

14 August 2001

Mr Dick Viney  
Independent Consultant  
Review of the Code of Banking Practice  
GPO Box 4621SS  
Melbourne 3001

Dear Dick,

**NATIONAL AUSTRALIA BANK SUBMISSION ON THE CODE OF  
BANKING PRACTICE REVIEW PAPER**

Attached is the National Australia Bank's response to your *Issues Paper* dated 5 March 2001. The National's response has been formulated after considering the impact of the Issue Paper recommendations on the National's business activities and in consultation with other organisations through the auspices of the Australian Bankers' Association.

The National Australia Bank (the National) is Australia's largest bank, both in terms of net assets and market capitalisation. In the six months to March 2001 the National recorded a net profit of \$2.025 billion.

The National's overseas subsidiaries contributed around 41 per cent of this profit, making it one of Australia's largest, if not the largest single foreign income earner.

This profit needs to be put into context against the size of the National. The National has assets on its balance sheet of some \$400 billion which, when combined with assets under management and administration, gives the Bank a total asset pool from which we earn revenue of around one trillion Australian dollars.

In addition, the National pays almost \$1.6 billion in tax annually and employs some 23,000 people in Australia. It has some 3 million personal customers and some 600,000 business customers.

The National has some 350,000 shareholders. Of these, more than 90 per cent hold less than 5000 shares and are domiciled in Australia. In other words there are over 310,000 ordinary Australians who directly invest their savings in National shares and who expect an adequate return from those investments.

On top of these direct shareholders, most Australians also rely on our continuing financial performance, not only to protect their savings with the National but also as members of pension and superannuation schemes.

It is the continuing responsibility of the National to ensure that its direct and indirect shareholders continue to receive an adequate return on their investments. It is also the continuing responsibility of the Government to ensure that Australia's financial services industry remains truly competitive in world terms in order that it continue to contribute to Australia's economy and the overall welfare of the community.

The National remains concerned that these nationally beneficial aims are becoming subsumed by the current debate about access to banking services. The eventual outcome will be the re-regulation of the banking sector, a consequent increase in costs and a loss of competitiveness.

At the same time, however, it is the National's, and indeed the industry's responsibility, to ensure that our actions and our services meet the needs of all our customers and those of the wider community.

The National's Managing Director, Mr Frank Cicutto, has said on a number of occasions that the Bank's response to the rapid transformation of the capital markets and the financial services industry generally has left many in the community behind.

This has been evident by the community anger to the changes that have occurred in the retail part of our business in Australia and by the political and regulatory responses to these changes.

It has to be said that, when compared to 20 years ago, the services and products supplied by the Bank has improved access to banking immeasurably. Now customers can access their accounts 24 hours a day, 7 days a week from anywhere in the world. They can do this through the Internet, by telephone, through a national and international network of ATM machines, via EFTPOS or through a debit or credit card. Customers can pay many of their accounts through Bpay or can pay paramedical bills through the National's HICAPS facility.

In lending, customers no longer have to have a savings record with a particular institution before being eligible for a mortgage or personal loan. Lending margins have more than halved as a result of national and international competition.

In reality the choices for all customers, both in terms of access and product choice, are immense.

However, the ability to make those choices is constrained for some by the lack of knowledge in the use of new technologies, the unwillingness to change, increased direct and unsubsidised costs or through the sheer complexity of the choices being offered.

At the same time, costs have become more transparent and the level of cross subsidisation between customers and between products has been reduced. This is a product of competition and should be considered in the broad context of the improvements in community welfare arising from deregulation, competition and transparency.

Nevertheless, the National is aware that some of its customers have been disadvantaged by these rapid and far reaching changes. Our research indicates that these are most often the lower income earners, those whose changed circumstances have resulted in disadvantage and some of the aged and infirm.

The National believes that a self-regulatory code is far more appropriate than legislation. Legislation tends to be inflexible, formulated in a political environment and not necessarily beneficial to either customers or businesses.

As well, the National, the financial services industry as a whole, business and governments trade in an international market place. The price of debt and equity is heavily influenced by perceptions about the economic, business and regulatory environments operating in Australia. In order to influence positive perceptions of Australia by external commentators there needs to be a proper balance between business outcomes and community desires or social responsibilities.

The National has been attempting to achieve this balance. It is within this overall context that the National's response to both community concerns and your *Issues Paper* has been formulated. The National considers that the *Issues Paper* was comprehensive in that it covered all of the issues of concern to both consumers and the banks. However, in parts, the National has taken a different approach to the issue raised.

Some changes to the way we interact with our customers have already been announced. In particular, for the past two years the National has been working with the consultation forum that it established under the chairmanship of the Rev. Tim Costello.

The forum aims to bring together representatives of community groups to work with the National in understanding the major financial services issues affecting the community.

This year the National announced a series of initiatives arising from those consultations. These include:

- The introduction of the ***National Concession Card Account***. This account gives eligible Commonwealth Government concession cardholders access to a basic transaction account that provides up to 13 free over the counter transactions a month, or 66 ATM withdrawals, EFTPOS transactions or mini statements, or a combination. Customers who are eligible for a disability concession will be entitled to at least 114 free transactions of any type a month.

Additionally, the *National Concession Card Account* has no account keeping fees and no minimum monthly balance requirement;

- Regular staff training to enable staff to communicate more effectively with people with a range of needs, particularly those with a disability or impairment;
- The provision of at least 3 months notice to any customer of any branch or outlet closure;
- An alliance with *Australia Post* where both retail and business customers can access their account from any Australia Post outlet. In all, this adds some 2400 points of access to the National's own network.

Other possible initiatives that the National has announced that it will consider are covered in the attached response to the *Issues Paper*.

If you have any queries on this document, please contact Mr David Jones, General Manager, Service and Sales, Australian Financial Services on (03) 8641 0641.

Yours sincerely,

Mike Pratt

## ATTACHMENT

### NATIONAL AUSTRALIA BANK COMMENTS ON THE CODE OF BANKING PRACTICE REVIEW ISSUES PAPER

#### *1. Changes to the Objectives and Principles*

As the National now provides a wide range of products and services to its customers beyond the products traditionally subject to prudential oversight, it is necessary to continually improve its relationships with customers. Indeed, this has been an aim for many years and is incorporated in the National's core values.

These values are:

Service to our customers.

- Quality in everything that we do.
- Competitiveness and a will to win.
- Growing profit for our stakeholders.
- Continuous productivity improvement.
- Growth and development of our people.
- Professionalism and ethics in all our actions.

To ensure that the National continually meets the needs of all its customers and other stakeholders, we have recently appointed a General Manager, Service and Sales, with the specific role of improving services to customers. Encompassed in this role is the desire to continuously improve communications with customers through better information disclosure and staff training.

It is therefore consistent with the National's own processes for the revised Code to articulate an undertaking to continuously improve standards and practices, including ensuring a commitment to promote better decision making by customers through better information.

#### *2. Fairness*

The National is committed to acting fairly and reasonably towards its customers in a manner consistent with the expectations of its customers and the terms of the contractual relationships between the customer and the National.

To this end, and in accordance with the existing Code of Banking Practice, the National already has a well established unit devoted to managing complaints from all the National's customers.

### ***3. Prudential Matters***

The National takes its prudential obligations very seriously, and therefore, supports the retention in the Code of a prudential principle.

The National's prudential obligations are consistent with the Government's desire, most recently reaffirmed in the Government's response to the Wallis Inquiry into the financial system, that the protection of depositors is of paramount importance to the safety and security of the financial system.

In effect, this implies that the National must act in a financially responsible manner in its management of depositor's funds.

This responsibility includes the need to ensure that there is a balance between wider community expectations of the social role of banks, and the need to continually reinvest in systems and methods that specifically support the payments system.

### ***4. Definition of Banking Service***

With new technologies, new products and greatly enhanced financial service delivery systems, the National considers that the definition of a banking service should encompass any financial service directly provided by a bank to a customer. This definition is intended to cover bank products provided by third parties to customers, but not products delivered by the bank on behalf of another person. However, the National will always be responsible for the standards of service to customers.

### ***5. Scope of the Code***

The National has reviewed the terms of the Small Business Principles in light of the functionality of products and services that do not necessarily recognise differences between individuals and small businesses. Consequently, the National is fully supportive of an extension to the Code to incorporate small business according to the definition contained in the Financial Services Reform Bill (FSRB) - for the purposes of Chapter 7 of the Corporations Law.

The definition of small business should be consistent with both the FSRB and the Terms of Reference of the ABIO. We note that the Terms of Reference of the Australian Banking Industry Ombudsman (ABIO) are being amended to ensure this outcome.

The National has been fully supportive of the extension of the Terms of Reference of the Australian Banking Industry Ombudsman's scheme to include small business. An extension of the Code to small business is not only consistent with the coverage of the ABIO, but also recognises the vulnerability of some small businesses in fully understanding their rights and obligations.

## ***6. Monitoring, Compliance and Sanctions***

The National recognises that if the Code is not only to operate effectively, but that it is seen to be working in that manner, then there needs to be an effective monitoring and compliance regime in place.

The fundamental principles behind this are that:

- The Code is integral to the way the National interacts with its customers.
- The principles underpinning the Code are fully understood by customers.
- The National must be accountable and transparent in its dealings with customers and in its compliance with the Code.
- Monitoring must be efficient with minimal disruption to day to day business.

The National considers therefore that:

- The Code should be independently monitored.
- The ABIO is well placed to assume this function, provided that monitoring does not detract from the fundamental purpose of the ABIO.
- The National is committed to maintaining the integrity of the ABIO as a scheme to assist individuals. To the extent that this is not possible then the National would consider a separate monitoring mechanism.
- The monitoring authority should have the ability to receive material complaints about breaches of the Code.
- The Code is a contract between the National and a customer. Compensation should be made for material breaches that result in some loss to a customer. In this case, the ABIO is already empowered to investigate and make recommendations for redress to an individual.
- The monitoring authority should conduct an annual evaluation of compliance with the Code. This could include the ability to seek submissions on instances of material breaches of the Code.
- The monitoring authority should make the results of its annual evaluation public, including identifying those institutions deemed to have materially breached the Code.
- Prior to finalising the annual evaluation, the monitoring authority should discuss its findings with the individual institutions with a view of determining the cause of the breach and the actions being undertaken to rectify any breach.

- The monitoring authority should produce guidelines for public consumption on what is meant by the concept of "materiality" with a view to minimising the probability of vexatious complaints about banks.

In addition, the National:

- Will undertake to co-operate fully with the monitoring authority in the pursuit of its responsibilities.
- Will undertake to conduct its own compliance evaluations on an on-going basis and to discuss those findings with the monitoring authority.
- Has made available a separate telephone number for complaints that will extend to breaches of the Code.

## **7. *Code Review***

The National considers that the Code should be independently reviewed at three yearly intervals. The review should be fully transparent and open to submissions from the broader community. To this extent the National agrees with the reviewer that change must be implemented in a fully transparent manner.

The National has already undertaken to consult the community, including through a regular forum, about banking generally and the National specifically. One such mechanism has been the "Community Consultation Forum".

The timing of an independent review must take account of the disruption to the normal business of the National in implementing changes, the costs and benefits of those changes and the convenience of customers already assailed by continuing changes to the way they relate to the bank as a result of significant legislation.

## **8. *Education***

The National agrees that it has an obligation to educate customers and the broader community about the Code and the various responsibilities engendered by the Code.

The National also sees a role for the Australian Bankers' Association (ABA) in this education process and will work with the ABA to facilitate the wide acceptance and understanding of the Code.

It also considers that all staff must receive training so that they are competent to provide the services that they are authorised by the National to provide.

The Issues Paper also suggested that the Code monitoring body be responsible for monitoring external developments and particularly regulatory changes. The National already encompasses this role in its normal operations. We do not consider that this is a role of the Code monitoring authority.

Where legislative changes impact on the National and its customers, it is the responsibility of the bank to implement those changes with no involvement from an external body that has no responsibility for that legislation.

The regular review of the Code however, must take into account the external environment in determining its relevance to current day financial services.

### ***9. Access to Banking Services***

The National considers that this issue is crucial to the future of financial services in Australia. Access should include, where practical, physical access as well as economic access. Consequently, the National agrees with the reviewer's recommendations.

There is no doubt that access to banking services has vastly improved in the last 10 to 20 years. People now have 24-hour access to their accounts, 7 days a week. While Australia still has one of the most extensive branch and agency networks in the world, per head of population, customers also have access to other forms of transaction availability. Card based payments (and credit), telephone transactions, ATMs, EFTPOS, the Internet and BPay are among the significant enhancements to services that technological developments have fostered. The National also has developed its HICAPS network that enables instant payment of paramedical accounts through access to accounts and to health insurance schemes.

The removal of constraints on lending, borrowing and on product development as a result of deregulation has changed the way banks develop products and pricing. Of major significance as a result of competition has been the gradual removal of cross subsidies between lending, saving and transacting. Now customers face costs more akin to the costs of the services they consume, rather than receiving subsidies from borrowers.

However, the speed with which these changes have been introduced, the way costs are passed on and the way technology has been substituted for traditional forms of branch based banking have disadvantaged some customers. Many of these are aged, infirm or living in remote areas. Other people have reacted adversely to changing the way they have traditionally transacted their banking.

Banks have not always been thoughtful in the way they have introduced changes. The community as a whole has demanded that either the pace of change slow or banks offer traditional services alongside of the new technologies. The community has also reacted adversely to the distribution of the burden of fees and charges.

At the same time the National is aware that the level of understanding of change and the way to increase individual welfare through the use of technology has been relatively low.

The National has taken all these issues into account in redesigning the way it does business, while at the same time preserving and enhancing the overall benefits of technology.

To this end the National has:

- Introduced a low cost account for customers who hold Government Concession Cards. This account provides eligible customers with a monthly rebate of \$40 that in turn provides up to 13 free over the counter transactions a month, or 66 ATM withdrawals, EFTPOS transactions or mini-statements or a combination. Customers who are eligible for a disability concession will be entitled to at least 114 free transactions of any type per month. The account has no minimum balance requirements or account keeping fees:
  - \* This is far in excess of the minimum standard announced by the ABA and which we agree should be included in the revised code as a benchmark for all financial institutions offering retail transaction services;
  - \* Inclusion of the ABA benchmark in the Code enables banks to continue to compete on the grounds of price, service and product offerings.
- Contracted with Australia Post to provide personal and business transaction services through the entire Australia Post network. This has added over 2,400 points of representation where National customers can receive face to face services.
- In line with the branch closure protocols announced by the ABA for rural Australia, the National has committed to providing affected customers in all rural and metro locations with at least 3 months notice of an imminent closure.
- Undertaken to provide personal assistance to any customer who has difficulty in using new technologies.
- Undertaken to improve the level of staff training and customer communications, including those with disabilities.
- Undertaken to work with the rest of the industry to find ways of improving services in rural areas.
- Undertaken to continue and improve consultations with community representatives.

At the same time, the National considers that the burden of assisting those disadvantaged by technological change, particularly in rural areas should be shared equally by all in the community. To that end we have undertaken to work with other financial institutions with a view to put to the government a coherent argument for the provision of direct support to community initiatives, such as services through the Australia Post network and the removal of any artificial barriers to improved services.

## ***10. Customer Access to Information Entitlements and Contractual Rights***

The National remains strongly supportive of the removal of Code provisions that either overlap or are inconsistent with existing legislation.

The reviewer recommended that the Code incorporate a summary of the key features of the Uniform Consumer Credit Code, the Financial Services Reform Bill and the Privacy Act.

While the National sees merit in this suggestion if it can be achieved, inclusion of an accurate summary is not likely to be simple and concise. The major difficulty is that the Code must be a simple and easily readable document. The direct incorporation of key provisions will not enhance simplicity and readability. In addition, any summary would need to be continuously updated, thus adding to the complexity of both the Code and a customer's understanding of its provisions.

## ***11. Statements of Accounts***

The National will provide customers with statements of their accounts at least every six months.

While we realise that this is contrary to the reviewer's recommendations, there needs to be a balance between costs and benefits. The cost of sending statements to all customers is around \$4 million. However, customers have access to mini statements through ATMs, they can access their accounts via the Internet and they can easily request a statement from a customer service representative.

## ***12. Shadow Ledgers***

The National agrees that all customers should receive information about their accounts in a timely and accurate manner, regardless of whether or not they are in default.

## ***13. Code Clauses 9.1 and 9.3***

The National agrees that it can provide affected customers with at least 30 days notice of changes to the way fees and charges are levied on transaction accounts. However, the Code needs to be amended so that notification is not required where it is not possible to identify affected customers.

## ***14. Notification of Changes to Interest Rates for Money Market Products***

The National notes that the current market practice is for banks to pay interest on money market products in line with the rate nominated in their terms and conditions. The National further notes that in almost all cases consumers of money market products are sophisticated investors who understand the difference between products that are prudentially supervised (capital guaranteed) and products that are marked to the market.

Notification of a change in rates is not practicable where the relevant indicator rate is included in the terms and conditions. In addition, the money market rate is subject to continual change. Where applicable, the National advises a reference rate in the national media.

### ***15. Staff Training***

The National agrees that all staff should be competent to provide the services and products required of them. It is reviewing its training activities with a view to ensuring that all staff are adequately trained.

### ***16. Copies of Documents***

The National already provides customers with relevant documents on request, providing that the document is current, including contracts for banking services, statements of account or any other notice that has been supplied to the customer.

Provided that the original is less than 12 months old before the request was made, we will supply that document within 14 days. Copies may be provided via computer generation.

We may not agree to provide a document if the request was made more than 2 years after the termination of the original contract.

### ***17. Customers in Financial Difficulties***

The National considers that a clause could be inserted in the Code that indicates that, with the customer's agreement, we will try to help the customer to overcome their financial difficulties with the National. This might include a plan to help the customer to deal with their financial difficulties with the bank and an agreement with us that sets out that plan.

However, we would not intend that the National make recommendations to the customer about their financial position generally.

The National notes that this issue has become the subject of political inquiry in respect of credit card debt. Further, we note that the claims made about the levels of delinquent credit card debt are highly exaggerated. For example, less than 1% of the National's credit cardholders are in default of their credit card account.

That having been said, our experience is that financial difficulties most often arise from a change in personal circumstances. The most common changes arise from unemployment or domestic breakdown. Most of these factors cannot be anticipated.

However, often before the National finds that our customer is in difficulty, the case comes to the notice of the Government through Centrelink or other agencies. The earlier problems are spotted, the greater the possibility of reducing the financial difficulties.

The National is happy to work with the Government to identify problems at an early stage and to consider a range of measures suitable to reducing the level of accumulated debt.

### ***18. Debt Recovery***

The National agrees that it and its agents will comply with ACCC guidelines on debtor harassment when collecting amounts due.

### ***19. Privacy and Confidentiality***

The National is in continuous consultation with the Privacy Commissioner on the interpretation of the privacy guidelines and expects to be substantially compliant with the Privacy Amendment (Private Sector) Act by December 2001.

### ***20. Credit Assessment***

The National agrees to the inclusion in the Code of a statement that the National will only offer or grant a credit facility (or increase an existing facility) which, based on our assessment, the customer will be able to repay.

As previously indicated, the National has been participating in the "debt summit" being facilitated by the NSW Government. Of recent concern has been increasing customer reliance on credit cards and the marketing of new cards or "pre-approved" increases in limits. Of initial concern was an apparent rise in the level of unsecured debt.

The National, together with the ABA and other organisations provided data to an independent third party, KPMG. The consolidated data highlighted the very significant flaws in previous analyses based on aggregate RBA data. For example, the data does not take account of the fact that credit cards are often used as a substitute for cash, and as such, customers pay that debt on a regular basis without incurring any interest charges.

Key findings in the KPMG Report noted the following:

- Less than 1% of cardholders are in default of their credit card accounts. That level is roughly one half of the level 7 years ago.
- The reduction in defaults is largely attributable to advances in methods of credit assessment.
- Over 80% of those who pay interest every month also make payments in excess of the minimum monthly requirement.

As indicated previously, changes in personal circumstances are the most common cause of delinquent accounts. These circumstances were not known at the time the credit was arranged. While our behaviour modelling is highly predictive of future default risk, a small number of instances arise from changes in personal circumstances where customers end up in default

However, the National does not believe that further regulation is required in this area. As previously indicated, what is required is better consumer education and improved methods of early detection of financial problems.

### ***21. Implementing Family Court Decisions and Family Law Settlements***

The National considers that the ABA should develop a standard protocol based on members' current practices.

### ***22. Direct Debits***

The issue of direct debits has received much attention in recent times. One issue of concern among consumers is the situation where a financial institution is unable to process a cancellation of a direct debit as it is unable to contact the company with which the customer arranged the direct debit.

There has also been concern about the time taken to resolve disputes.

The National is also concerned about these issues. We have for example, experienced a substantial increase in the level of chargebacks to merchants arising from disputes or cancellation of direct debits.

There has also been some confusion about the role of the bank in this process, as well as with "periodic payments". A periodic payment is an authorisation to the bank to make payments direct to a service or product supplier on behalf of a customer. In this instance the payment authority is held by the bank and payment is made from a customer's account. On a customer's instructions the authority can be cancelled.

On the other hand a direct debit is arranged directly with the supplier. The bank is not party to the contract and generally cannot distinguish a direct debit from other transactions, particularly where the direct debit is directed to a credit card. In addition, the amount of the direct debit often differs over time.

Up to March 2000 individual financial institutions received and filed the original authority from the end user. In the event of a dispute the end customer was able to contact the financial institution for resolution. However, customers were encouraged to first contact the billing company to seek resolution.

Under current arrangements the financial institution no longer receives or even sees the direct debit authority. In the case of a dispute the customer contacts the billing company. If the dispute is not resolved the customer then contacts the bank which has 7 days to resolve the dispute with the biller's financial institution. In the event of disputes between financial institutions in excess of 30 days, the Australian Payments Clearing Association (APCA) Management Committee is asked to resolve the issue.

Individual financial institutions have the option to refund the customer when the complaint is first received and to then enter into the dispute resolution process. In the event of an incorrect direct debit, no loss or any other costs accrues to the customer.

The Australian Banking Industry Ombudsman (ABIO) Guidelines contained in Bulletin No. 24 allow for losses that are not readily ascertainable or identifiable, such as opportunity costs. These types of losses are best determined by the ABIO. While we are examining the issue, we believe that the Bank's liability should be confined to direct and quantifiable losses.

With the benefit of experience, the National considers that the current situation is unsatisfactory for both the customer and the Bank. However, the issue must be resolved through the APCA process and not through the revised code. Discussions with APCA have commenced under the auspices of the ABA

### ***23. Chargebacks***

The National agrees that there appears to be customer confusion about chargebacks. We are already examining the system of chargebacks with a view to simplifying the process.

However, we will include in the terms and conditions of credit cards general information on chargebacks as well as details about the reporting of disputed transactions. The National will also take appropriate steps to ensure that consumers remain fully aware of their rights and obligations in relation to chargebacks.

The National already claims chargebacks where the right exists and ensures that a customer is not overly disadvantaged in the event of a dispute that is notified at an early date.

Any addition to the Code in respect of chargebacks must also be consistent with the EFT Code of Conduct.

### ***24. Guarantees and Indemnities***

The National considers that this is one of the most complex and contentious elements of the Code, and indeed in its relations with borrowers and their guarantors.

The National is concerned to ensure that the onus for the provision of legal advice on the meaning of a guarantee or indemnity, and the actual or likely impact of a guarantee or indemnity, does not fall on the individual banker or the National itself.

However, the National considers that the reviewer's interim recommendations generally provide the correct balance between a customer's rights and those of the National.

Consequently, the National generally accepts the reviewer's recommendations.

### ***25. Joint Borrowers***

The National agrees that they should not accept a person as a co-borrower under a credit facility where it is clear that on the facts known to us, that the person will not receive any benefit by being a co-borrower.

The National also takes all reasonable steps to ensure that a co-borrower is fully informed of their liability under the contract.

We will also agree that a provision be inserted into the Code that will allow a person who is jointly or severally liable under a credit contract to terminate their liability in respect of future advances or financial accommodation on the provision of written notice to the National. This right does not apply unless we can terminate any obligation for the provision of further credit under the same credit contract.

## ***26. Subsidiary Cards***

The National agrees that the issue of subsidiary cards is unsatisfactory. Consequently, the National agrees with the reviewer that where a primary cardholder advises the National that the subsidiary card is to be cancelled, the primary cardholder will not be liable for the continuing use of the card. However, the primary cardholder must take all reasonable steps to ensure that the subsidiary card is returned to the issuer.

## ***27. Mutuality and Set-Off***

The National agrees that when an account is opened, or there is an existing account, it will tell the customer whether the new account can be combined with other accounts and what the impact of this might be on the customer.

## ***28. External Dispute Resolution***

The National agrees with the reviewer's recommendations. The National is an active member of the Board of Directors of ABIO Ltd and has been fully supportive of the improvements to the scheme.

However, the National also has in place a sophisticated internal dispute resolution process (consistent with the current Code) and is continually refining the dispute resolution process to ensure that it meets the needs of both customers and the National.

The National encourages all its customers and staff to seek resolution of a dispute with the bank before the matter is referred to the ABIO.

## ***29. Electronic Communications***

We accept the Reviewer's recommended wording that would ensure consistency with the EFT Code of Conduct.

However, we are concerned to ensure that the final version of the revised code does not unnecessarily restrict the National's ability to effectively deliver its products and services.

### **30. Other Matters**

- a) In relation to the best method of notifying changes to terms and conditions, it should be noted that the National's research shows a very low proportion of customers actually read the information provided to them via the post.

Further, there are significant costs to mail-outs. A mail-out to each of the National's almost 4 million customers costs around \$4 million. Given the proven lack of interest in reading information the National considers that the costs far outweigh the benefits of altering the current notification system.

- b) The National agrees that customers with low literacy levels may have difficulties in understanding the information provided to them. However, a solution to this problem is difficult to find. In particular, the National's staff are not in a position to judge literacy levels. Secondly, research and experience elsewhere indicates that most customers do not appreciate information that is pitched towards the lowest literacy level.
- c) In relation to the other issues raised by the reviewer, the National is giving consideration as to whether there is a simple solution to those issues that will not confuse customers.