change was unfair, or that banks had breached existing terms and conditions. We published a Quick Guide to Breaking a term deposit in anticipation of other banks following suit.

Why people were unhappy



# RESOLVING DIFFERENCES

## Timeliness

We met all but one of our eight timeliness targets. Nearly all enquiries and complaints were resolved within two days, a result helped by investment in technology and changes to the online complaint form. We exceeded three of the four disputes measures, but missed the fourth – average dispute time of 65 working days – because of a higher caseload (265 disputes compared with 237 last year).

### Timeliness targets

#### Measures

	Targets	Results
<b>Enquiries</b>		
Enquiries completed within 1 working day	90%	98%
Enquiries completed within 2 working days	99%	100%
<b>Complaints</b>		
Complaints completed within 1 working day	90%	91%
Complaints completed within 2 working days	99%	99%
<b>Disputes</b>		
Simple disputes completed within 40 working days	90%	94%
Standard disputes completed within 120 working days	90%	92%
Complex disputes completed within 200 working days	90%	94%
Average dispute working day count	65	70

## Complexity of disputes

The introduction last year of a system to grade disputes worked well to ensure that investigators' caseloads were balanced and their cases managed proportionately. Disputes are graded as:

- **simple:** early resolutions or straightforward jurisdictional decisions
- **standard:** disputes with no special features
- **complex:** difficult to resolve due to their factual difficulty, legal complexity and specific circumstances.

The makeup of cases was unchanged on last year (simple, 18.5 per cent; standard, 69 per cent; complex, 12.5 per cent).

The introduction last year of a system to grade disputes worked well.

The proportion of disputes ending either partly or wholly with a positive outcome for customers rose from 37 per cent last year to 40 per cent this year.

### Disputes by outcome

The proportion of disputes ending either partly or wholly with a positive outcome for customers rose from 37 per cent last year to 40 per cent this year. The four biggest banks – ANZ, ASB, BNZ and Westpac – made up 90 per cent of disputes completed during the year, down one percentage point on last year, and just slightly above their combined market share of 87.8 per cent. Disputes completed involving medium-sized banks rose one percentage point.

### Completed disputes: bank by bank

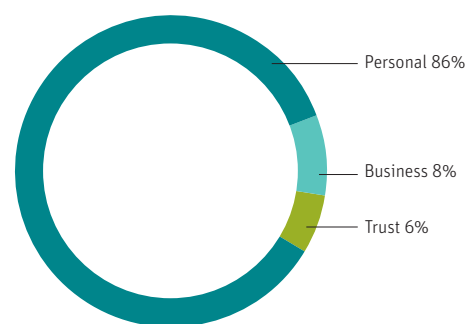
Scheme participant	Outside jurisdiction		Result for both parties		Result for customers		Result for banks*		Total by bank	
	13-14	14-15	13-14	14-15	13-14	14-15	13-14	14-15	13-14	14-15
<b>Large^</b>										
ANZ Bank NZ	18	18	13	17	6	8	34	37	71	80
ASB Bank	7	5	16	11	1	6	20	23	44	45
BNZ	5	13	11	16	4	12	22	33	42	74
Westpac NZ	11	10	12	6	3	2	33	21	59	39
<b>Medium^</b>										
Citi NZ	-	-	-	-	-	-	-	-	-	-
Heartland Bank	1	-	-	-	-	-	-	2	1	2
HSBC NZ	2	-	-	-	-	-	2	-	4	-
Kiwibank	-	1	1	2	1	1	2	3	4	7
Rabobank NZ	-	1	1	1	-	1	-	1	1	4
SBS Bank	-	2	-	-	1	-	5	4	6	6
The Co-operative Bank	-	-	-	-	1	1	2	1	3	2
TSB Bank	-	-	-	1	-	-	2	4	2	5
<b>Small^</b>										
Bank of Baroda NZ	-	-	-	-	-	-	-	-	-	-
Bank of China NZ	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-
Bank of India NZ	-	-	-	-	-	-	-	-	-	-
China Construction Bank NZ	n/a	-	n/a	-	n/a	-	n/a	-	n/a	-
ICBC NZ	-	-	-	-	-	-	-	-	-	-
Nelson Building Society	-	-	-	1	-	-	-	-	-	1
NZCU Baywide	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>44</b>	<b>50</b>	<b>54</b>	<b>55</b>	<b>17</b>	<b>31</b>	<b>122</b>	<b>129</b>	<b>237</b>	<b>265</b>

^ Participants are classified according to total assets at 31 December 2014 as verified by participants in June 2015.

\* Includes abandoned and withdrawn disputes.



### Disputes by bank customer type



### Profile of a completed dispute

Personal banking customers continued to make up the overwhelming majority of disputes. Disputes involving businesses decreased from 13 per cent to 8 per cent. Bank accounts were the main area of contention for businesses, a change from last year when lending dominated. The number of disputes involving trusts doubled from eight last year to 16 this year. Often these cases were about signing authorities and access to accounts.

### How we resolved disputes

We resolve disputes inside our jurisdiction either by facilitation or with a written decision. Facilitation is our preferred method because it is faster and generally results in a more satisfactory outcome for both sides. The proportion was unchanged on last year: 55 per cent resolved by facilitation and 45 per cent by written decision.

Written decisions can end with an initial assessment, if neither side objects, or go on to a formal recommendation. The proportion ending before a formal recommendation has been rising steadily. This year it was 42 per cent, up from 38 per cent last year and 31 per cent the year before that.

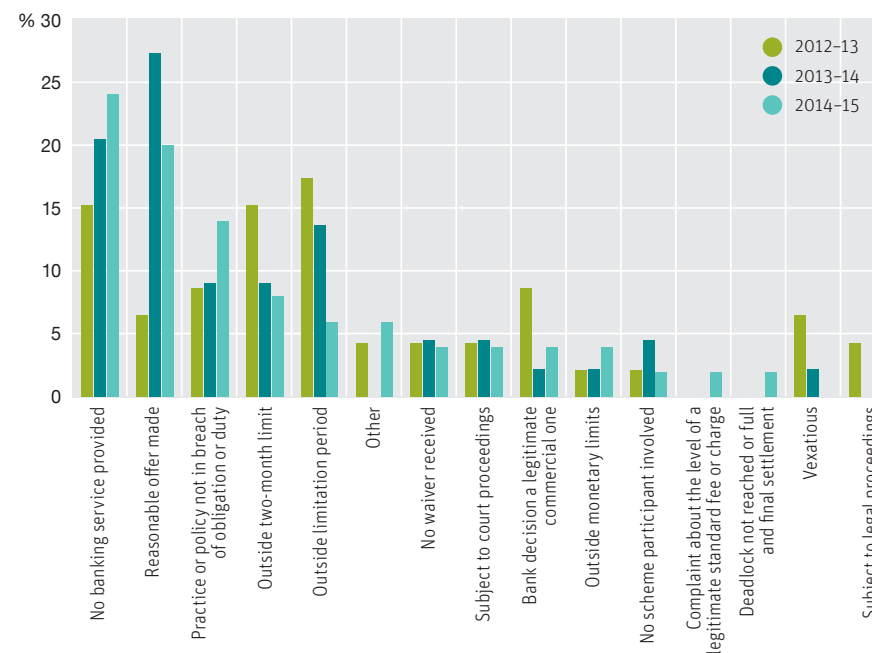
### Disputes outside our jurisdiction

The proportion of disputes we ruled as outside our jurisdiction remained unchanged compared with last year at 19 per cent, or 50 cases. The most common reasons were that the bank had already made a reasonable offer to settle the matter, or the complainant had not directly received a service from the bank.

We resolve disputes inside our jurisdiction either by facilitation or with a written decision.



### Why we declined to intervene





35% of cases we investigated resulted in some form of compensation.

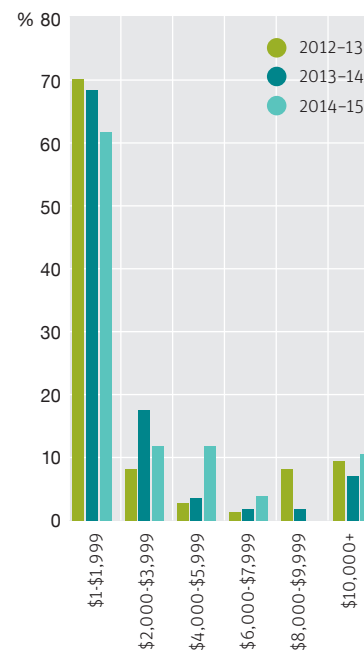
## Payments

In cases we investigated, the proportion of people who received some form of compensation was 35 per cent, up on last year's 30 per cent. The total payment figure of \$309,189 was down on last year's total of \$360,350, but this could be explained by the distorting effect of a large payment in 2013-14. The average payment was \$1,438, down 23 per cent on last year. The share of payments for inconvenience was up markedly – from 15 per cent last year to 38 per cent this year. Payments for direct loss made up the remainder. Other types of settlements (such as reduction of a debt, an apology or a repayment arrangement) totalled 29, up on last year's 24 and the previous year's 17.

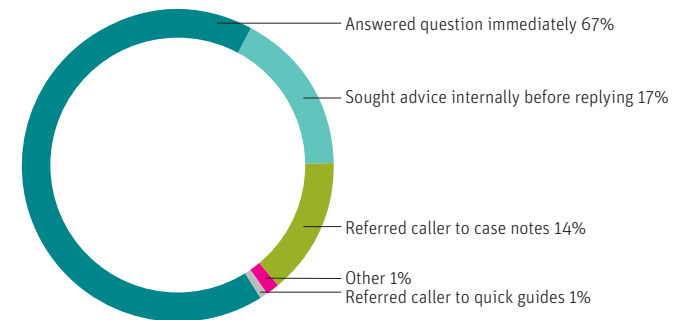
The total payment figure was down on last year's total.



## What bank customers received



## How we responded to advice queries



## Advice for banks

We run an informal advice service to help banks resolve customer complaints internally. This year, we handled 71 advice queries, the same number as last year. Property lending, transactional accounts and credit cards continued to be the most common topics, accounting for 54 per cent of these queries. The most common question was whether a proposed compensation offer was reasonable – an encouraging sign considering last year's highest-ranking question was whether compensation or reimbursement was warranted. Some banks are much heavier users of this service than others. One accounted for more than half of all advice queries. We encourage banks to use this service.

## Systemic issues

While carrying out our dispute resolution work, we watch for any recurring problems, or problems with implications, or potential implications, for the banking sector. Where necessary, we investigate further and notify the banks involved. This year, we had cause to raise 14 cases with banks, five of which turned out to have a systemic element, and to require the banks concerned to take some kind of action. These were:

**Currency conversions at ATMs:** After upholding a complaint about high currency conversion rates applied on EFTPOS card withdrawals at a bank's ATMs, we asked the bank to see whether it had incorrectly charged other customers as well. The bank reported that it had identified and reimbursed a small number of customers affected by how it had applied its conversion rates to such withdrawals.

**“Safe harbour” formula:** While investigating a complaint about how a loan's early repayment cost was calculated, we noticed that the loan agreement failed to state that the bank was calculating the cost by a means other than the “safe harbour” formula spelt out in the Credit Contracts and Consumer Finance Act 2003. Creditors may use other formulas provided (a) those formulas meet certain criteria and (b) creditors' contracts state they are not using the “safe harbour” formula. Once alerted, the bank amended its contracts.

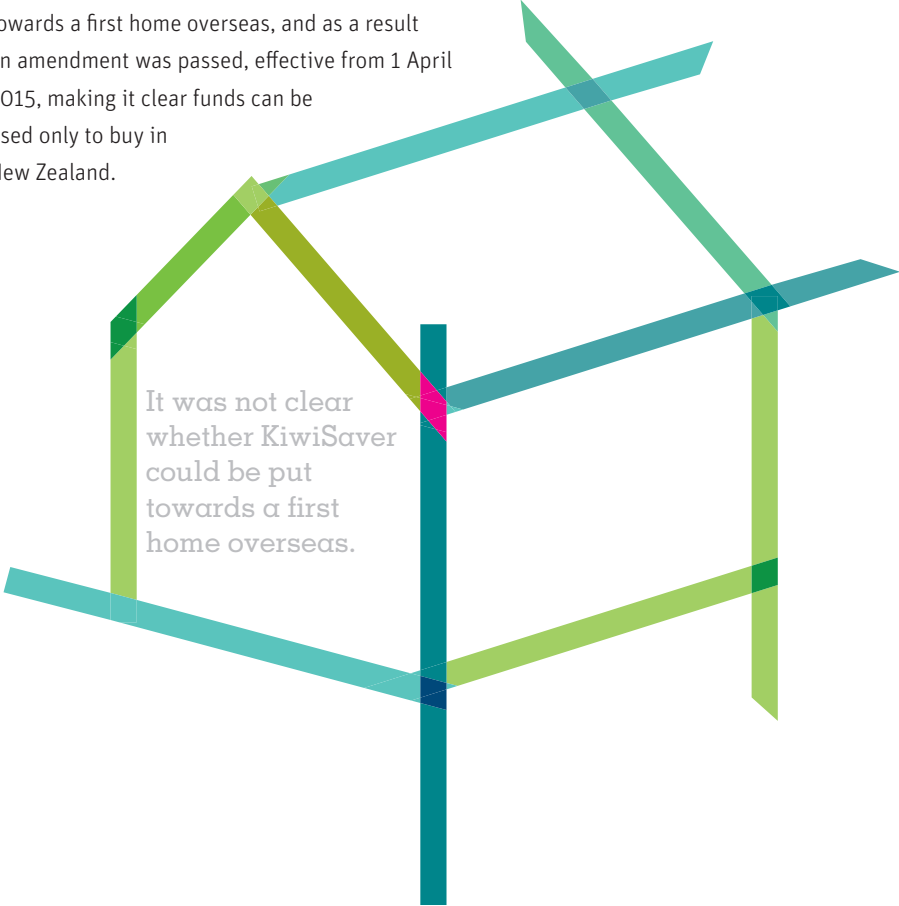
**ATM receipt information:** An ATM gave a user from another bank a receipt that failed to distinguish between his account balance (the amount in his account, which was \$50) and the available balance (the amount at his disposal to spend, which, given he had a \$500 overdraft, was \$550). The receipt showed an account balance of \$550, leading the customer to assume he had \$1,050 (\$550 cash plus \$500 overdraft) available to spend. The account holder's bank and the ATM bank have arranged to change account balance information.

**Credit card fee:** A customer sent us a letter from his bank with confusing information about when it would start charging him for use of his credit card. The letter said the bank was waiving the first annual fee, but it was unclear about when the fee would eventually take effect. The bank agreed to contact customers before the fee for the next year was charged to ensure they were aware of the amount payable and could cancel the card if they didn't want to pay the fee.

**Switching banks:** A customer came to us after moving banks and finding that not all of her automatic payment information was carried over. The payments she had set up herself using online banking were missed by the new bank. We determined the error occurred because of inadequate training and supervision of the staff member at the customer's former bank who had undertaken the processing work. Despite finding no similar cases, the bank set up a team dedicated to switching customers to new banks.

## KiwiSaver

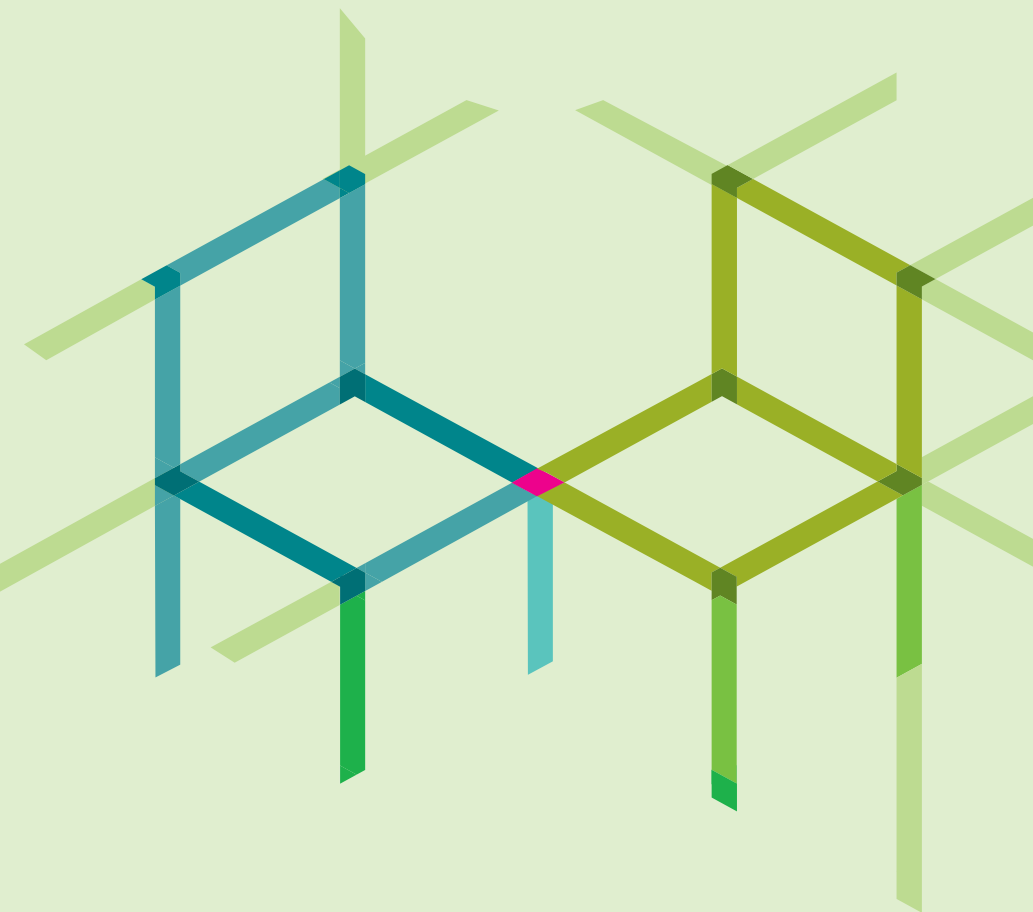
In the previous year, we investigated a complaint that revealed an ambiguity in the KiwiSaver Act 2006. The Act was not explicit about whether savings could be put towards a first home overseas, and as a result an amendment was passed, effective from 1 April 2015, making it clear funds can be used only to buy in New Zealand.



It was not clear whether KiwiSaver could be put towards a first home overseas.

## CASE STUDIES

Some cases are published on our website because they throw light on new developments or underline recurring problems in the banking sector. The following case studies feature the most significant such cases we have dealt with this year. Note that identifying particulars have been altered.



### Bank accounts – transactional accounts

#### Customers who operate joint accounts need to be clear about who can freeze them.

A dispute arose between two members of an extended family who operated a partnership to manage their properties. The partnership's bank accounts had a "two-to-sign" requirement. One member, Ms M, threatened to freeze the partnership's bank accounts. The other member, Mr L, asked the bank whether it could freeze accounts on the instruction of one partner. The bank replied that it could freeze the accounts if asked by two or more partners. This response left Mr L satisfied that his position was secure.

What the bank did not make clear was that it could also act on the instruction of one partner alone. Ms M went on to ask the bank to freeze the accounts, which it did. Despite attempts to resolve the dispute, the accounts remained frozen a year later, and Mr L approached us seeking a lifting of the freeze.

We explained that we had no grounds to compel the bank to unlock the accounts.

Mr L said the bank had given him unclear information, and he was also unhappy it had not subsequently told him or other partners of its action. Had he known Ms M could freeze the accounts, he would have taken steps to protect the funds.

He said the freeze meant the partnership had been unable to renovate a property and had lost potential rental income. The partnership had also incurred interest charges on a loan needed to continue its activities. In addition, the partners had needlessly spent money to hold a meeting a week after the freeze – money they wanted the bank to reimburse.

The bank acknowledged it had given unclear information, and had not notified other account holders of its actions. It offered \$5,000 compensation for inconvenience. Mr L sought independent advice about whether the offer was adequate.

We considered the offer reasonable in the circumstances because:

- the bank could have frozen the accounts as soon as it became aware of the dispute
- the inconvenience was the result of the bank acting on instructions, not the result of advice it had given
- the bank was not responsible for the duration of the dispute (and hence of the freeze)
- minutes of the meeting held after the accounts were frozen show that participants still dealt with some business, so the bank should not have to reimburse meeting costs.

Mr L accepted the \$5,000, and the case was closed.

## KiwiSaver

**KiwiSaver contributions can be drawn on to fund property splits when couples separate.**

Mr L's bank told him he could not withdraw his KiwiSaver contributions to pay out his wife, from whom he was separating. This advice was incorrect. KiwiSaver rules allow withdrawals in certain circumstances, including to comply with a court order made under section 31 of the Property (Relationships) Act 1976.

Mr L did not become aware of this fact until two years later. By then, he had already agreed to pay his wife \$50,000 from his share of the sale of the family home, leaving him with less money for a deposit on another home.

Mr L asked the bank to pay him \$50,000, saying he would have had access to his KiwiSaver contributions to complete the property split if the bank had given him correct advice.

The bank acknowledged its advice was incorrect, and offered him compensation of \$1,500, a preferential home loan interest rate and payment of some legal costs.

When Mr L complained to us, we said we had the power to order banks to compensate customers for direct loss or inconvenience, but that his \$50,000 payment to his former wife was not a direct loss because he still had equivalent KiwiSaver contributions.

However, he had been denied the opportunity to pay out his wife using KiwiSaver funds rather than the proceeds of the family home, so he had suffered inconvenience.

Mr L understood we had no power to order the release of his KiwiSaver contributions, something governed by KiwiSaver legislation, but he asked if the bank would increase its offer to recognise the extent of the inconvenience he had suffered. The bank increased its compensation offer to \$3,000 and also agreed to waive a low-equity premium Mr L would have been subject to on a loan for a new home. Mr L accepted the bank's offer.

## Overdrafts

**Be very clear about when repayments are due because misunderstandings can be costly.**

Ms W complained to us after an overdraft debt she had agreed to repay was referred to a debt collector because of a misunderstanding over payment dates.

In coming to an arrangement with her bank, Ms W had asked if she could make her repayments on or before the end of the month. The bank replied that the first repayment would be due on the 20th of the next month. Ms W made her first repayment on that day. On the 28th of the following month, the bank notified her that it had referred her debt to a debt collector.

Ms W said she thought she could make repayments on or before the end of each month, and that the bank had breached the repayment arrangement. She asked it to recall the debt, remove the default listing against her and pay her \$9,000 as compensation for stress and inconvenience.

The bank acknowledged it did not make clear it expected every payment by the 20th of each month. It agreed to recall the debt and remove the default listing, but said no compensation was warranted.

We explained to Ms W that her case was unlikely to justify compensation of \$9,000 when we ordered payments of more than \$1,000 only in instances of severe inconvenience. Ms W then asked the bank to reimburse her legal fees of \$1,200. The bank said it would contribute half, but Ms W maintained it should pay the full amount. We told her the matter wasn't complicated enough to make it crucial to have a lawyer, and that full reimbursement was not justifiable. Ms W then accepted the bank's \$600 offer.

## Lending

**If you have “all obligations” loans on two or more properties, you may have to put the entire proceeds from selling any of the properties towards repaying the remaining loan or loans.**

Mr D took out two “all obligations” mortgages to buy two apartments. Under this type of mortgage, each apartment acted as security for all the money he owed.

Mr D sold one apartment because he was struggling to make repayments. He believed he could keep any balance – which turned out to be \$19,000 – left over from repaying the loan on that apartment. At settlement, however, the bank told him the balance had to go towards reducing the remainder of the other loan.

When Mr D said this was unfair, the bank replied that it was entitled to use all of the sale proceeds to reduce his lending. The \$19,000 would keep the loan-to-value ratio on the remaining apartment at an acceptable level. The bank offered a goodwill payment of \$1,250, but Mr D declined it and complained to us.

We confirmed that the loan agreements and mortgages allowed the bank to use the sale proceeds in the way it did. Mr D accepted we could not make the bank give him \$19,000. He wanted \$3,000 to cover marketing and property valuation costs. We asked the bank, but it said \$1,250 was its best offer.

We reviewed the offer and decided it was fair and reasonable because the bank had done nothing wrong. We encouraged Mr D to accept the offer, which he did.

## Savings

**It’s worth being clear on the details if your interest rate is linked to making monthly payments and no withdrawals.**

Mr A normally invested in term deposits, but he decided to put his funds into a savings account. He later complained that he had not earned as much interest as expected because his bank hadn’t told him how the account worked.

The account he opened offered a modest interest rate that increased to a higher rate if he made monthly deposits and no withdrawals.

He did this for the first three months and earned the higher rate. In each of the following nine months, Mr A withdrew money and didn’t earn that rate.

Some time later, a bank employee alerted him to the fact he was missing out on the higher rate because of his withdrawals. Mr A asked the bank to pay him the extra interest he could have earned if he had known how to operate the account correctly.

The bank calculated this amount at \$32,000, but declined his request because it had told him what to do to earn the higher rate when it set up his account. It had also confirmed those instructions in a letter to him soon afterwards. And lastly, he was obliged to check statements and notify the bank of any errors within three months.

The bank did offer a partial settlement of \$9,741, which was the amount he would have received for three of the nine months in dispute. Mr A rejected that offer and complained to us.

We asked the bank for evidence it had shown Mr A how to earn the higher rate. It was at this point the bank found it had not, in fact, sent Mr A the letter.

It then offered about \$28,000, which was the higher amount he would have earned up to the time when the bank began using a pop-up to warn internet-banking customers – of whom Mr A was one – with such accounts that they wouldn’t receive the higher interest rate if they withdrew money from the account. Mr A accepted the offer.

## Telegraphic transfers

**Responsibility for entering accurate information when completing telegraphic transfer forms rests entirely with customers.**

Mr V complained to us that his bank had failed to notice that a payee account name and number did not correspond when it processed a telegraphic transfer, and that he was defrauded of money intended for his mother's account.

Mr V and his British-based mother were communicating via email about buying a property in that country using family funds Mr V had in his New Zealand bank account.

At some point, his mother's email was hacked, and Mr V received an email he thought was from his mother saying she had bought a house, and asking that he transfer the family funds to a British account. The email included the account details, his mother's account name and number, and the British bank's details.

Mr V emailed back to clarify the instruction because the bank was not the same one his mother had previously mentioned. The reply email confirmed the instructions and asked that he send through a copy of the funds transfer request. Mr V went to his bank and completed a form for an international money transfer, which the bank said would take about two working days.

During the following 10 days, Mr V received various emails about the purchase. One made him suspicious and he rang his mother, who said the emails hadn't been from her. He contacted his bank to see if it could retrieve the funds, while his mother contacted the British bank with the same purpose. However, the fraudsters had already withdrawn the funds.

Mr V complained to us that the requirement to enter the account name and number on the money transfer form led him to believe the bank would check one against the other to ensure a match. His mother had no such account with the British bank, so a check would have revealed a discrepancy. Mr V also questioned the requirement to include this information if banks weren't going to check it.

The bank explained that there was no international database to cross-reference account numbers with correct customer names. It sought the account name because it was useful in tracking down a payment if it became delayed or lost. The recipient's bank found a name useful for the same reason.

Under the terms and conditions of the telegraphic transfer, the customer – not the bank – was responsible for the accuracy of information on the form. We did not uphold the complaint, but we suggested the bank find a better way to explain to customers that they were responsible for the accuracy of recipient details on the form. The bank said it would do so, both on its form and on its website.

Mr V accepted our findings.

Banking Ombudsman Scheme Limited

## STATUTORY INFORMATION

*For the year ended 30 June 2015.*

The Board of Directors present their Annual Report including the financial statements of the Company for the year ended 30 June 2015 and the auditor's report thereon.

The shareholder of the Company has exercised her right under section 211 (3) of the Companies Act 1993 and agreed that this Annual Report need not comply with paragraph (a) and (e) to (j) of section 211 (1) of the Act.

For and on behalf of the Board:



Miriam Dean CNZM QC

15 September 2015



### **To the Shareholder of Banking Ombudsman Scheme Limited Report on the financial statements**

We have audited the financial statements of Banking Ombudsman Scheme Limited on pages 23 to 29, which comprise the statement of financial position of Banking Ombudsman Scheme Limited as at 30 June 2015, and the statement of comprehensive income and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholder in accordance with section 207B(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholder, for our audit work, for this report, or for the opinions we have formed.

#### **Directors' Responsibility for the Financial Statements**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant

Chartered Accountants

to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

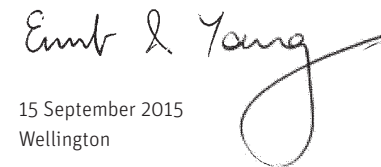
Other than in our capacity as auditor and tax adviser we have no relationship with, or interest in, Banking Ombudsman Scheme Limited.

Partners and employees of our firm may deal with the company on normal terms within the ordinary course of trading activities of the business of the company.

#### **Opinion**

In our opinion, the financial statements on pages 23 to 29:

- comply with generally accepted accounting practice in New Zealand; and
- present fairly, in all material respects, the financial position of Banking Ombudsman Scheme Limited as at 30 June 2015 and its financial performance for the year then ended.



15 September 2015  
Wellington



	NOTE	15	14
<b>Current assets</b>			
Cash	8	162,762	68,506
Accounts receivable		256	971
Prepaid expenses	9	56,637	10,905
Tax refundable		11,247	-
GST receivable		21,658	26,214
		<b>252,560</b>	<b>106,596</b>
Property, plant and equipment	4	325,430	360,292
Intangibles	5	34,758	51,649
<b>Total assets</b>		<b>\$612,748</b>	<b>\$518,537</b>
<b>Current liabilities</b>			
Sundry payables and accruals	7	408,653	351,763
Provision for tax		-	38,277
GST payable		-	8,090
Bank – credit card		4,570	4,975
<b>Total liabilities</b>		<b>\$413,223</b>	<b>\$403,105</b>
<b>Net assets</b>		<b>\$199,525</b>	<b>\$115,432</b>
<b>Equity</b>			
Contributed equity		1	1
Accumulated profits		199,524	115,431
<b>Shareholder's surplus</b>		<b>\$199,525</b>	<b>\$115,432</b>

Banking Ombudsman Scheme Limited

## Statement of financial position

As at 30 June 2015

The accompanying notes form part of  
and should be read in conjunction with  
these financial statements.

For and on behalf of the Banking Ombudsman Scheme Limited which approved the issue of these financial statements on 15 September 2015.



**Chair Miriam Dean CNZM QC**

Date 15 September 2015



**Director Ben Russell**

Date 15 September 2015

Banking Ombudsman Scheme Limited

## Statement of comprehensive income

For the year ended 30 June 2015

The accompanying notes form part of  
and should be read in conjunction with  
these financial statements.

	NOTE	15	14
<b>Income</b>			
Levies		2,550,000	2,300,000
Interest		12,119	11,364
Other income	15	20,979	10,413
<b>Total operating income</b>		<b>\$2,583,098</b>	<b>\$ 2,321,777</b>
<b>Expenses</b>			
Audit fees		19,058	16,000
Board controlled costs	17	135,857	56,565
Contractors and external advice		31,558	29,896
Depreciation	4	61,177	29,525
Amortisation of intangibles	5	27,265	32,666
Directors' remuneration	11	127,239	124,500
Earthquake related expenses		-	60,135
Entertainment		4,501	5,488
Loss on disposals		1,533	40,137
Office costs		85,535	70,470
Publications & promotions		34,692	38,453
Rent	16	144,111	64,579
Scheme compliance		-	-
Staff salaries & superannuation		1,619,841	1,474,877
Staff costs –other		67,211	55,513
Staff cost-recruitment		718	12,556
Technology & website costs		60,457	55,343
Travel and conferences		53,287	31,772
<b>Total expenses</b>		<b>\$2,474,040</b>	<b>\$2,198,475</b>
<b>Profit before taxation</b>		<b>109,058</b>	<b>123,302</b>
Taxation expense	10	(24,965)	(42,930)
<b>Net profit after taxation</b>		<b>\$84,093</b>	<b>\$ 80,372</b>
<b>Total comprehensive income for the year is wholly attributable to owners of the company</b>		<b>\$84,093</b>	<b>\$80,372</b>

	Shareholders capital	Accumulated profit/ (losses)	Total
As at 1 July 2013	1	35,059	35,060
Profit for the year	-	80,372	80,372
<b>As at 30 June 2014</b>	<b>1</b>	<b>\$115,431</b>	<b>\$115,432</b>
As at 1 July 2014	1	115,431	115,432
Profit for the year	-	84,093	84,093
<b>As at 30 June 2015</b>	<b>1</b>	<b>\$199,524</b>	<b>\$199,525</b>

Banking Ombudsman Scheme Limited

## Statement of movements in equity

For the year ended 30 June 2015

The accompanying notes form part of  
and should be read in conjunction with  
these financial statements.

Banking Ombudsman Scheme Limited

## Notes to the financial statements

For the year ended 30 June 2015

### 1. Corporate information

The financial statements of the Company for the year ended 30 June 2015 were authorised for issue on 15 September 2015.

The Company was incorporated on 19 June 2007 and is incorporated and domiciled in New Zealand.

The Company provides a free, independent and impartial dispute mechanism for those receiving “banking services” from the participating banks and non-bank deposit-takers in New Zealand.

### 2. Summary of significant accounting policies

#### (a) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

The financial statements are presented in New Zealand dollars (\$).

#### (b) Differential reporting

The Company qualifies for Differential Reporting exemptions as it has no public accountability, and its shareholder is a director of the Company. All available reporting exemptions allowed under the framework for Differential Reporting have been adopted.

#### (c) Statement of compliance

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). They comply with the New Zealand equivalents to International Financial Reporting Standards, and other

applicable Financial Reporting Standards, as appropriate for profit oriented entities that qualify for and apply differential reporting concessions.

#### (d) Basis of measurement

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical cost basis are followed by the Company.

### 3. Accounting policies

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied.

(a) Cash in the statement of financial position comprise cash at the bank and in hand.

(b) Accounts receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost. Gains or losses are recognised in profit or loss when the receivables are derecognised or impaired. They are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(c) Property, plant and equipment are stated at cost less accumulated depreciation. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation has been calculated on plant, property and equipment on a diminishing value basis using the rates permitted for income tax purposes. Depreciation rates are as follows:

Furniture, fixtures and fittings	10%-25.0%
Office equipment	13.0%-80.4%
Hardware	30.0%-67.0%
Other property, plant and equipment	12.0%-15.6%

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

#### (d) Intangibles –

##### (1) Computer Software

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Amortisation rates for software are 48% to 50%.

##### (2) Website

Following initial recognition website development costs are carried at cost less accumulated amortisation. Amortisation rates for the website are 50% diminishing value.

(e) Sundry payables and accruals are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(f) Leases - the Company leases its office premises. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

(g) The financial statements have been prepared on a GST exclusive basis except for receivables and payables which are shown gross when billed.

(h) Provisions and employee benefits – provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(1) Wages, salaries, annual leave and sick leave – liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' service up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(2) Defined contribution pension plans – obligations

for contributions to defined contribution pension plans are recognised as an expense in the Income Statement when they are due.

(i) Revenue recognition

(1) Levy revenue – revenue from members of the Scheme is recognised on an accrual basis. Levies are paid on a quarterly basis.

(2) Interest revenue – revenue is recognised as interest accrues during the life of the investment.

(j) Income tax and other taxes

Income tax is accounted for using the taxes payable method. The income tax expense recorded in the statement of comprehensive income for the year represents the income tax payable for the year.

The current income tax asset or liability recognised in the balance sheet represents the current income tax balance due from or obligation to the Inland Revenue Department at balance date.

(k) Other taxes

Revenues, expenses and assets are recognised net of the amount GST except:

when the GST incurred on the purchases of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the acquisition of the asset or part of the expense item as applicable; and receivables and payables, which are stated with the amount of GST inclusive.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the balance sheet.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### 4. Property, plant and equipment

2015	Cost	Depreciation	Accumulated depreciation	Book value
Fittings	264,255	30,093	39,231	225,024
Furniture	79,660	9,218	24,357	55,303
Office equipment	91,089	11,983	62,561	28,528
Hardware	35,576	9,429	22,024	13,552
Other property, plant and equipment	6,676	454	3,653	3,023
	<b>477,256</b>	<b>61,177</b>	<b>151,826</b>	<b>325,430</b>

2014	Cost	Depreciation	Accumulated depreciation	Book value
Fittings	264,255	9,138	9,138	255,117
Furniture	77,651	4,904	15,139	62,512
Office equipment	73,612	6,891	54,665	18,948
Hardware	55,971	8,072	35,733	20,238
Other property, plant and equipment	6,676	520	3,199	3,477
	<b>478,165</b>	<b>29,525</b>	<b>117,873</b>	<b>360,292</b>

## 5. Intangibles

2015	Cost	Amortisation	Accumulated amortisation	Book value
Software	83,866	4,116	72,258	11,608
Website	78,674	23,149	55,524	23,150
	<b>162,540</b>	<b>27,265</b>	<b>127,782</b>	<b>34,758</b>

2014	Cost	Amortisation	Accumulated amortisation	Book value
Software	73,497	5,141	68,147	5,350
Website	78,674	27,525	32,375	46,299
	<b>152,171</b>	<b>32,666</b>	<b>100,522</b>	<b>51,649</b>

## 6. Lease commitments

Lease commitments under non-cancellable operating leases:

	2015	2014
Not later than one year	137,958	100,333
Later than one year, not later than five years	559,702	589,639
Later than five years	-	108,514
	<b>\$697,660</b>	<b>\$798,486</b>

## 7. Sundry payables and accruals

	2015	2014
Sundry payables	121,782	98,699
Accruals	154,672	130,535
Provision for holiday pay	132,199	122,529
	<b>\$408,653</b>	<b>\$351,763</b>

## 8. Cash

	2015	2014
Cash at bank (cheque account)	1,336	10,605
Cash at bank (savings account)	161,317	57,801
Petty cash	109	100
	<b>\$162,762</b>	<b>\$68,506</b>

## 9. Prepayments

	2015	2014
Board controlled costs	6,113	-
Computer	6,407	-
Conference expenses	9,085	-
Healthcare	1,432	1,804
Insurance	4,075	-
Professional subscriptions	1,734	3,003
Publications and promotions	23,562	-
Training	2,895	5,328
Other	1,334	770
	<b>\$56,637</b>	<b>\$10,905</b>

## 10. Income tax expense

	2015	2014
Profit before tax	109,058	123,302
Tax at statutory income tax rate of 28%	30,536	34,525
Add/deduct tax effect of non-deductible expenditure	(9,115)	(6,931)
Over/Under provision in respect of prior years	3,544	1,474
Current year taxation as per income statement	<b>\$24,965</b>	<b>\$42,930</b>

## 11. Directors' remuneration

The directors had remuneration due or paid during the year of \$127,239 (2014: \$124,500).

## 12. Contingent assets and liabilities

There are no contingent assets or liabilities at year end.

## 13. Transactions with related parties

Other than transactions with the Company's banker, ANZ (a Scheme participant) which are conducted on normal commercial terms, there have been no related party transactions during the year.

## 14. Financial instruments

The carrying amounts of categories of financial assets and liabilities are as follows.

### Loans and receivables

	2015	2014
Accounts receivables	256	971
Bank	162,653	68,406
	<b>\$162,909</b>	<b>\$69,377</b>

### Financial liabilities measured at amortised cost

	2015	2014
Sundry payables	<b>\$121,782</b>	<b>\$98,699</b>

**15. Other income**

	2015	2014
New participants' joining fee	20,000	10,000
Sundry income	979	413
	<b>\$20,979</b>	<b>\$10,413</b>

**16. Rental expense**

The rental expense includes leased accommodation in the Huddart Parker building and two carparks.

**17. Board controlled costs**

	2015	2014
Recruitment of new Banking Ombudsman	65,161	-
AGM	1,338	2,051
Review of Board Charter	-	2,800
Independent Scheme Review and Terms of Reference project	54,968	36,680
Other	14,390	15,034
	<b>\$135,857</b>	<b>\$56,565</b>

## DIRECTORY

**Directors**

Miriam Dean

Barbara Chapman

Suzanne Chetwin

Mary Holm

Ben Russell

**Banking Ombudsman**

Deborah Battell (as at 30 June 2015)

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Wellington

**Auditor**

Ernst & Young



**BOS**

Banking Ombudsman Scheme

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