

SUBMISSION FROM THE OFFICE OF FAIR TRADING (QLD)

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Mr R Viney
Code of Banking Practice Review
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Dear Mr Viney

I refer to the Issues Paper released in conjunction with the Review of the Code of Banking Practice and submit the following comments on the Paper. I apologise for my late input.

The examination of the issues has been thorough and well researched and I support many of the recommendations. However, I have concerns about the following matters, which I consider, require further attention.

1. Arranging for Regular Reviews (Page 29) As part of the review process, it would be beneficial if interested parties could access a database with information containing the names of those communities, which have suffered the closure of all bank branches. The present information supplied by the Australian Prudential Regulation Authority is supplied on a state by state basis rather than by the name of each town. This information will assist state governments to ascertain not only which communities have undergone the process of bank rationalisation, but also whether the branches have been replaced by alternative service providers with adequate levels of service.
2. Implementing Changes (Page 30) It would be advantageous to all interested parties if they were to be alerted by e-mail when the final report is released and when any progress reports are made available on your web site.
3. Access to Banking Services (Page 31) While the profit motive is understandable, it is unfortunate that the banks have not recognised or acted on the fact that branch closures, especially in rural communities, have an adverse impact on the economic base and social fabric of those communities. Furthermore, the use of new technology in the short term to assist in the transition from a branch-assisted community to one without such service

appears to have depended on hope rather than experience. According to the findings in the 1999 Hawker Committee Report entitled "*Regional Banking Services: Money too far away*", technological advances appeared to have been welcomed but only where they were provided in addition to normal banking services. Everyone does not possess a computer or a telephone. Many remote communities do not have access to an Internet service provider and, in any case, many older people do not have the capacity to access their accounts through a computer, a telephone or an ATM.

Electronic alternatives are unlikely to be adequate substitutes for face to face banking. If banks continue to reduce or avoid their key economic and social roles, which they have developed in the community over many years, then there should be an appropriate balance when they propose to close their branches. Given banks are afforded a protected right to operate in the market through a government licence, it ought be reasonable to expect that they be required to meet appropriate customer service standards as community service obligations. I believe that the interim recommendation on page 35 should be amended to include such Community Service Obligations (CSOs) to ensure that banks do not abandon the communities because of limited objectives.

The introduction of CSOs may be regarded as an inefficient regulatory approach to this issue. However, if the private bank sector were left to govern itself in this vital area then it would be uncertain, in my view, whether the remaining bank branches in rural and remote localities would be retained. A submission, which was included in the Hawker report, stated:

"The banks, because of their key role in the financial system have a utility function that confers responsibilities beyond that of ordinary business."

In light of the noted effects which closures have had and continue to have on our communities, I recommend that CSOs be drafted to allow banks to withdraw banking and financial services only in circumstances where the localities they intend to leave are still being adequately serviced.

The effect of the Community Reinvestment Act in the USA over the last two decades has demonstrated that the introduction of CSOs is a practical and justifiable community protection measure.

4. Access to Banking Services for People Unable or Reluctant to Use ATMs, Telephone Banking or Internet Banking (Page 35) I support the recommendation that banks should enhance access to banking services for older people and people with disabilities. However, I am concerned that many industry programs for these people are restricted to assisting with the take-up of new technologies. They do not address those in the community who may never be capable of doing so. The recommendation should address this issue

by including a requirement to provide face to face service at bank branches which positively discriminates to ensure that older people and people with disabilities receive a reasonable standard of service and are not left in long waiting queues.

One barrier to an increased level of take up in the use of ATMs by consumers is the risk of robbery and physical harm, particularly for women and older people. The code should include standards for both new and existing ATMs, including a requirement for auditing ATM sites to address levels of lighting and the installation of security cameras and to address ATMs which are sited in secluded and dangerous locations or near places where an attacker may easily hide. The New York ATM Safety Act may provide a useful guide for developing such requirements for inclusion in the Code.

5. Low Cost Accounts for Banking Services (Page 37) Banking is a necessary service and therefore, banks should have an obligation to supply basic affordable financial services to all Australians, including people on low incomes.

Banks in Scotland and, in a number of states in the USA are required to offer consumers a basic bank account. Canada has been developing similar requirements.

The Australian Bankers Association (ABA) has stated that subscribers to the revised Code will offer a basic bank account for holders of Commonwealth Concession Cards. It would provide:

- no account keeping fees;
- six free non-deposit transactions per month, including three over the counter; withdrawals;
- no minimum monthly balance; and
- unlimited deposits.

While the ABA commitment is a step in the right direction, I am concerned that the banks have adopted an inconsistent approach to this commitment. Also, some low-income earners, such as students, self-funded retirees and the 'working poor' remain marginalised.

Low-income earners often lack mobility and therefore, choose service providers on the basis of nearest or most convenient access. Many of these people will not be able to shop around for a special offer on this essential service.

6. Disclosures of Fees and Charges (page 56) The cost of a transaction at an ATM varies depending on the number of fee-free transactions available, the type of transaction and whether the ATM being used is owned by the consumer's bank. Consumers should receive this information on-screen and

in real-time.

A recent report by the Parliamentary Joint Statutory Committee on Corporations and Securities on *Fees on Electronic and Telephone Banking* recommended that the banks should proceed with the development of a framework for real-time fee disclosure. The Australian Securities and Investments Commission has now released a *Draft Guide to Good Transaction Fee Disclosure For Banks, Building Societies and Credit Unions* also recommending the development of transaction-specific fee disclosure at ATMs.

It is appreciated that computer systems for electronic banking would need to be revised to deliver suitable real-time disclosure at ATMs. It is suggested that the Code be amended to include a commitment and timeframe for its development and implementation. I am also of the view that a regime should be developed for the disclosure of any fees or charges during over the counter transactions.

Generally, the improved Code may assist in addressing a number of community concerns with banking practices. However, banking is an essential service in our society and ongoing practices such as withdrawal of services from rural and remote communities and the disproportionate allocation of fee increases to low income and disadvantaged consumers indicates a need for legislative intervention. A mandatory framework could incorporate many of the Code provisions and I believe that a bank's licence to operate should be conditional upon compliance with such a scheme.

I trust that these comments may be of assistance to you.

Yours sincerely

Matt Miller
Commissioner for Fair Trading