



## Banking and finance to 1984

### First banks

New Zealand's first trading bank was the Union Bank of Australia, which opened in 1840 on the Petone foreshore. It was one of the forerunners of the Australia and New Zealand Banking Group (ANZ).

The country's first surviving trustee savings bank (which ultimately became ASB) was started in Auckland in 1847.

During the gold rushes of the 1860s four banks – the Bank of New Zealand (BNZ), the Bank of Australasia, the Bank of New South Wales and the Bank of Otago – all opened for business. The BNZ still survived in the 2000s, while the others became part of Westpac or the ANZ National Bank group.

### Banking law

Legislation shaped New Zealand banking and finance from the beginning. An act of Parliament was needed to establish a trading bank up until 1987, while savings banks were also regulated. Laws restricted what banks could do, with the aim of safeguarding customer money. Trading banks mainly financed business and provided cheque accounts for individuals, while savings banks were restricted largely to lending to individuals.

### Government involvement

The government took a shareholding in BNZ in 1885. In the late 1880s the bank got into financial difficulties through a combination of poorly performing assets and bad debts. In 1890 UK shareholders forced a shift of the bank's headquarters to London, but its situation remained precarious. In 1894 the government became the majority shareholder, and moved its head office to Wellington.

### Who printed the money?

Apart from a brief period in the 1850s, New Zealand had no central bank until 1934. Banks issued their own bank notes, so a variety of different kinds of notes were in circulation.

The government's ownership of the BNZ, and use of it as its banker, allowed it to become the largest trading bank. It was fully nationalised in 1945.

An 1865 law which established the Post Office Savings Bank also curbed the rights of other savings banks and enabled it to absorb competitors. By the mid-1950s the Post Office Savings Bank controlled around 80% of the personal savings market.

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Banking day, 1956

## Other financial institutions

From 1950 non-bank financial institutions – such as building societies, finance companies, merchant banks and solicitors' nominee companies – grew strongly by offering services that banks could not, such as riskier lending at higher interest rates. In 1960 finance companies only accounted for 1% of total deposits of the bank and finance sector as a whole, but by the end of 1984 this had increased to 20%.

## Regulation changes

The government began to ease the restrictions on financial institutions from 1957. In 1964 trustee savings banks were allowed to expand their operations throughout any one of the sixteen geographical zones that were set at that time. Trading banks were able to operate savings banks, allowing them to compete with the Post Office Savings Bank and the trustee savings banks in the personal banking market.

The financial services market grew rapidly in the early 1980s but the regulatory system did not keep pace. Following the election of a new government in 1984, and mirroring what was happening in many other countries, a process of deregulation began.

## Biographies



Harold Beauchamp, 1858–1938



Harry Dodgshun Bedford, 1877–1918



James Hugh Buchanan Coates, 1851–1935



Falconer Larkworthy, 1833–1928



David Limond Murdoch, 1825–1911



Joseph Palmer, 1826–1910



Thomas Russell, 1830–1904

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