

## **Submission by Mrs A Watson to the Senate Committee**

### **Competition within the Banking Sector**

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I would like to thank you for the opportunity to make a submission to the committee in regards to competition within the banking sector.

I understand from reading the terms of reference of this committee that the main focus of this Committee relates to the competition that is currently available in this industry and if a lack of competition is having a negative impact on consumers and the broader economy particularly in relation to fees and charges and unfair contract terms.

Before I make my submission in relation to the terms of reference I would like to make some brief observations in regards to the Australian economy.

I am very concerned with the populist comments from all spectrums of our political representatives in relation to the moves of our residential mortgage lenders in relation to the variable interest rates that they charge.

I acknowledge that the people of Australia during the Global Financial Crisis made moves to ensure that our banks had access to adequate funding, and that this move has been used to justify scrutiny of their business decisions now in relation to interest rate moves. I would suggest that the Government would have been better to avoid the moral hazard of propping up banks that should be able to weather that sort of crisis and then they could save their indignation in relation to interest rate rises.

I qualify my position by advising that I believe that housing is a staple need of our population, I worry that it is treated as an 'investment' and believe that the current state of affordability for new entrants to property ownership in particular is disturbing.

I believe that the senate would be better engaged to examine the reasons why Australian families are so sensitive to minor interest rate rises, that are by traditional standards still relatively low.

I am astonished by the level of manipulation of the Australian economy as it relates to residential property both in relation to the tax subsidies and other government incentives that skew investment into residential property

I would like to make the following brief submission to the Senate Committee into competition within the banking sector in relation to the terms of reference:

I have no real concerns with the level of competition between bank and non-bank providers, I currently bank with a 'non big 4 bank', and at the time that I opened that account there were several different institutions for me to choose from, I researched my options and made a considered choice.

It is my belief that many Australians are somewhat apathetic in regards to their banking choices and while I note that there is a fair level of 'bank bashing' most people appear to choose not to switch in order to find a better product for their needs.

My current accounts have options for me to incur absolutely no fees on transactions if I follow certain rules that I made sure I was aware of. I have not accrued any interest fees on my credit cards or and fees on my transaction accounts for over twelve months now. If other consumers believe that it is too difficult for them to 'vote with their feet' so to speak then I believe that it is not within the responsibility of this Government to protect them from themselves.

A quick Google search has listed many several pages of products available that attract various fees and charges from various bank and non bank institutions. If anything so far as products on offer are concerned it is somewhat overwhelming to make choices in this regard, but in my opinion there is plenty of choice.

I do not believe that there is any lack of competition in relation to residential mortgage products, there are plenty of options available with both variable and fixed interest rate options, I believe that Australian consumers are not imbeciles and are fully able to comprehend the terms and conditions of their mortgages, while I agree that in the midst of Australia's unaffordable housing climate that if you want to own a property then a mortgage is pretty much a must have, however if Australian families don't want to deal with a mortgage provider then they are not obligated to avail themselves of any of these products.

I would be in favour of a comprehensive database that could help individuals disseminate the products available and how they might suit their needs both in terms of savings, transaction and mortgage products.

I am concerned at the level of populism regarding residential mortgage interests rates and am I believe that the greater issue is how over leveraged Australian families are, and how that makes them so sensitive to interest rates, recent reports published in Australian newspapers show that a significant amount of Australian households are in mortgage stress and would go without food before missing a mortgage payment, this is a very worrying trend.

My main concerns in relation to this enquiry are the submissions made that advocate allowing institutions to offer covered bonds as a source of funding, as a saver that has what I would consider to be a substantial balance relative to the average Australian. I would not be prepared to maintain a deposit in any bank that offered this product. I further believe that it would be a travesty if in order to prop up Australian overpriced property prices that the government invested more money into Residential Mortgage Backed Securities or created some sort of Government backed mortgage insurance company.

To conclude I also have some brief comments in relation to 'price signalling' between institutions. I feel unqualified to comment on if this is actually happening, however I wonder if there was not frank disclosure to share holders and the Australian public in this matter and rate rises were foisted onto consumers with no warning this would leave consumers unable to understand the expected movements on their mortgages, leaving them un prepared and unable to make good decision in regards to their spending.