

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

Question: AET 118

Topic: Internet Banking

Hansard:E 115

Senator Williams asked:

Senator WILLIAMS—I used to be in small business. One Saturday morning I had my banking on my computer in my shop. I pulled out my savings account and I put \$5 through it. The bank was St George and my EFTPOS was with CBA. Within the matter of a second the \$5 was gone from my savings account—it was on my computer in front of me—on the Saturday morning. The following Wednesday, that \$5 arrived in my business account. I know through the banking inquiry that Bendigo Bank will do the transfers overnight regardless, even on Christmas Day, weekends and everything. If a business is waiting from Saturday morning, for example, up to Wednesday to get their money you wonder where the money evaporates to, where it goes.

Mr Murphy—You start to question it, don't you.

Senator WILLIAMS—It is slow. In this world of technology, you would think, 'If you can get it out of my account in a half a second, how come it takes you five days to get it into my other account?' Is that something you could perhaps look at?

Mr Murphy—We could get you a briefing on that. As I say, the banks push very hard to get more competition and to free up the market in terms of the provision of financial services to the community. It is hard going. The fact of the matter is the institutions own all the technology. They have sunk the costs in. They have made the big investments. Then as government comes along and says, 'Well, we want you to do this and do that', they are obviously resistant.

Answer:

There are a range of steps involved in processing an EFTPOS payment. These include communications between the customer's bank and the merchant's bank, adjusting the value of 'funds available' to the customer, settlement of the transaction between the two and then depositing the funds into the relevant customer and merchant accounts.

The timing of these arrangements can vary due to factors such as internal processes of individual institutions and the type of participation the institution has in the system. For example, each bank has cut-off times that must be met if a transaction is to be included in the inter-bank exchange of files that day. In addition, industry exchanges of payments do not occur on weekends or on public holidays. If the merchant's data file is uploaded by the relevant cut-off time on a particular working day, then typically the merchant's bank can post the credit to the merchant's account by 9am the next business day; at the same time, the customer's bank will post the transaction to the customer's account so that the actual balance reflects the balance of funds available. The merchant's bank may choose to provide earlier access to funds to the merchant, but this entails the provision of credit by the bank to the merchant.

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In the specific case mentioned, it is not clear why the funds were not made available on the Tuesday morning (the day after the first working day on which the relevant files would normally be exchanged for a transaction occurring on a Saturday or Sunday). The banks concerned would be best placed to provide an explanation.