

1



**Occasional
Paper Series**

Understanding Fairness in Financial Services

JULY 2024

*Sophia Scragg, Mikayla Pakinga-Barber,
Amie White, Gael Price, Stuart Johnson*

© Financial Markets Authority 2024. All rights reserved.

This paper has been published by the Financial Markets Authority and is based on research conducted from June to September 2023 by market research agency Ipsos New Zealand. The views, opinions, findings, and conclusion or recommendations expressed in this paper are strictly those of the author(s) and do not necessarily reflect the views of the Financial Markets Authority, its Board or the New Zealand Government. This document should not be used as a substitute for legislation or legal advice. The Financial Markets Authority is not responsible for the results of any actions taken on the basis of information in this document, or for any errors or omissions in, or for the correctness of, the information contained in papers and articles.

Contents

Contents	3
Foreword by Stuart Johnson, Chief Economist	4
Introduction	5
1. Research Results	6
1.1 General perceptions of fairness in New Zealand	6
1.2 How we researched fairness in financial services	8
1.3 What does fairness in financial services mean to New Zealanders?	9
1.4 Personal characteristics and perceived fairness	14
1.4.1 Age and perceived fairness	14
1.4.2 Ethnicity and perceived fairness	16
2. Next steps	20
Appendix A – Survey Sample	21
Appendix B – Detailed Scenarios	22
Appendix C – References	33

Foreword by Stuart Johnson, Chief Economist

Fairness in financial services is central to the FMA's purpose to promote fair, efficient and transparent financial markets. More widely fairness features heavily in our legislative environment reflecting the importance New Zealanders place on fairness in Aotearoa. Our research shows that 81% of New Zealanders believe it is important that everyone has the same opportunities in life.

However, fairness is often seen as individual, defined differently by different people. We undertook this research to demonstrate that when consumers are presented with specific scenarios there is a high level of agreement on what constitutes a fair outcome.

We developed a scenario approach, presenting survey respondents with a relatable example and asked them to rate the fairness of the situation on a scale of 0 (not fair at all) to 10 (very fair).

Of the 29 hypothetical financial services scenarios, 17 were rated as unfair by half or more respondents, unfair means a score of 0, 1, 2 or 3 on the 10-point scale. The strongest finding was for a scenario around 'Ineffective remediation' where George received a letter from his bank apologising for a mistake and offering to repay him. However, the bank took over a year to repay George by which point he had moved overseas. This scenario was rated unfair by 86% of survey respondents. This shows that consumers' understanding of fairness, when considered at the level of a real world scenario, is remarkably consistent.

A scenario about Alice who was refused a loan due to a poor credit history was rated fair by 86% of consumers. This demonstrates that consumers' view of fair treatment does not seem to be just about doing what the customer wants.

These hypothetical case studies may be interesting for providers and their boards to reflect on while they consider fair treatment of customers. One scenario examined the clarity of policy information and a customer who was struggling to understand the important details. This was rated unfair by 71% of respondents. In this situation firms might consider how they can support customers with complex documentation.

Our work has also identified that while 72% of New Zealanders expect fair treatment from their financial service provider the actual perceptions of fairness are 69% for KiwiSaver providers, 63% for banks and 57% for insurance companies. We will be interested to see how these actual perceptions of fairness track over time.

Markets need to be fair for providers, investors and consumers alike. Firms covered by the Conduct of Financial Institutions legislation may find the research helpful in developing their fair conduct programmes and we would be especially interested in firms' thinking on fairness and application of the research.

Overall, this research has shown that when presented with specific customer focused scenarios, consumers have a remarkably consistent understanding of what constitutes fairness in financial services.



Introduction

The core purpose of the Financial Markets Authority (FMA) is to promote and facilitate fair, efficient, and transparent financial markets and to promote confident and informed participation in financial services. This report focuses on understanding fairness in financial services.

The research in this report centres on a consumer survey conducted with the market research agency Ipsos which included 2,998 New Zealanders who answered questions about fairness, from June 14 to September 4, 2023. The survey addressed the topic of fairness in New Zealand overall and in financial services.

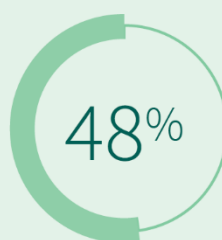
To address fairness in financial services specifically, the survey included short ‘real-life’ scenarios that New Zealanders either have or could have experienced with financial providers. Survey respondents evaluated how fair each scenario was on a scale.

A major finding was many New Zealanders generally agreed on what is and is not fair in these scenarios, suggesting many consumers have similar perceptions of fairness. In addition, age and ethnicity are two characteristics associated with significant differences in perceptions of fairness.

The results in this report are designed to start a discussion about fairness in financial services. We welcome all participants in the financial services industry, as well as the wider public, to share reflections with us.



Most respondents believe it is important that everyone has the same opportunities in life.



Less than half of respondents (48%) believe New Zealand is a fair place to live today.



Many New Zealanders generally agree on what is and isn't fair in most financial scenarios.



Age and ethnicity are two characteristics associated with significant differences in perceptions of fairness.

Research Results

Based on the prominence of fairness in financial conduct regulation in New Zealand, the following sections provide results on how New Zealanders perceive fairness. We first assess New Zealanders' perceptions of fairness in general. We then examine what fairness means to New Zealanders specifically in financial services, before analysing differences in fairness perceptions by age and ethnicity.

We surveyed a nationally representative sample of 2,998 New Zealanders, working with the market research agency Ipsos. The survey ran from June 14 to September 4, 2023. A further breakdown of the survey sample is provided in Appendix A.

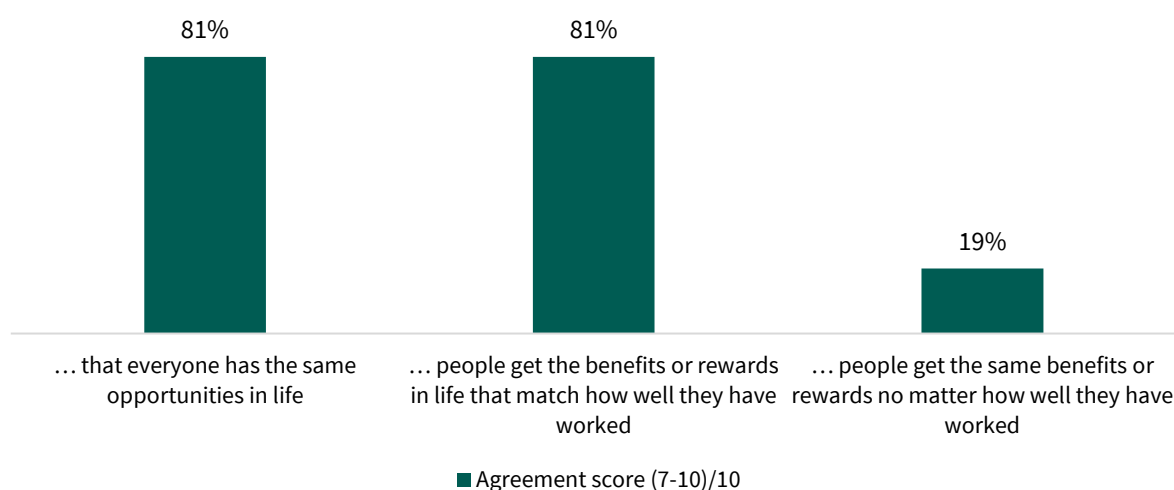
1.1 General perceptions of fairness in New Zealand

We asked respondents for their general perceptions of fairness in New Zealand, in their lives, and whether some groups experience more unfairness. The following questions were asked of all respondents in the survey.

Most respondents (81%) believe it is important that everyone has the same opportunities in life (Figure 1), and that rewards should match how well they worked (81%). The values of having opportunities and putting effort into them are integral to how New Zealanders think of fairness. This is reflective of a social science definition of fairness called 'procedural fairness', which considers a situation fair if the process and decisions that led to the outcome were fair.ⁱ

Respondents were also asked whether New Zealanders should all enjoy the same benefits regardless of effort. Most indicated they should not. Only 19% of respondents believe it is important that everyone should get the same rewards no matter how well they have worked.

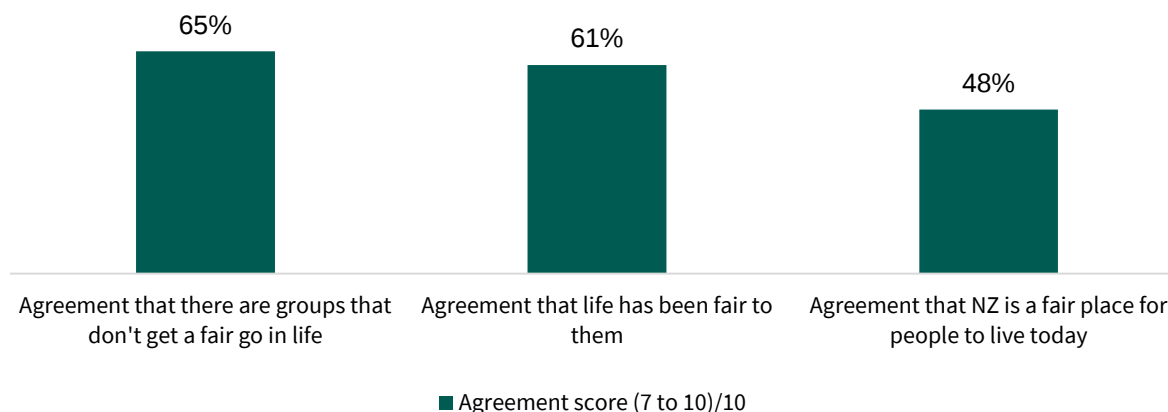
Figure 1 – New Zealanders believe it is important...



While many respondents believe that life has been fair to them (61%), they also acknowledge that many others don't get a fair go in life (65%). Less than half of respondents (48%), agreed that New Zealand is a fair place to

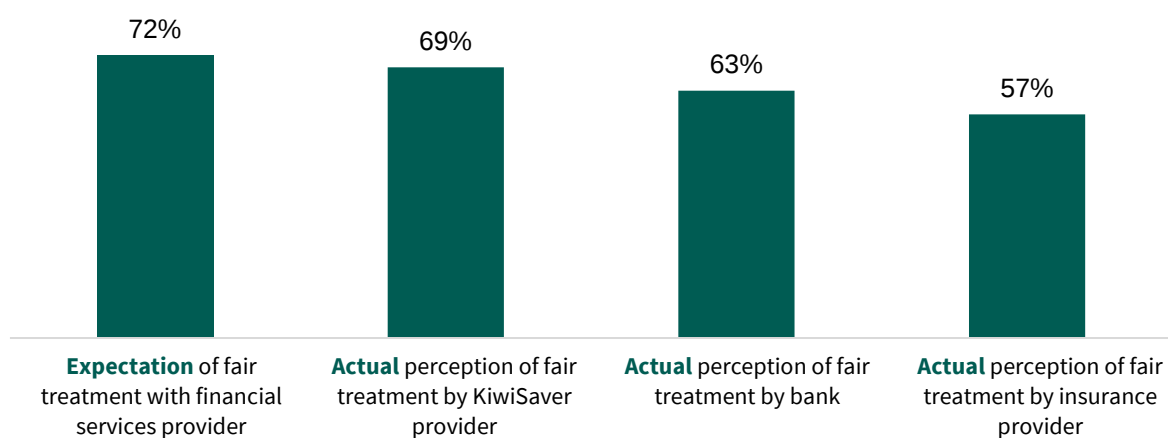
live today (Figure 2).

Figure 2 - Perceptions of the fairness of New Zealand society



When considering financial services, 72% of respondents expect to be treated fairly by their financial service provider (Figure 3). The proportion that think they are actually treated fairly is less than that, especially when asked about their banks and insurers.

Figure 3 - Are financial service providers treating customers fairly?



1.2 How we researched fairness in financial services

Survey research on fairness in financial services risks being too high-level to action. This is because respondents have been asked what fairness in finance means to them generally, yet unfair treatment is experienced by consumers in more specific, detailed circumstances. We have addressed this risk by framing the survey around specific scenarios.

The survey was designed to reflect how unfair experiences occur in real life. Being treated unfairly is situational – it is a result of a specific circumstance or series of events that led to an unfair experience occurring. We know from neuroscience that when a person is treated unfairly, they will primarily process this in their brain as an emotion.ⁱⁱ Fairness is also connected to empathy,ⁱⁱⁱ pro-social^{iv} and reward regions^v in the brain.

In asking respondents to rate these scenarios, we wanted to understand:

1. the average New Zealander's feelings about fairness in financial services
2. if there were consistent opinions about the fairness of specific situations, and if there were, could we identify the reasons or themes behind those opinions.

You can see three of our scenarios below. How fairly would you rate each of these scenarios?

This is not fair at all								This is very fair		Don't know	
0	1	2	3	4	5	6	7	8	9	10	11
Ineffective remediation George received a letter from his bank telling him they had charged him extra fees because of a mistake they had made. His bank apologised for this and told George he would receive his money back. However, it took his bank over a year to repay him and by this time George had moved overseas and closed his account. How fair do you think this is for George?										Your rating	
Missed KiwiSaver guidance Shane, who plans to retire at age 65 in a couple of years, approached his bank to order a new debit card. During their conversation, the banker noticed that Shane's KiwiSaver was invested in their highest risk fund, which the bank advertises as suitable for longer term investing. There are more suitable options available for people like Shane who will be withdrawing from their KiwiSaver soon. When Shane turned 65, he was upset to find his KiwiSaver balance was lower than he had hoped, as the market had been turbulent over the past year. He wished his provider had talked to him about his options earlier. How fair do you think this is for Shane?										Your rating	
Loan accessibility Alice approached a lender for a loan to buy a washing machine. The lender looked through Alice's financial history and discovered she has repeatedly failed to repay loans and still has outstanding debts. Because of this, the lender chose to decline Alice's application. How fair do you think this is?										Your rating	

In this study 29 scenarios were written that described people experiencing potentially unfair treatment by a financial service provider. We called these ‘unfair risk scenarios’. Four more scenarios without an unfair risk were included, called ‘neutral scenarios’, to provide a comparison. To manage survey fatigue, each respondent was assigned four scenarios – three unfair risk scenarios and one neutral scenario. Scenarios were presented to respondents in random order.

1.3 What does fairness in financial services mean to New Zealanders?

This section sets out our results on consumer perceptions of fairness specifically related to financial services.

Following is a selection of the scenarios included in the survey, with results from our respondents. This page contains results for the three scenarios you just read. How did your rating compare with the results? The ‘ineffective remediation’ and ‘missed KiwiSaver guidance’ scenarios were written as ‘unfair risk scenarios’, while the ‘loan accessibility’ scenario was written as a neutral scenario. See Appendix B for results for all scenarios.

Figure 4 – Ineffective remediation – unfair risk

George received a letter from his bank telling him they had charged him extra fees because of a mistake they had made. His bank apologised for this and told George he would receive his money back. However, it took his bank over a year to repay him and by this time George had moved overseas and closed his account. How fair do you think this is for George?

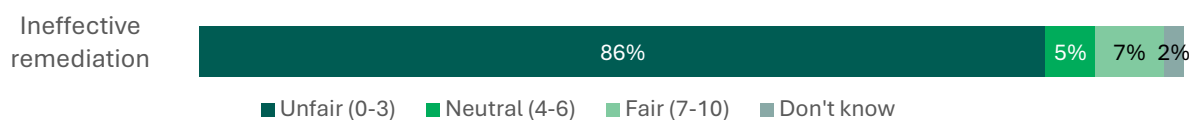


Figure 5 – Missed KiwiSaver Guidance – unfair risk

Shane, who plans to retire at age 65 in a couple of years, approached his bank to order a new debit card. During their conversation, the banker noticed that Shane’s KiwiSaver was invested in their highest risk fund, which the bank advertises as suitable for longer term investing. There are more suitable options available for people like Shane who will be withdrawing from their KiwiSaver soon. When Shane turned 65, he was upset to find his KiwiSaver balance was lower than he had hoped, as the market had been turbulent over the past year. He wished his provider had talked to him about his options earlier. How fair do you think this is for Shane?

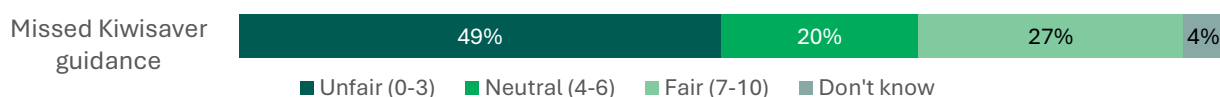
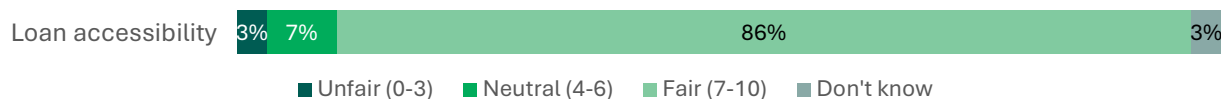
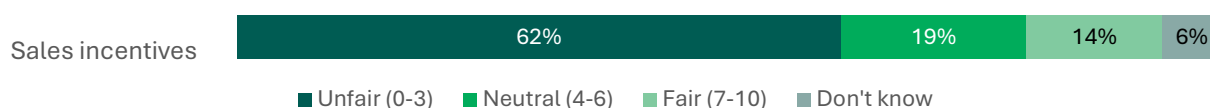


Figure 6 – Loan accessibility – neutral

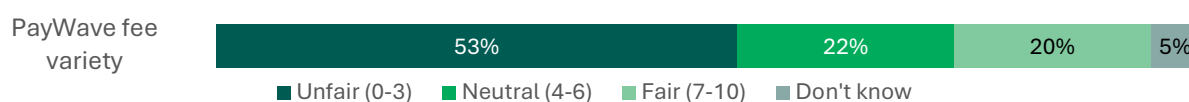
Alice approached a lender for a loan to buy a washing machine. The lender looked through Alice's financial history and discovered she has repeatedly failed to repay loans and still has outstanding debts. Because of this, the lender chose to decline Alice's application. How fair do you think this is?

**Figure 7 – Sales incentives – unfair risk**

Chris recently decided to take out health insurance. He was going to buy a standard type of health insurance that covered most health costs he had had in the past. However, when he phoned the health insurance company, the salesperson convinced him to buy a luxury health insurance product that covered all health costs Chris could ever expect to pay. The salesperson received a special bonus for selling the luxury health insurance to Chris. How fair do you think this is for Chris?

**Figure 8 – PayWave fee variety – unfair risk**

Cameron has noticed that when he and his flatmates pay for things in shops using contactless payment methods such as PayWave, ApplePay or Google Pay, the shop sometimes adds a 'point-of-sale' fee that can vary between 1% and 4% of the total amount he pays. How fair do you think this is for Cameron?

**Figure 9 – Proactive loan denial – unfair risk**

Chelsea approached the bank to secure a loan for a car. The banker reviewed her accounts and noticed Chelsea had recently used all her savings and had significantly less funds than usual, indicating potential financial stress. Despite this, Chelsea's income was still sufficient to support the loan, so the banker approved Chelsea's application. How fair do you think this is for Chelsea?

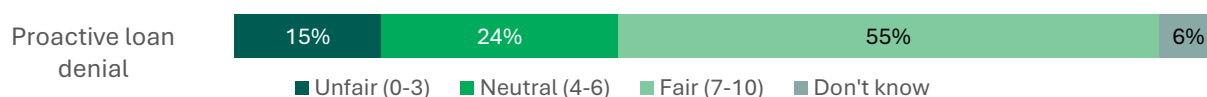
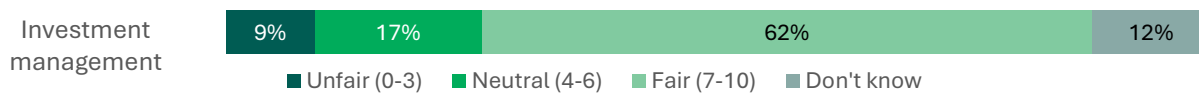


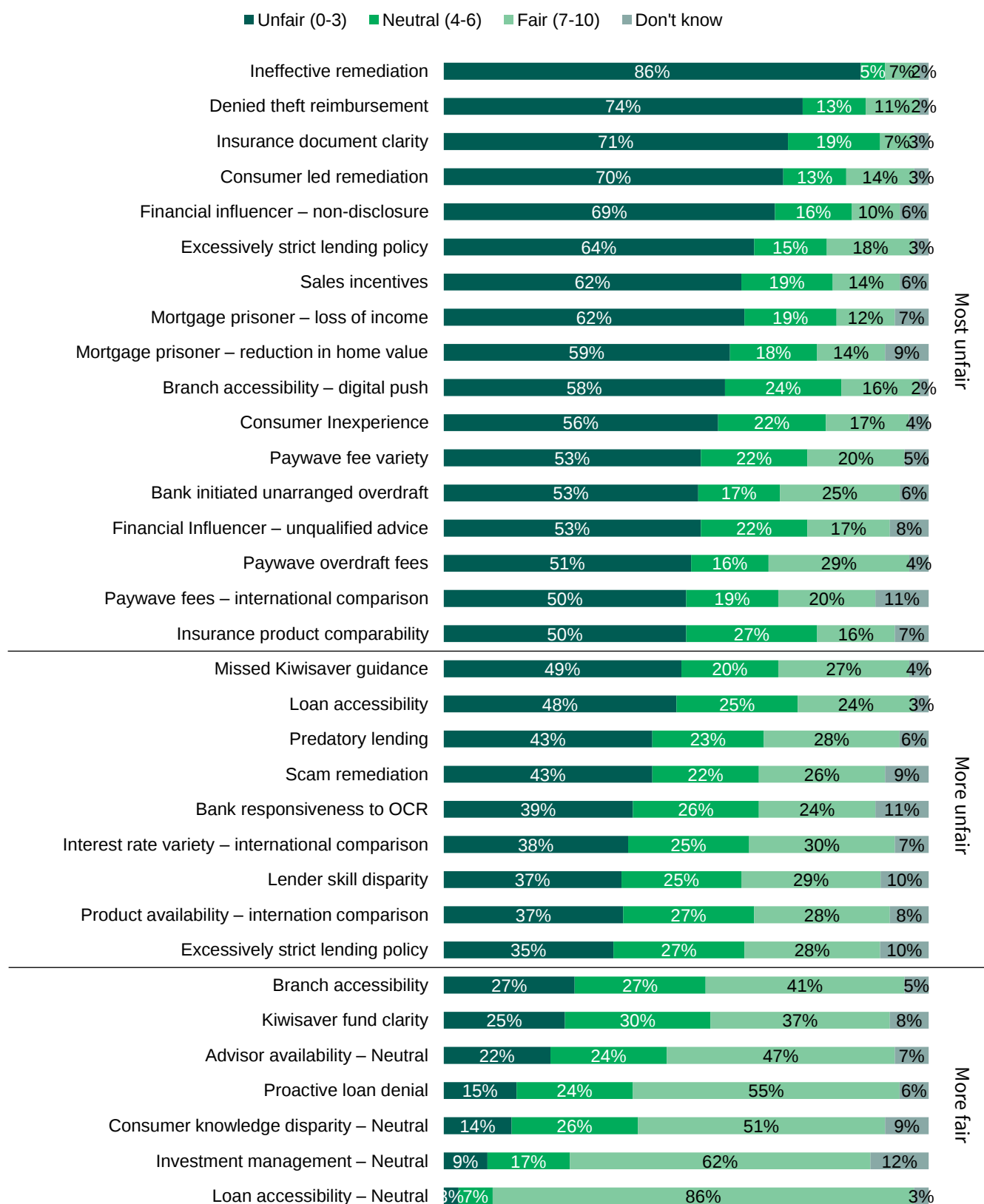
Figure 10 – Investment management – neutral

Tim has money in an investment fund that comes with low fees because the investment manager doesn't make many changes to it. Tim's mother also has money in an investment fund but her fund manager spends a lot of time researching the markets and making frequent changes to the investments. However Tim's mother pays higher fees for her fund management than Tim pays for his fund. How fair do you think this is?



Results for all 33 scenarios are shown in [Figure 11](#). They are ranked from least fair to most fair. See Appendix B for scenario descriptions and detailed results.

Figure 11 – Fairness results for all scenarios



Base sizes range between 285 and 330 for the unfair risk scenarios, and 715 and 768 for the neutral scenarios. Base sizes for individual scenarios can be found in the appendix.

Do consumers agree on what is fair and unfair in financial services?

Of the unfair risk scenarios, 26 of the 29 were more likely to be seen as unfair by New Zealanders, whereas the four neutral scenarios were likely to be evaluated as fair. While results were not absolute, these two key findings suggest that in most situations many New Zealanders agree on what is fair or unfair. The results also offer a methodology to quantify and measure fairness in financial services in the future.

The finding that many people agree on what is fair and unfair is useful. Fairness is a broad concept that can be difficult for financial providers to interpret. These survey results help with interpretation by offering evidence that in most situations fairness is understood in a similar way by many consumers.

Hypotheses for why some scenarios are perceived as more unfair than others.

The survey results for the scenarios can be separated into three distinct categories:

Category	Description
Most unfair.	Seventeen unfair risk scenarios were evaluated as unfair by at least 50% of respondents.
More unfair.	Nine unfair risk scenarios were evaluated by more respondents as unfair, than neutral or fair.
More fair.	Seven scenarios were evaluated as fair by more respondents, than neutral or unfair. This group included the four neutral scenarios, as well as three unfair risk scenarios.

While it is not possible to offer definitive reasons for why some scenarios were evaluated as more unfair than others – this would go beyond the limitations of this research – we can discuss potential reasons why. Three possible hypotheses that could differentiate the ‘most unfair’ from the ‘more unfair’ and the ‘more fair’ are:

1. How much decision-making can be done by the provider compared to the consumer (procedural fairness).
2. How much information the provider has compared to the consumer (information asymmetry).
3. The scale of potential customer detriment (negative externality and market power).

These hypotheses connect with the results of the scenarios described on page 7. The ‘ineffective remediation’ scenario falls into the ‘most unfair’ group. The provider made the decisions and the customer lacked key information. The customer was also negatively impacted by the provider’s conduct as they were charged incorrect fees.

The ‘missed KiwiSaver guidance’ scenario in the ‘more unfair’ group is more nuanced. A KiwiSaver member can decide what fund they should be in and will have access to information about the different funds available. However, the customer was negatively impacted by ending up in the wrong fund for their situation – the result of inaction or inertia by both the provider and the customer.

Finally, the ‘proactive loan denial’ scenario is in the ‘more fair’ group. In this situation, the customer made the decision to apply for a loan and could access information in the loan terms and conditions. However, the impact on the customer is ambiguous. In the short term the customer benefits from poor conduct by the provider granting the loan, as they got what they wanted. In the long term, the customer is likely to be disadvantaged by this conduct, as they may struggle to pay it back or suffer greater indebtedness.

We offer these hypotheses as a starting point for discussion. Further research would be required to be conclusive.

1.4 Personal characteristics and perceived fairness

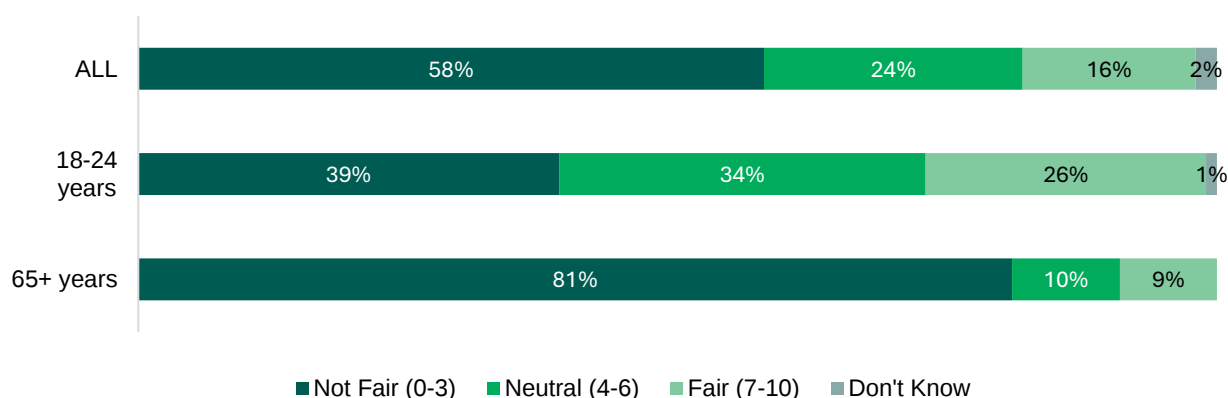
The following section looks at more detailed perceptions of fairness by examining how demographic factors relate to perceived fairness. In several scenarios, respondents' assessment of fairness varied depending on their personal characteristics. Age and ethnicity are detailed below as two variables with large differences in some questions.

1.4.1 Age and perceived fairness

In several scenarios there were large differences between the youngest (18-24 years) and oldest (65+ years) age groups. The two age groups frequently had different views of fair treatment in financial services. For example, when asked to rate the fairness of banks promoting online solutions above face-to-face interactions, 81% of people aged 65 and older ranked this scenario as unfair, whereas only 39% of people aged between 18-24 thought the same (see [Figure 12](#)).

Figure 12 – Branch Accessibility – Digital Push

Angela has explained to her bank that she prefers to visit them in-person. Despite this, her bank continues to encourage her to log into their website or use its smartphone app for certain transactions. How fair do you think this is for Angela?

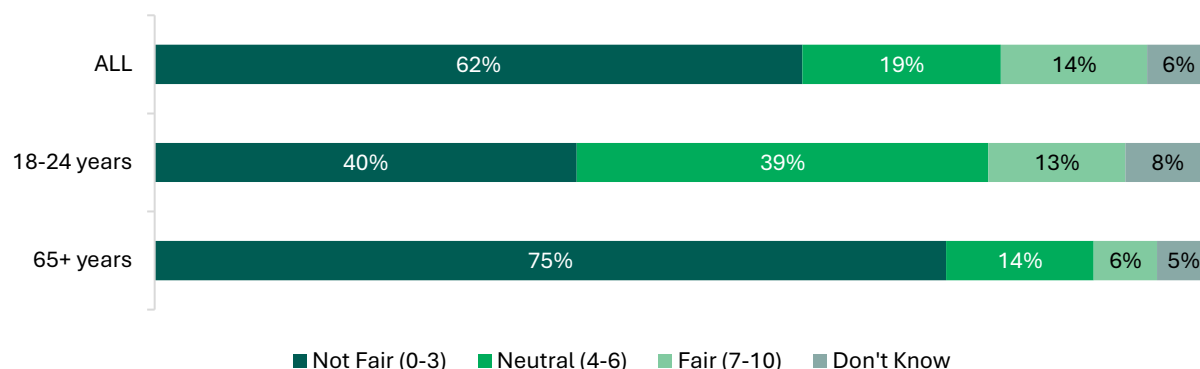


Unsurprisingly, this divide suggests a generational gap in attitudes towards technological advancement in financial services, with older consumers tending to value the face-to-face interactions that have traditionally defined their banking experiences. However, similar differences in these age groups were repeated across several different scenarios, meaning the variance is not only due to attitudes in technology.

When asked to judge the fairness of an insurance salesperson being paid a commission for upselling consumers to a luxury health insurance product, respondents in the oldest age bracket overwhelmingly scored the scenario as unfair. In comparison, the youngest respondents did not have the same attitude, and were significantly more likely to be neutral (see [Figure 13](#)).

Figure 13 – Sales Incentives

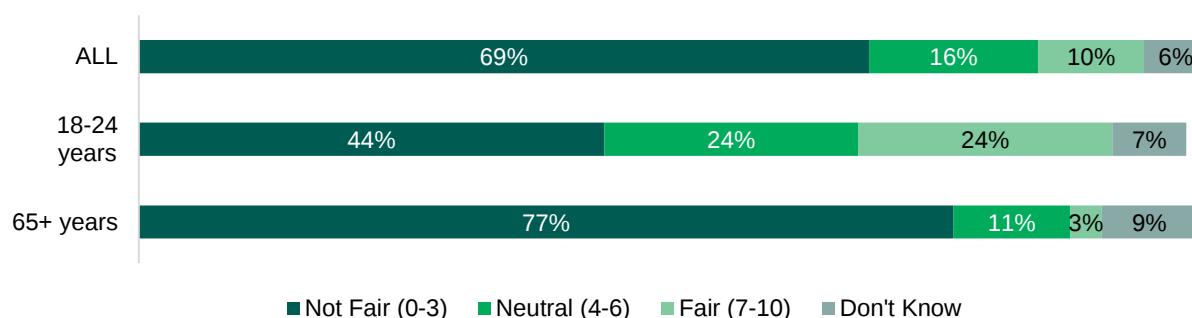
Chris recently decided to take out health insurance. He was going to buy a standard type of health insurance that covered most health costs he had had in the past. However, when he phoned the health insurance company, the salesperson convinced him to buy a luxury health insurance product that covered all health costs Chris could ever expect to pay. The salesperson received a special bonus for selling the luxury health insurance to Chris. How fair do you think this is for Chris?



This generational difference was also observed when respondents were asked to rate the fairness of a scenario where a financial influencer promoted an investment without disclosing their financial interests and profited from their followers' purchases (see Figure 14). Once again, the oldest respondents found this scenario to be highly unfair, while the effect was smaller for youngest respondents.

Figure 14 – Financial Influencers – Non-Disclosure

Emily is an avid follower of Alex, a financial influencer. She trusts their advice implicitly, so when Alex promotes an investment without disclosing their own financial interests, Emily purchases without hesitation. Later, Emily learns that Alex is a shareholder of the company she invested in, and profited off her purchase. How fair do you think this is?



It is possible that these variations may be attributed to how well a consumer relates to a scenario, whether it has personally affected them or is likely to impact them soon. For example, people aged 65 and older are more likely to have higher basic health insurance premiums, and the notion of being upsold to a more expensive product is less likely to be palatable to them than younger respondents who have access to cheaper policies. There is also an element of life experience that comes with age, where the older you get, the more experience you're likely to have with a wider variety of products.

Likewise, as the older generation are more likely to be targeted by online scammers, they are also potentially more likely to see unfairness in poor influencer behaviour (which is scam-adjacent). Meanwhile, younger digital-native respondents are more likely to accept that online interactions might be advertisements, because that is commonplace across social media.

1.4.2 Ethnicity and perceived fairness

A respondent's ethnic background also influences their perception of fairness both in life and in financial settings. For this paper, we refer to the term "ethnicity" with the understanding that responses are usually influenced by lived experiences and cultural nuance. It is important to acknowledge that our analysis is based solely on the survey and research conducted. While it highlights distinct perceptions of fairness among Māori compared to other ethnicities it does not fully capture the range of external factors influencing these perceptions.

Respondents were asked to evaluate how fair they felt life had been to them. Their responses showed that minorities (Māori, Pasifika, Asian) were significantly less likely to perceive life as having been fair to them, as well as less likely to feel that their past interactions with financial service providers had been fair (see [Figure 15](#) and [Figure 16](#)).

Figure 15 – How fair has life been to you?

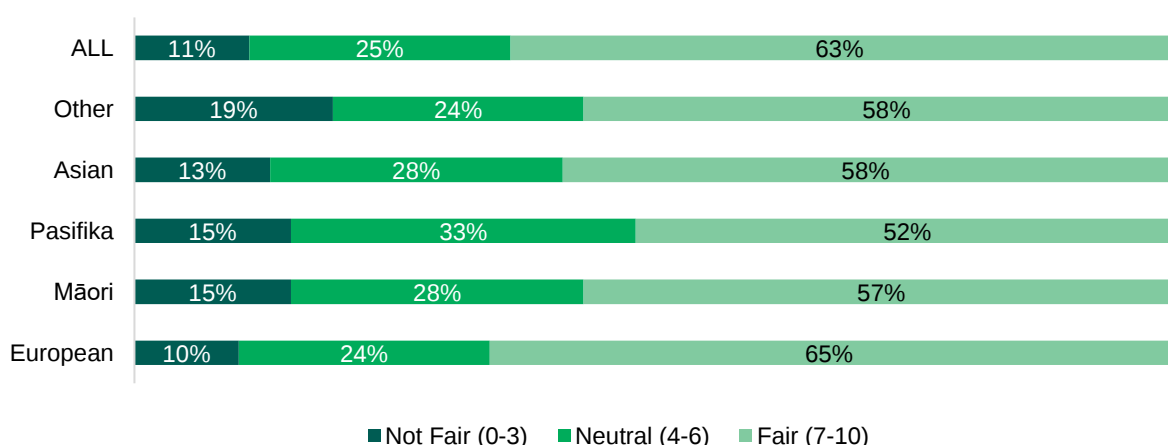
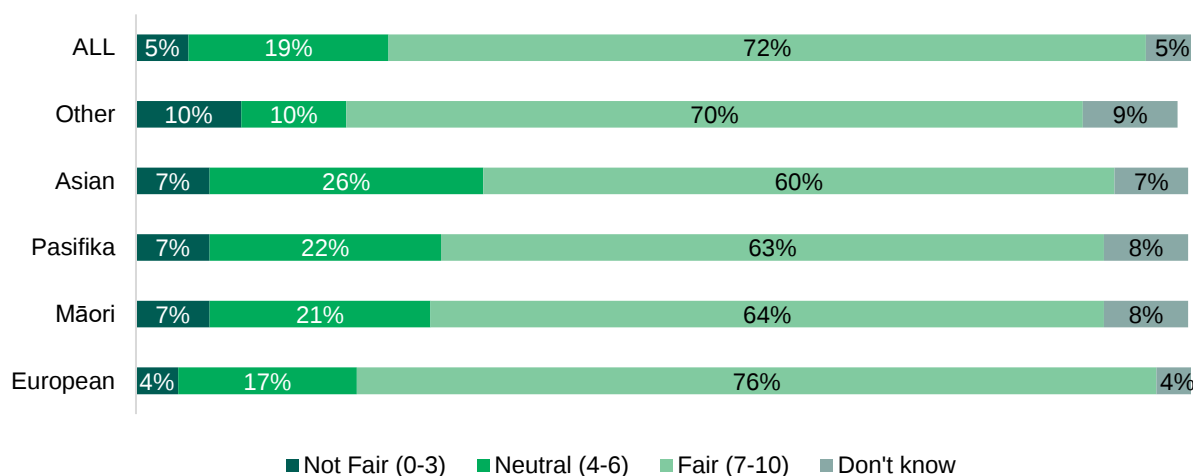
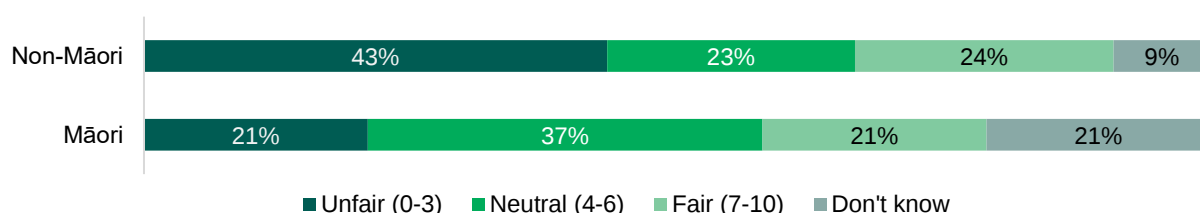


Figure 16 – How fair have your interactions with financial providers been? (past 12 months)

Interestingly, despite this negative baseline experience with fairness, Māori and Pasifika respondents were also less likely to rate many of the 33 scenarios as unfair. For example, when asked to judge the fairness of a scenario where banks were quicker to raise home loan rates than savings rates, Māori were significantly less likely to say that this scenario was unfair (see [Figure 17](#)).

Figure 17 – Bank responsiveness to OCR

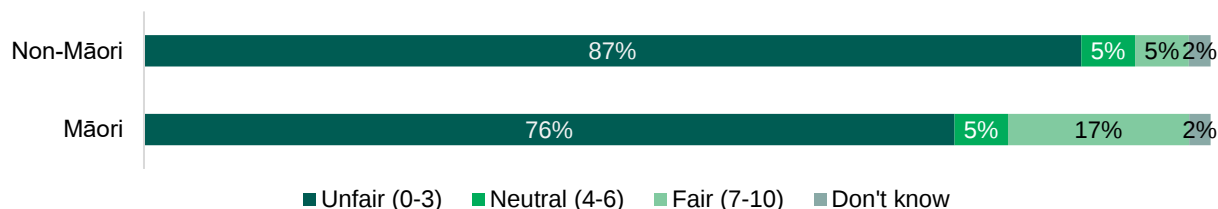
Trish has a mortgage on a floating interest rate, as well as savings in an account with the same bank. The interest rate on her mortgage increased 6 days ago. Today the interest rate on her savings account also increased, but it did not increase as much as her mortgage rate. How fair do you think this is for Trish?



In another scenario, where a bank took over a year to remediate an error they had made, Māori were significantly more likely to pick this as fair (see [Figure 18](#)). This is particularly noteworthy as the consensus among all respondents was that this scenario was the most unfair of all 33 surveyed.

Figure 18 – Ineffective Remediation

George received a letter from his bank telling him they had charged him extra fees because of a mistake they had made. His bank apologised for this and told George he would receive his money back. However it took his bank over a year to repay him and by this time George had moved overseas and closed his account. How fair do you think this is for George?



The relationship between their perception of fairness in life, and their assessment of fair treatment in the survey scenarios raises interesting questions about how ethnicity is related to their judgement of fairness.

Behavioural biases appear to be one deciding factor in the perception of fairness. For example, ‘attribution bias’ proposes that there is a human tendency to attribute an individual’s behaviour to their character rather than the situation. Essentially, unfair treatment is justified as people confuse what currently “is” with what should ideally “be”.^{vi}

Beyond this, the respondent’s experience with the content of a scenario might also impact perceptions of fairness. Across several subgroups we have identified that consumers who are less likely to own specific financial products can have more neutral fairness perceptions. We theorise this is a result of having a smaller stake in the outcome. For example, respondents aged 18-24 had the lowest rate of pet insurance utilisation of all age groups and were significantly more likely to have a neutral opinion than all other respondents when asked about pet insurance document clarity (see Figure 19). Similarly, our survey shows that Māori have significantly lower utilisation rates of home lending than other New Zealanders (see Figure 20), so are perhaps less likely to have a decisive opinion on home loan rates outpacing savings rates.

Figure 19 – Insurance document clarity

Isabella recently got a new dog and she decided to take out pet insurance. When she received her new insurance policy she found it difficult to read as it was very long and the text was too small. It was hard for Isabella to work out what parts of the policy were the most important. How fair do you think this is for Isabella?

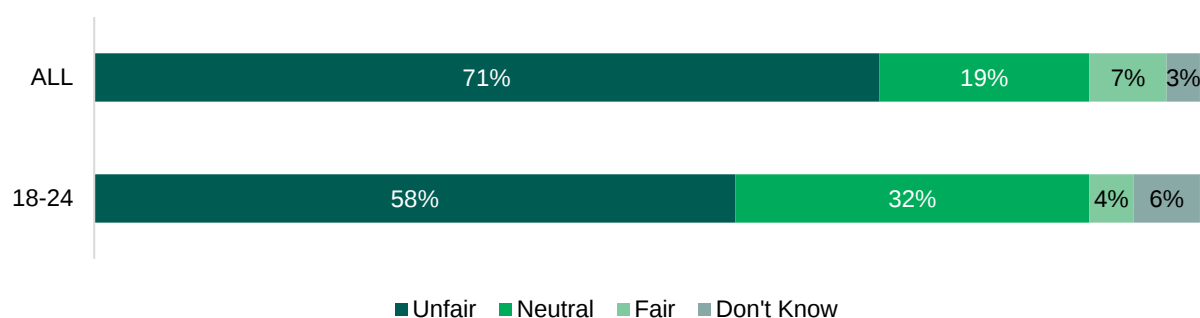
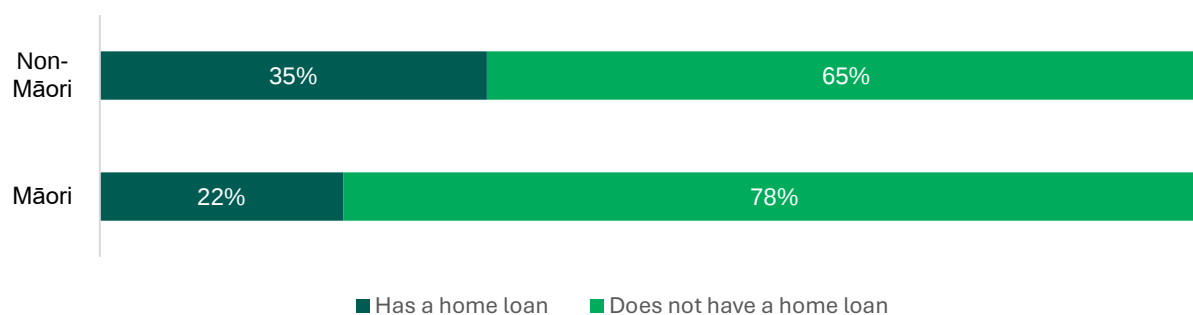


Figure 20 – Home loan utilisation



2. Next steps

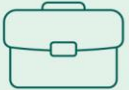
We know that fairness can be difficult to interpret in conduct regulation. Fairness is a broad concept which some perceive as too individual to apply to everyday financial activities. This research was designed to offer a methodology to measure and quantify fairness. It aimed to offer initial insights about what fairness in financial services means to New Zealanders.

An important finding is that in most situations, many New Zealanders tend to agree on how fair or unfair a situation is. This addresses the commonly-asked question of whether fairness is too individual from person to person – our findings show it is not. While New Zealanders don't agree on everything all the time, many of them do agree most of the time. Extrapolating from this, we can infer that if the average New Zealander would review the facts of a given situation and consider it to be fair this is a solid benchmark for the industry. We hope this offers reassurance and clarity about how members of the financial services industry can ensure fair treatment of customers.

This research was designed to start a discussion about fairness, and we welcome any members of the public or financial services to share their reflections with us. We also plan to publish more research on additional topics important to financial services in the future.

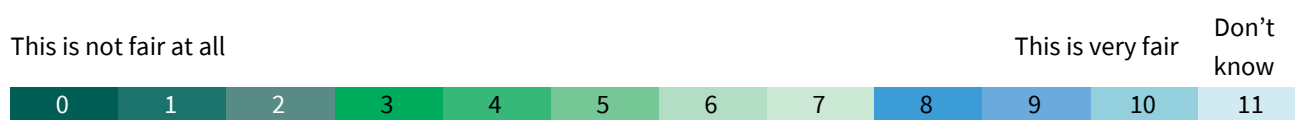
Appendix A – Survey Sample

The sample information on this page is unweighted. The final data reported on was weighted to match New Zealand's adult population for age, ethnicity, gender, and region.

 Total Sample 2,988 Of which 2,401 were from an online panel and 597 from the electoral roll.	 Region <i>n=</i> Upper North Island 37% 1,159 Central North Island 17% 462 Lower North Island 19% 605 South Island 24% 707
 Gender <i>n=</i> Male 49% 1,467 Female 51% 1,520	 Ethnicity <i>n=</i> NZ European 75% 2,184 Māori 14% 449 Pacific peoples 6% 263 Asian 15% 487 Other 2% 46
 Age <i>n=</i> 18–24 12% 411 25–34 18% 550 35–44 17% 508 45–54 18% 536 55–64 15% 424 65+ 20% 569	 Household Income <i>n=</i> \$0–50k 14% 427 \$50–100k 36% 1,082 \$100k + 39% 1,188
 Education <i>n=</i> No qualification 9% 269 Certificate/diploma 43% 1,294 Bachelors/Post-grad/ Masters/Doctorate 46% 1,383 Overseas secondary school 2% 52	 Employment <i>n=</i> Working 70% 2,112 Not working 11% 329 Student 2% 78 Retired 17% 479
 Digital Savviness <i>n=</i> Not very confident 7% 220 About average 60% 1,769 Advanced user 33% 1,009	 Household Status <i>n=</i> Single person 14% 419 Single parent 5% 151 Couple - no children 32% 923 Couple - with children 27% 811 Shared household/other 21% 665

Appendix B – Detailed Scenarios

The table below provides all the scenarios a respondent could have been asked in the survey. It provides the subject and full description of the scenario. Below each scenario is the distribution of results using the scale 0 (this is not fair at all) to 10 (this is very fair) and don't know.



1 SUBJECT: Ineffective remediation

Base size: 305

SCENARIO: George received a letter from his bank telling him they had charged him extra fees because of a mistake they had made. His bank apologised for this and told George he would receive his money back. However it took his bank over a year to repay him and by this time George had moved overseas and closed his account. How fair do you think this is for George?



2 SUBJECT: Denied theft reimbursement

Base size: 287

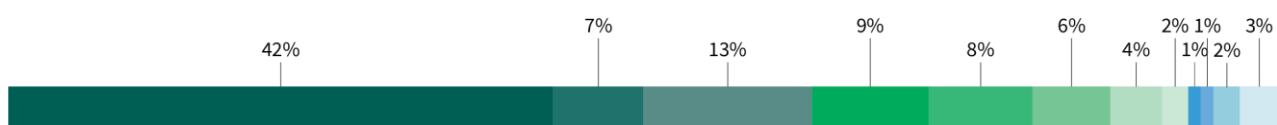
SCENARIO: Jimmy's home was recently burgled and his bank card was stolen. The burglars made several contactless purchases using Jimmy's card. When Jimmy asked his bank to repay him the money the bank refused as they said he should've kept his bank card with him instead of leaving it at home. How fair do you think this is for Jimmy?



3 SUBJECT: Insurance document clarity

Base size: 330

SCENARIO: Isabella recently got a new dog and she decided to take out pet insurance. When she received her new insurance policy she found it difficult to read as it was very long and the text was too small. It was hard for Isabella to work out what parts of the policy were the most important. How fair do you think this is for Isabella?



This is not fair at all

This is very fair

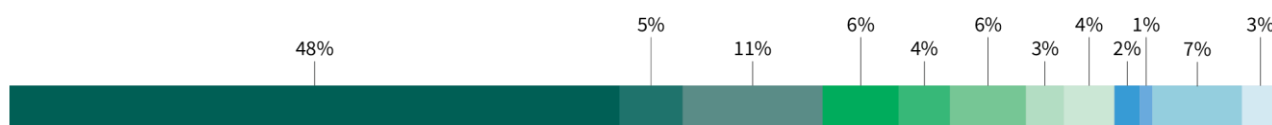
Don't know



4 SUBJECT: Consumer led remediation

Base size: 327

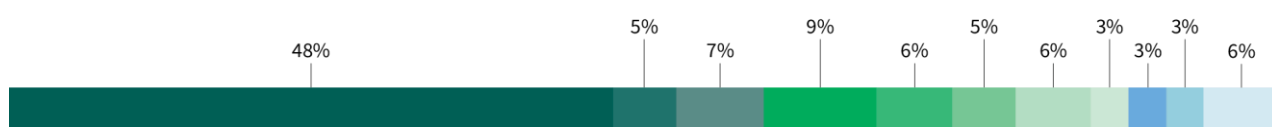
SCENARIO: Katrina received a letter from her bank telling her they had charged her extra fees because of a mistake they had made. Her bank apologised for this and offered to give the money back. Her bank told her that in order to receive her money back she needed to call them so they could post her a form that she would fill out and then post back to them. It took Katrina a lot of time to do this and she didn't understand why the bank couldn't transfer this amount into her account straight away. How fair do you think this is for Katrina?



5 SUBJECT: Financial influencer – non-disclosure

Base size: 286

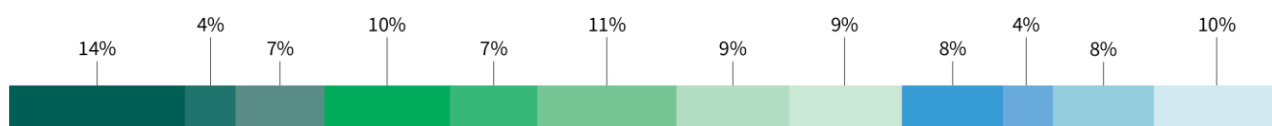
SCENARIO: Emily is an avid follower of Alex, a financial influencer. She trusts their advice implicitly, so when Alex promotes an investment without disclosing their own financial interests, Emily purchases without hesitation. Later, Emily learns that Alex is a shareholder of the company she invested in, and profited off her purchase. How fair do you think this is?



6 SUBJECT: Excessively strict lending policy

Base size: 325

SCENARIO: Louisa was reading a newspaper article which said that financial services providers sometimes apply even stricter rules than they legally have to. Whilst this makes it easier for the providers to make decisions, it can sometimes make it more difficult for some customers to access financial products. How fair do you think this is?

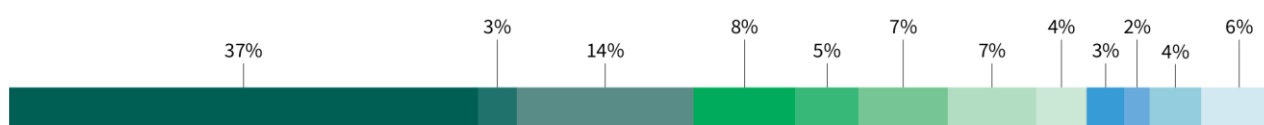




7 SUBJECT: Sales incentives

Base size: 302

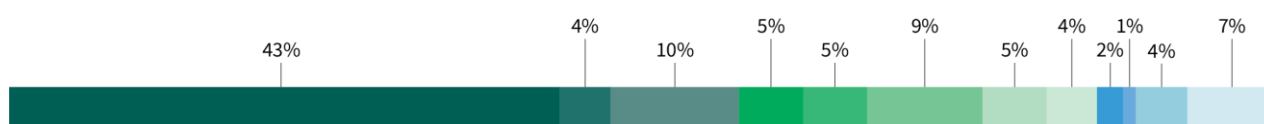
SCENARIO: Chris recently decided to take out health insurance. He was going to buy a standard type of health insurance that covered most health costs he had had in the past. However, when he phoned the health insurance company, the salesperson convinced him to buy a luxury health insurance product that covered all health costs Chris could ever expect to pay. The salesperson received a special bonus for selling the luxury health insurance to Chris. How fair do you think this is for Chris?



8 SUBJECT: Mortgage prisoner – loss of income

Base size: 323

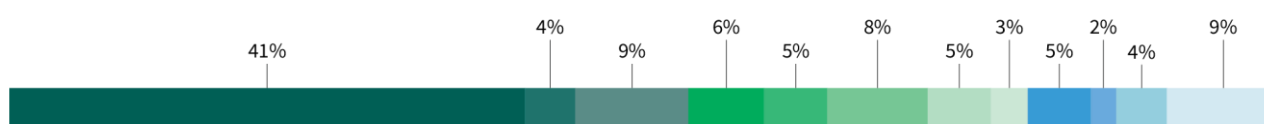
SCENARIO: Rumi and Alex are a couple based in Christchurch who bought their first home two years ago. The bank offered them the lowest advertised interest rate for their mortgage at this time. However Alex lost his job a few months ago. In order to keep paying their mortgage and other bills on time, the couple have significantly reduced their spending. When it was time to refix their mortgage, the bank did a new calculation based only on Rumi's income. They told Rumi and Alex that because their joint income was less than before, they were not able to get the lowest advertised interest rate and they needed to pay a higher one instead. How fair do you think this is for Rumi and Alex?



9 SUBJECT: Mortgage prisoner – reduction in home value

Base size: 325

SCENARIO: Mia and Ari are a couple based in Auckland who bought their first home when house prices were at their highest. They had saved a deposit, so they were offered the lowest advertised interest rate. Two years later, their home had dropped in value and because of this their bank said they could no longer get the lowest advertised interest rate. They also had to pay an extra fee on top of this called a low equity premium. Because of the bank's policies, their total interest rate was now significantly higher than the lowest advertised rate. How fair do you think this is for Mia and Ari?



This is not fair at all

This is very fair

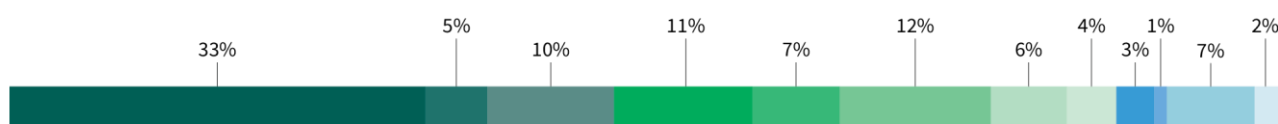
Don't know



10 SUBJECT: Branch accessibility – digital push

Base size: 306

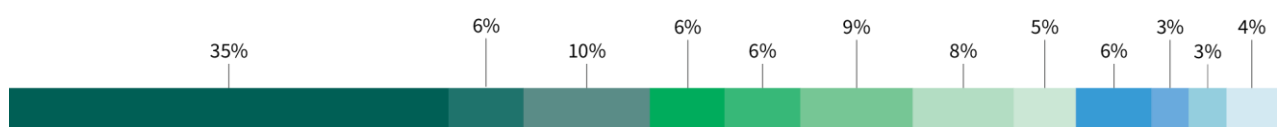
SCENARIO: Angela has explained to her bank that she prefers to visit them in-person. Despite this, her bank continues to encourage her to log into their website or use its smartphone app for certain transactions. How fair do you think this is for Angela?



11 SUBJECT: Consumer inexperience

Base size: 289

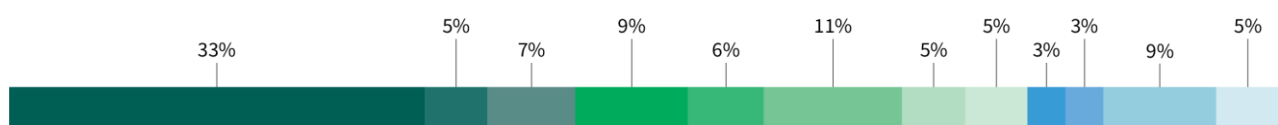
SCENARIO: Arjun and his partner have had their current home loan for 2 years. The home loan they got had a 2-year fixed-interest rate. This fixed interest rate is about to expire, and their mortgage provider's current interest rate for 2 years is higher than their current rate. Arjun and his partner accept the rate, not knowing they could negotiate. How fair do you think this is for Arjun and his partner?



12 SUBJECT: PayWave fee variety

Base size: 285

SCENARIO: Cameron has noticed that when he and his flatmates pay for things in shops using contactless payment methods such as PayWave, ApplePay or Google Pay, the shop sometimes adds a 'point-of-sale' fee that can vary between 1% and 4% of the total amount he pays. How fair do you think this is for Cameron?



This is not fair at all

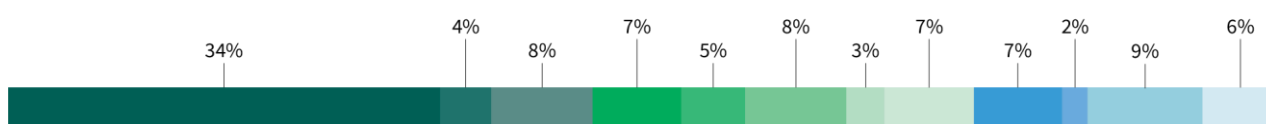
This is very fair

Don't know

**13 SUBJECT: Bank initiated unarranged overdraft**

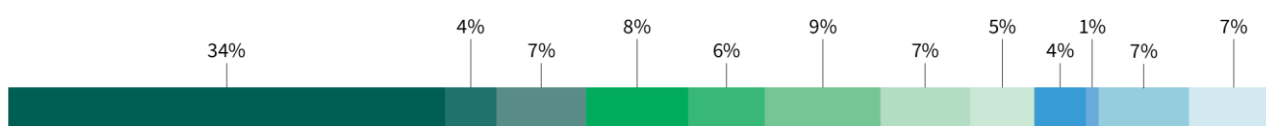
Base size: 296

SCENARIO: Walter has set up his regular bills to be automatically paid on pay day. One fortnight his pay went through a day later than usual but the bank allowed his bills to be paid without checking with Walter first. This resulted in an unarranged overdraft (debt). While Walter's bills were paid on time, he was charged a \$10 fee and interest by the bank. How fair do you think this is for Walter?

**14 SUBJECT: Financial influencer – unqualified advice**

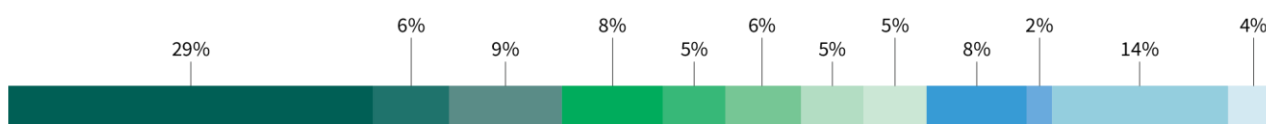
Base size: 322

SCENARIO: Lucia follows many financial influencers online, working their tips and recommendations into her everyday finances. She really likes Mike, a financial influencer with vast wealth and expertise. Upon Mark's recommendation, Lucia has made multiple investments. Unknown to Lucia however, is that Mike's credentials are unverified. Mike does not have the qualifications to be a financial advice provider in New Zealand. How fair do you think this is for Lucia?

**15 SUBJECT: PayWave overdraft fees**

Base size: 309

SCENARIO: Leo is a university student and he often uses contactless / tap-and-go payment methods (e.g. PayWave or phone apps like ApplePay and Google wallet) when he is out and about (topping up his bus pass, groceries, petrol etc.). Last week, because it took 2 days for a couple of payments to show up in his account, he went into unarranged overdraft (debt) because he thought he had more in his account than he actually had left. He was also charged an unarranged overdraft fee of \$10. How fair do you think this is for Leo?



This is not fair at all

This is very fair

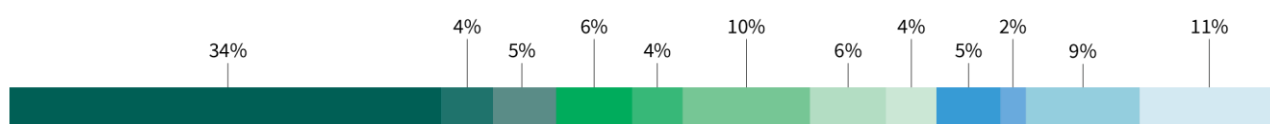
Don't know



16 SUBJECT: PayWave fees – international comparison

Base size: 314

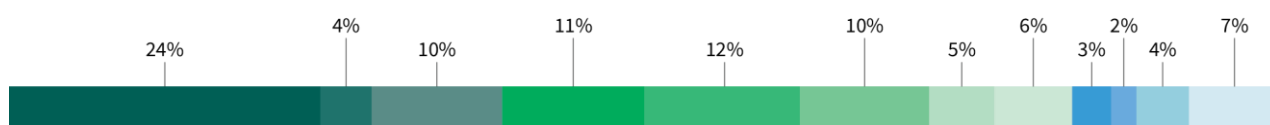
SCENARIO: Jin likes to use contactless / tap-and-go payment methods (e.g. PayWave or phone apps like ApplePay and Google wallet). Recently Jin went on holiday overseas and noticed that when he made a contactless / tap-and-go payment he was not charged a fee. However he is always charged a fee when he makes a similar payment in New Zealand. How fair do you think this is for Jin?



17 SUBJECT: Insurance product comparability

Base size: 329

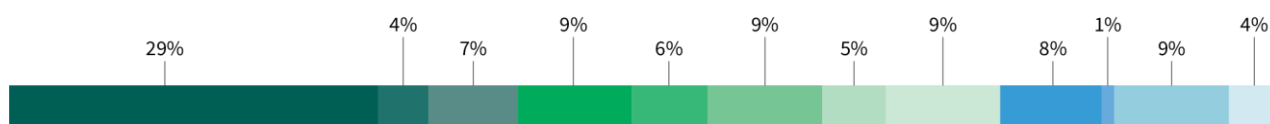
SCENARIO: Sam recently bought a new car and was trying to decide which provider to get insurance with. Sam wanted to get the best insurance deal for his new car. However he found it hard to compare products between different providers as the information he was given was complex and long. How fair do you think this is for Sam?



18 SUBJECT: Missed KiwiSaver guidance

Base size: 294

SCENARIO: Shane, who plans to retire at age 65 in a couple of years, approached his bank to order a new debit card. During their conversation, the banker noticed that Shane's KiwiSaver was invested in their highest risk fund, which the bank advertises as suitable for longer term investing. There are more suitable options available for people like Shane who will be withdrawing from their KiwiSaver soon. When Shane turned 65, he was upset to find his KiwiSaver balance was lower than he had hoped, as the market had been turbulent over the past year. He wished his provider had talked to him about his options earlier. How fair do you think this is for Shane?



This is not fair at all

This is very fair

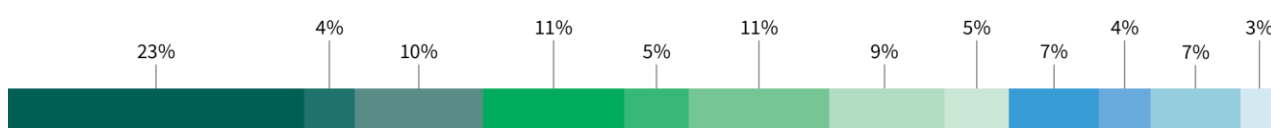
Don't know



19 SUBJECT: Loan accessibility

Base size: 316

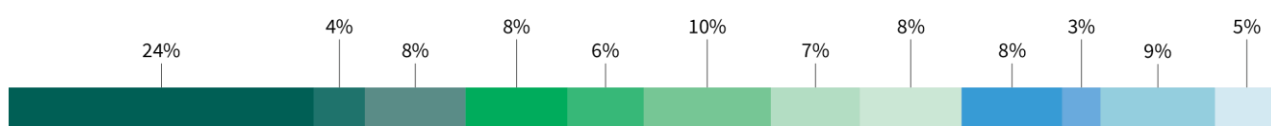
SCENARIO: Peter wants to buy a secondhand car. He doesn't have enough money to buy it outright, so is asking a financial service provider for a loan to help purchase this car. The provider needs to do background checks to see if Peter can pay back the loan because Peter is a new customer. After these checks were made, the provider declined Peter request for a loan on the basis that he was late paying back a loan he had with another provider 5 years ago. The provider had no other reason to decline Peter's request and Peter has been paying all of his recent bills on time. How fair do you think this is for Peter?



20 SUBJECT: Predatory lending

Base size: 314

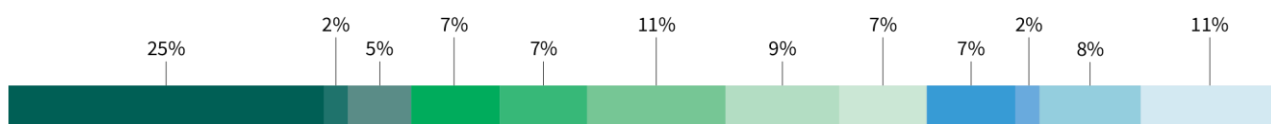
SCENARIO: After a routine WOF, Sasha was told her car needed two new tyres to be road worthy. As a low-income earner, this put Sasha under financial pressure, so she decided to borrow from a payday lender. As the situation was urgent, she accepted the loan at a high interest rate. The high rate, combined with unexpected circumstances, meant that Sasha was unable to repay the loan on time and the debt was sent to a debt collector. The debt collector kept calling and pressuring Sasha to pay, causing her stress and worry. How fair do you think this is for Sasha?



21 SUBJECT: Scam remediation

Base size: 316

SCENARIO: Katrina's grandmother was recently scammed online after being convinced to make a payment by making an online bank transfer. She lost quite a lot of money. She rang her bank to tell her about this scam, expecting to get her money back but was told that in this case they would not refund her the money lost. Katrina's grandmother was confused as the bank had previously refunded her money after there was an unauthorised transaction made on her credit card. How fair do you think this is?



This is not fair at all

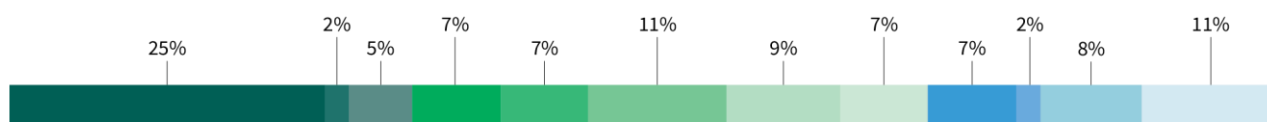
This is very fair

Don't know

**22** SUBJECT: Bank responsiveness to OCR

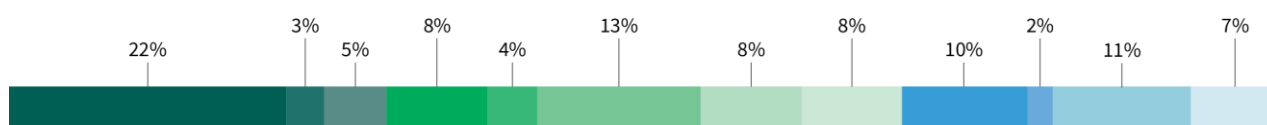
Base size: 325

SCENARIO: Trish has a mortgage on a floating interest rate, as well as savings in an account with the same bank. The interest rate on her mortgage increased 6 days ago. Today the interest rate on her savings account also increased, but it did not increase as much as her mortgage rate. How fair do you think this is for Trish?

**23** SUBJECT: Interest rate variety – international comparison

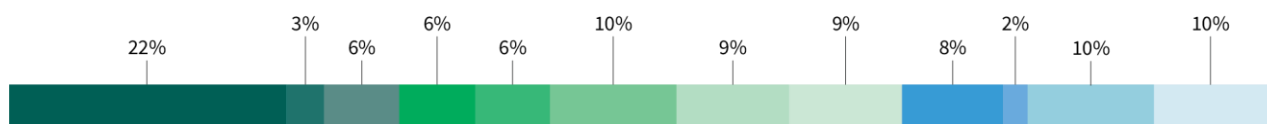
Base size: 308

SCENARIO: Maria has a \$800,000 mortgage in Auckland and her sister Maia also has an \$800,000 mortgage, but she is in Melbourne. They got their mortgages at the same time with the same provider, with the same deposits and terms. However Maria's Auckland interest rate is 2.25% higher than what Maia is paying in Melbourne. How fair do you think this is?

**24** SUBJECT: Lender skill disparity

Base size: 295

SCENARIO: Two colleagues, Kim and Anna, are separately looking for investment properties. Before they started looking for a property, they both spoke to their mortgage brokers about what is involved. A few days later they spoke to each other about the information and advice they had received, knowing they went to different mortgage brokers. They realised that the recommendations and options they received differed based on the banks their mortgage broker had a relationship with. How fair do you think this is for Kim and Anna?

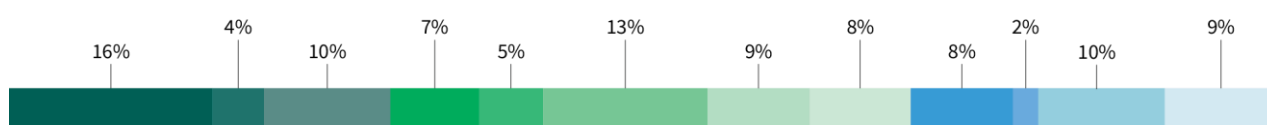




25 SUBJECT: Product availability – international comparison

Base size: 304

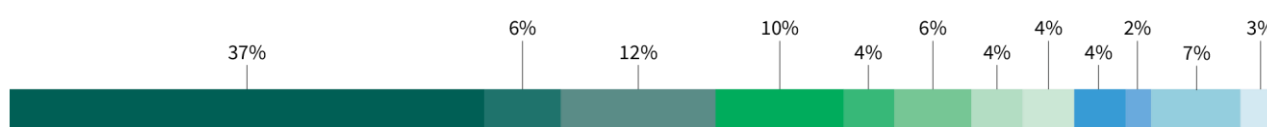
SCENARIO: Ash and Brad are two brothers who have always dreamed of owning their own homes. Ash lives in the UK, where he has come across a rent-to-buy product that would allow him to rent a property with the option to buy it in the future. Excited about this opportunity, Ash begins the process of securing his dream home through this program. Meanwhile, Brad, who resides in New Zealand, discovers that no rent-to-buy product is available in New Zealand. Despite both brothers sharing the same aspiration, Ash can use either a mortgage or a rent-to-buy scheme to achieve homeownership, while Brad can only explore mortgage options. How fair do you think this?



26 SUBJECT: Excessively strict lending policy

Base size: 325

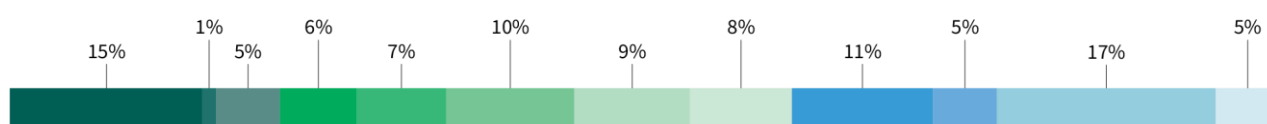
SCENARIO: Jesse and his family were eager to purchase their first home. They diligently saved money for a deposit and approached a banker for a home loan. However, during the loan application process, the banker noticed a pattern of frequent dining out in their bank statements. Despite Jesse having demonstrated good saving habits, the banker was concerned about their ability to afford the loan repayments with their current lifestyle and decided to decline the loan. How fair do you think this is for Jesse and his family?



27 SUBJECT: Branch accessibility

Base size: 330

SCENARIO: James lives in a small rural town that does not have a physical bank branch. Instead, he can talk to his bank over the phone and his bank offers phone banking, internet banking and a banking app. If he wants to visit a physical branch, he has to travel to another town and visit the branch there. How fair do you think this is for James?



This is not fair at all

This is very fair

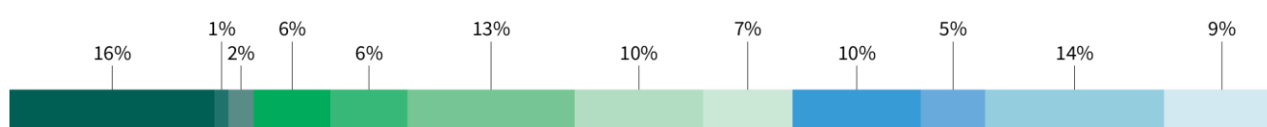
Don't know



28 SUBJECT: KiwiSaver fund clarity

Base size: 303

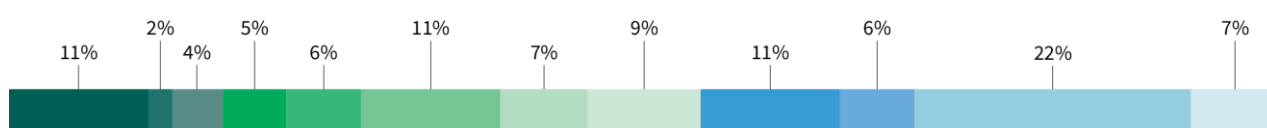
SCENARIO: A couple of years ago Anya decided to sign up to a KiwiSaver scheme for the first time. When she was browsing through the KiwiSaver provider's website, she could see different kinds of KiwiSaver schemes she could sign up to. As she was unsure about which one to choose, she selected the first option on the screen. Later she learned that she did not choose the best type of KiwiSaver scheme for her personal situation. How fair do you think this is for Anya?



29 SUBJECT: Adviser availability

Base size: 768

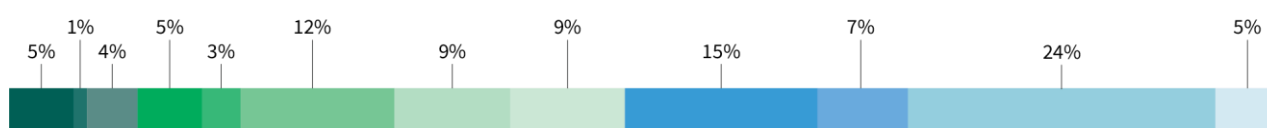
SCENARIO: Neutral Kai has decided to make an appointment to speak to a financial adviser for advice on her current financial situation and for help to achieve her financial goals. However, the financial adviser is on holiday, and Kai couldn't get an appointment until the manager was back from leave. How fair do you think this is for Kai?



30 SUBJECT: Proactive loan denial

Base size: 320

SCENARIO: Chelsea approached the bank to secure a loan for a car. The banker reviewed her accounts and noticed Chelsea had recently used all her savings and had significantly less funds than usual, indicating potential financial stress. Despite this, Chelsea's income was still sufficient to support the loan, so the banker approved Chelsea's application. How fair do you think this is for Chelsea?



This is not fair at all

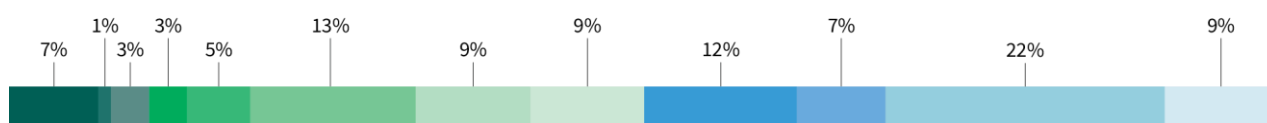
This is very fair

Don't know

**31** SUBJECT: Consumer knowledge disparity

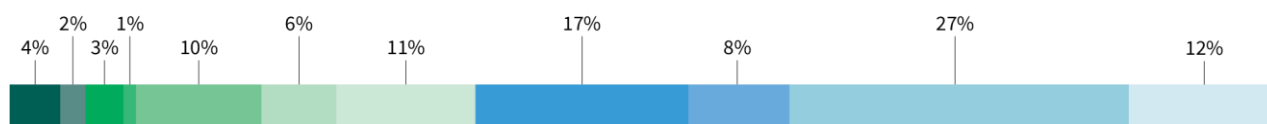
Base size: 761

SCENARIO: Neutral Emma and Jane are sisters. However they have very different levels of knowledge when it comes to financial services and products. Emma is very knowledgeable about financial services. She likes to research what is available and manage her financial services herself to get the best deals. Jane however has a more limited knowledge of financial services and doesn't have the same level of understanding that Emma does, so she usually accepts whatever her financial provider offers. Emma's products provide better value and perform better than Jane's ones do. How fair do you think this is?

**32** SUBJECT: Investment management

Base size: 754

SCENARIO: Neutral Tim has money in an investment fund that comes with low fees because the investment manager doesn't make many changes to it. Tim's mother also has money in an investment fund but her fund manager spends a lot of time researching the markets and making frequent changes to the investments. However Tim's mother pays higher fees for her fund management than Tim pays for his fund. How fair do you think this is?

**33** SUBJECT: Loan accessibility

Base size: 715

SCENARIO: Neutral Alice wants to buy a washing machine. She doesn't have enough money to buy it outright, so is asking a financial service provider for a loan to help purchase it. Because Alice is a new customer, the provider needs to do background checks to see if she can pay back the loan. After these checks were made, the provider declined Alice's request for a loan because they have seen that she has repeatedly failed to pay back loans, and still owes money to some shops. How fair do you think this is for Alice?



Appendix C – References

- ⁱ Leventhal, Gerald S. "What should be done with equity theory? New approaches to the study of fairness in social relationships." In *Social exchange: Advances in theory and research*, pp. 27-55. Boston, MA: Springer US, 1980; Lind, E. Allan, and Tom R. Tyler. *The social psychology of procedural justice*. Springer Science & Business Media, 1988; Thibaut, John W., and Laurens Walker. "Procedural justice: A psychological analysis." (No Title) (1975).
- ⁱⁱ Wu, Yin, Yuqin Zhou, Eric van Dijk, Marijke C. Leliveld, and Xiaolin Zhou. "Social comparison affects brain responses to fairness in asset division: an ERP study with the ultimatum game." *Frontiers in human neuroscience* 5 (2011): 131.
- ⁱⁱⁱ Singer, Tania. "The neuronal basis of empathy and fairness." In *Empathy and Fairness: Novartis Foundation Symposium 278*, pp. 20-40. Chichester, UK: John Wiley & Sons, Ltd, 2006.
- ^{iv} Tabibnia, Golnaz, Ajay B. Satpute, and Matthew D. Lieberman. "The sunny side of fairness: preference for fairness activates reward circuitry (and disregarding unfairness activates self-control circuitry)." *Psychological science* 19, no. 4 (2008): 339-347.
- ^v Lieberman, Matthew D. "The X-and C-systems." *Social neuroscience: Integrating biological and psychological explanations of social behavior* (2007): 290-315.
- ^{vi} Major, Brenda. "From social inequality to personal entitlement: The role of social comparisons, legitimacy appraisals, and group membership." In *Advances in experimental social psychology*, vol. 26, pp. 293-355. Academic Press, 1994.