



Wednesday, 21 July 2010

The Secretary  
Senate Economics Legislation Committee  
PO Box 6100  
Parliamentary House  
CANBERRA ACT 2600

Thank you for the opportunity to comment on the proposed Banking Amendment (Delivering Essential Financial Services for the Community) Bill 2010.

The Salvation Army Australian Eastern Territory provides a range of services to disadvantaged and vulnerable people across New South Wales, Australian Capital Territory and Queensland. These services include

- Community Welfare services providing emergency relief, financial assistance and a range of other support to people experiencing financial hardship from centres across Australia
- Financial Counselling services from 28 sites throughout NSW, ACT & Qld
- Accommodation and support services for individuals (adult and young people) and families who are homeless or at risk of homelessness (including women and children escaping family violence).

As a result of the recent economic downturn a significant spike in demand for these and other services has been registered nationally by The Salvation Army, with an additional 80,000 Australians seeking assistance for the first time. This illustrates how 'close to the edge' many families live. These financially and socially vulnerable people are the first, hardest and longest hit by unfavourable economic conditions, with no opportunity to pass on increasing costs and little capacity to adjust spending priorities without being deprived of basic necessities taken for granted in our society. The majority of such people are highly adept at juggling expenses and managing on limited means when expenses are anticipated, known and reasonably constant. However when they are not openly disclosed, unanticipated and/or unexpectedly excessive they can be the trigger that pushes the family into crisis. As well as being more vulnerable in the face of unanticipated cost increases, people with limited financial resources are often less financially informed and have limited access to reliable and professional financial advice in an increasingly complex market. Hidden bank fees, unexpected and excessive increases in fees and lack of access to or information about more affordable financial services are among the financial stress factors that can contribute to the financial hardships faced by families under financial stress.

The Salvation Army welcomes and supports the changes proposed by the Banking Amendment Bill.

- The proposal to ensure that all Authorised Deposit-taking Institutions (ADI's) offer basic accounts which provide set minimum features and are free of ongoing service fees and penalty fees for third party actions and transgressions will assist low income and financially vulnerable customers. An important element of this provision is the requirement placed on ADI's to formally offer these basic accounts to all existing and prospective customers, ensuring that those who would most benefit are aware of their availability.
- The provision of real-time warnings of fees about to be incurred by the customer will be of significant benefit.
- Disclosure of early termination fees in plain, consistent language allows for more informed decisions and enhances ability to compare products and choose the most suitable.

**Department/Centre name**

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- The availability of fixed interest gap mortgage products and the pegging of fees to not greater than the costs of provision of relevant the service ensures that the cost pressures being placed on ADI's by external economic conditions are not passed on to those least able to pay or pass on these increased cost.
- The regulation of ATM fees provides a fairer service when a customers 'own-branded' ATM is not available, which will particularly benefit rural / remote, elderly and disabled customers who depend on ATM use.

These changes, if implemented, will deliver better access for financially disadvantaged Australians to affordable banking services, more predictable costs for banking services, more transparent disclosure of costs and greater fairness and equity in pricing.

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