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Mr Dick Viney
Code of Banking Practice Review
PO Box 1516
MOORABBIN Vic 3189

Dear Mr Viney

The recent "roundtable" discussion with you involving a range of ANZ business units seemed a constructive first step in contributing to the Review of the Code of Banking Practice.

This letter expands on and clarifies a number of issues discussed at that meeting. ANZ anticipates further such discussion as the Review progresses, particularly following the circulation of the mooted Issues Paper.

ANZ has chosen, in some instances below, a format to express its views which might be interpreted by a reader as suggesting ANZ is responding to a position of the Reviewer of the Code. There is no suggestion that these are views of the Reviewer.

Comments on the Review of the Code of Banking Practice

1. A single Code of Practice for the financial services sector or a single Code for deposit taking institutions?

ANZ believes it would provide greater clarity for consumers to have a single Code of Practice for deposit taking institutions.

2. The ambit of the Code should be extended to include small business

ANZ believes that the Code should be extended to cover small business, reflecting the terms of reference of the ABIO, which includes disputes relating to a banking service, provided to an incorporated entity which, at the time of the dispute:

- (a) had 15 full time equivalent employees or fewer;
- (b) had an annual turnover of \$5 million or less; and
- (c) was independently owned and managed.

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and excludes an incorporated entity which is a:

- trustee;
- charitable organisation;
- statutory authority.

The terms of reference of the ABIO will be broadened further to meet the Financial Services Reform Bill's definition of small businesses, however, it is unclear at this stage what form this definition will take. This issue will need to be clarified when the final version of the Financial Services Reform Bill is known.

3. Educating consumers about cheques

When customers open an account, they are provided with a brochure, "It's in your interest to know...". This brochure explains what a cheque is and specifically explains the ramifications of the effect of crossing a cheque, the meaning of "Not Negotiable" and "Account Payee Only", and the significance of deleting "Or Bearer". Additionally, the front pages of the ANZ chequebook contain a more abbreviated version of the same information.

4. Third Party Cheques, ie. "The Parkdale Bakery" account but cheque made out to "The Parkdale"

Losses as a result of the payment of altered, forged or unauthorised cheques are significant. ANZ regularly updates procedures and educates staff to ensure that correct practices are adhered to so as to minimise loss risks to both customers and to ANZ.

ANZ does not ask customers to open additional accounts in the above instance, rather customers are asked to request a replacement cheque. If there is a difficulty obtaining a replacement cheque, a "Letter of Authority" is requested.

A "Letter of Authority" is a written instruction to ANZ from the payee of the cheque, approving the deposit of the cheque into the third party's bank account. If the above example were a common occurrence, where the customer of the Parkdale Bakery has written the cheque out to "The Parkdale", it might be advisable for the business to register this name as a trading name and provide a copy of the Certificate of Registration of Business Name to ANZ.

When a customer deposits a third party cheque ANZ policy is to provide them with a brochure, "Third Party Cheques", which explains the above procedure, what a third party cheque is and outlines ANZ's procedures for accepting a third party cheque. A "third party cheque" is a cheque payable to one party that is to be deposited to the account of another party.

5. Information about fees and charges on statements

ANZ supports more effective disclosure and is participating in the ASIC Transaction Fee Disclosure Working Group (a copy of the ANZ submission to the concurrent parliamentary inquiry into these issues will be provided to the Review). ANZ customers currently receive transaction account statements that include a list of steps customers can take to minimise fees. Suggestions include planning monthly withdrawals so as to not exceed the monthly allowance of free withdrawals, using ANZ ATM's so as to avoid non-

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ANZ ATM's fees and obtaining extra cash at the same time as paying for an EFTPOS purchase so that two withdrawals count as one.

Additionally, the EFT Code requires credit card statements to include a suggestion to cardholders that all entries on statements be checked and any apparent error or possible unauthorised transaction be promptly reported to the institution.

6. Cancellation of direct debits and periodical payments

There is a difference between a periodical payment, which is a transaction a customer instructs the bank to undertake, and a direct debit, which is a transaction a customer instructs a third party to undertake, such as authorising a utility company to debit a customer's bank account to pay for a bill.

Additionally, a periodical payment is for a predetermined amount whereas a direct debit amount will be whatever the bill is for that cycle.

ANZ policy is to cancel a periodical payment or direct debit upon request of a customer. The procedure follows that of a stop payment request on a cheque. ANZ currently charges \$15 for a stop payment on a cheque, direct debit or periodical payment and (obviously) cannot accept a request once the payment has already been processed.

In the case of a direct debit, ANZ can cancel every future debit by a particular third party. However, this does not always suit the customer as they may, for example, have 3 policies with AMP but only wish to cancel the direct debit relating to one of these policies. In this instance, the customer is requested to inform ANZ of the exact amount of the debit in order to avoid cancelling all transactions between the customer and the third party. The limitation of this particular case is if the debit is for an amount different to the notified amount, even 1c different, it will be paid despite the stop payment request.

If the request is made after the processing date, the customer must take it up with the company that made the direct debit.

7. Clause 12 "Privacy and Confidentiality" will be superseded by the Privacy Bill

ANZ believes an appropriate way to harmonise legislation would be for the Code to say, "The Code abides with the Privacy Act".

8. Clause 14 - Statement of Account

The Code currently states that "at least every six months, a Bank shall provide a Customer with a record of all transactions relating to a deposit account". Currently, customers choose to receive their statement monthly, quarterly, or half-yearly. The stated period in the Code could be reduced, however, the Code might also include an "opt in" provision such that if a customer wants to receive their bank or credit card statement electronically they can choose to do so.

ANZ request that the Review also consider an "opt out" provision in the Code for customers who do not wish to receive a bank statement (because they can access it via Internet banking).

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9. The merchant name on a credit card statement can be different to the business name with which the consumer transacted.

ANZ recognises this is a problem for consumers and is currently investigating a potential solution.

10. A procedure is necessary for liability to be crystallised when a personal relationship has "broken down" between a primary and secondary credit card holder.

ANZ is currently implementing a process to crystallise the liability for primary cardholders when the relationship with the secondary cardholder has "broken down". The process will be such that ending liability will be the same as where the primary cardholder simply report secondary cards as lost or stolen.

One of the difficulties for credit cards is that primary and secondary cards have the same card number, so ANZ cannot simply "stop" the secondary card and leave the primary card active; the entire account must be closed and a new account opened, which has associated costs.

The above process will be a short-term solution to the problem. In the near future, ANZ plans to introduce separate card numbers for primary and secondary cardholders. This will mean that the primary cardholder will be able to notify that their relationship with the secondary cardholder has broken down, be able to cancel the secondary card and still retain their original account.

11. Dispute Resolution Clauses 20.1, 20.3, and 20.4, harmonised with the Financial Sector Reform Bill and ASIC Policy Statement 139

ANZ believes that this section of the Code should be harmonised with the Financial Sector Reform Bill and ASIC Policy Statement 139.

However, ANZ queries how customers who pick up a copy of the Code of Banking Practice will be aware of the coverage of dispute resolution processes if they are not included in the Code.

12. Clause 6 – Disclosure – Operation of Accounts

The wording of the Code lacks clarity about what should be provided to a prospective customer and to an existing customer.

ANZ would like this section of the Code clarified to make the above distinction.

13. Clause 11 – Foreign Exchange Services

Currently, the Code requires a Bank providing a foreign exchange service to a customer to provide details of the exchange rate and commission charges that will apply, or, if these are not known at the time, details of the basis on which the transaction will be completed.

This requirement to disclose the commission charges is impractical because the Bank can not know the charge: 1) because the transfer may be routed through several banks who may each charge a fee; and 2) if the fees were known, they are subject to change without us being notified.

It would not be economic to telephone the relevant international banks to determine the commission charge each time a transfer was to be initiated and it may not be possible to know which banks the transfer would be routed if the transfer is routed more than once. As it appears impractical for ANZ to comply with this clause, ANZ believes it should be removed from the Code.

Should you wish to discuss any of the issues raised above, please contact me by telephone (03) 9273 6513 or e-mail curnowa@anz.com.

Yours faithfully

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Australia and New Zealand Banking Group