

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS (FIFTH HEARINGS)

Australia and New Zealand Banking Group Limited

ANZ12QW:

Default interest

In regards the application of default interest:

- a. Does the Bank believe that its lawful right to impose a default interest charge arises from a breach of contract?
- b. Does the Bank believe that the quantum of such default interest charged is subject to the 'law of penalties' i.e. that is the quantum must be based upon a genuine pre-estimate of the loss incurred to the bank – and if not, that it may be deemed as an unenforceable penalty?

ANSWER

Given the increase in risk to ANZ where a customer defaults, ANZ's standard loan contract allows ANZ to charge higher rates in these circumstances. There is an increased cost to ANZ of carrying higher risk and impaired loans,