

**Review of the Australian Bankers' Association's
CODE OF BANKING PRACTICE**



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CODE OF BANKING PRACTICE REVIEW 2000

About National Seniors Association

With over 200,000 members, National Seniors Association (NSA) is the largest organization representing older Australians. Membership is comprised of self-funded

retirees, pensioners and people in the workforce. Members pay a fee to join, and government funding is neither sought nor received.

NSA's three objectives are to:

1. Provide economic and other benefits to people fifty and over
2. Represent its members to government at all levels
3. Donate funds and provide service and advice to charitable institutions which assist people fifty and over.

NSA is represented in each state through its 118 branches across Australia. Each branch deals with local community issues at monthly meetings. During the year motions based on member concerns are put forward, and after debate these issues are used to formulate NSA policy. This policy sets NSA's state and federal lobbying agenda.

NSA's position as the leading community organisation advising Government on how its policies affect senior Australians, continues to strengthen.

National Seniors Association finds the Code of Banking Practice (CBP) generally acceptable. However, the context within which the code occurs needs to be addressed. There are broader issues regarding seniors and banking which are worth consideration. These issues are consistent with the CBP preamble objectives and principles.

In particular NSA believes the standards of "*good practice and service*", "*effective relationships between banks and customers*", and "*flexibility in products and services*"

are being undermined by several factors¹. These factors include branch closures in rural areas, an enforced technological drive and associated rising fees for over the counter transactions, and a decline in the standard of face-to-face service.

Code Of Banking Practice

NSA detected two discrepancies within the CBP.

Section 2.1(i) states banking terms and conditions provided to customers shall “*be distinguishable from marketing or promotional material*”.² In NSA’s experience this is rarely the case. Information on terms and conditions from banks is usually bright and glossy, in the form of promotional material.

Section 20.4 states bank customers shall have available “*free of charge an external and impartial process..., having jurisdiction similar to that which applies to the existing Australian Banking Industry Ombudsman Scheme...*”.³ However it is NSA’s understanding that the Australian Banking Industry Ombudsman Scheme provides customers with this service already.

Factors Affecting CBP Objectives and Principles

NSA supports the right to profit but believes banks must provide an acceptable level of service to customers. According to a recent Australian Consumer Association survey the big four banks (ANZ, National Australia, Westpac, and the Commonwealth) made a record profit over the last five years with little or no perceived improvement for consumers. As the goodwill between banks and customers declines it appears shareholder profit has become the only consideration in banking strategies. With Victorian bank branches closing at a rate of 61 per year in the past decade and 36,044 jobs lost nationwide⁴, the effect on seniors has been negative

¹ Australian Bankers Association, Code of Banking Practice, 3 November 1999, p.1.

² *Ibid.*, p.5

³ *Ibid.*, p.16

⁴ Survey by the Herald Sun, 2000.

Branch closures have impacted not only the towns in which they occur but also the outlying farming districts. An inquiry into regional banking services has revealed branches are being closed because even though they are profitable, they are not considered profitable enough. According to NSA members, travel to regional centres to attend to banking needs is time consuming, and expensive for those on limited incomes. Alternative in-store agencies do not offer the same levels of customer safety, personal service or financial advice. Seniors are especially inconvenienced because some are intimidated by ATMs or telephone banking facilities.

The steady **reduction in banking staff** levels to some extent has had a negative effect on standards of good service. Not only are seniors facing fewer points of access but as queues for bank services grow the pressure on bank staff is becoming increasingly evident. Furthermore, with older employees the first to go in retrenchments senior customers often find themselves dealing with young staff they cannot relate to. With the wealth and sheer size of the ageing baby boomer generation NSA believes it is prudent for any business to hire employees this group can relate to.

The push to **self-service banking** disadvantages seniors who were brought up in a different era and are intimidated by new technology. While the transition to EFTPOS, Automatic Teller Machines (ATM) and phone and Internet banking is inevitable, the pace of this change has excluded many older people. Banks have defended themselves by saying it is a reflection of consumer choice. However NSA believes with the imposition of hefty fees for over the counter services, banks are dictating change and limiting choice. A recent survey reveals the average cost of over the counter transactions with a large bank is seven times the cost of phone or Internet banking.⁵ By limiting access to over the counter transactions and financially punishing people who choose to use traditional methods, banks are blatantly contradicting the CBP principle of allowing for “flexibility in products and services”.

Many of NSA’s members have concerns over **ATM safety**. Seniors are often discouraged from using this banking method because they dislike the lack of privacy and perceived

heightened security risk. Some people are also reluctant to persevere with ATMs for fear of losing their card.

Recommendations

NSA can recommend several initiatives that will reinforce the CBP Objectives and Principles, and promote a stronger relationship between the banking industry and its senior customers.

1. To assist in the promotion of new transaction methods, banks could offer a readily available program to educate seniors on the use and benefits of new banking technology.
2. To alleviate confusion amongst seniors, ATMs could be standardized. For example NSA has had feedback that the instruction to “Hit Enter” when there is no Enter key but an OK key on an ATM can be confusing.
3. Security at ATMs could be addressed further to allay safety fears of seniors.
4. Fees levied on people born before 1940 for over the counter transactions could be reduced as a gesture of goodwill, or on the condition they undertake a bank sponsored class on self-service banking methods.
5. Banks could endeavour to employ mature staff whom seniors can relate to, for frontline customer service positions.
6. Banks could provide reasonable (three months) notice of pending bank closures or down grading of services so customers may make alternative arrangements or attempt to persuade banks from taking their proposed courses of action.

⁵ Australian Consumers Association survey cited in “Banks on the Nose” in the Sunday Mail (SA), 2 April 2000, p.47.

7. To some extent, NSA suggests the impact of corporate decisions on customers could be considered in banking policies – for example consider maintaining banking facilities in rural areas.

In conclusion, while the Code of Banking Practice sets acceptable daily operating standards, the wider context in which bank business occurs is coming under public scrutiny. NSA believes to a large extent customer goodwill has been sacrificed for profit. In doing so, the larger banks are undermining the principles and objectives of the Code of Banking Practice. Rather than reflecting public demand NSA believes the banking industry is dictating change, by penalizing people who use traditional banking methods. Having less experience with modern technology, many seniors find themselves disadvantaged by this. Change is inevitable, but by recognizing the difficulties seniors face and allowing for a gradual transition to self-service banking the banking industry will be doing a favour not only for itself but the community as a whole.