# Senate Standing Committee on Economics

## ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 179

Topic: Bank Accounts

Hansard Page: Written

Senator Williams asked:

Background to these questions –

*The majority of banks present 2 balances at the head of the statement (actual balance and available funds). The difference reflects cards presented to merchants for the payment of goods and services or accounts that are delayed by the merchant process but not deducted from the actual account balance and do not influence interest received or charged to the account holder. Only when the merchant is paid does the bank deduct the amount from the actual balance.

1. Why do some Australian banks remove funds from interest bearing accounts on the date a card is first presented to the merchant, rather than the date the merchant receives the account holder's funds?

2. As the Bank(s) is holding the account holders funds in trust for merchant payment, why does the bank charge the account holder interest during the period of delay?

3. Why do some banks claim the account holders funds are the property of the bank during the delay period after the card is first presented?

4. Why do some banks fail to show funds available and the true account balance on the account holder's statement without adversely affecting the account holder with regard to interest earned or charged by the bank to the account?

5. Why do banks hold and delay account holders funds for periods of up to and over three days after having received the funds, before crediting the receiving bank holders accounts?

6. Why do banks refuse to account for or claim they are unable to account for funds during periods of card payments or fund transfers?

Answer:

The exact treatment of payments depends on the accounts involved. However, funds generally continue to earn interest in the customer's account until they are transferred. The funds may not show as part of the customers 'funds available' from the time of the transaction to avoid the customer inadvertently overdrawing their account.

Once the money has been received in the merchants account, it generally starts to earn interest. However, the funds may not be available to be withdrawn straight away if the funds are subject to a clearance period.

While the above sets out the general situation, delays can occur in processing the transaction. For example, when there are weekends or public holidays, there may be delays as banks typically settle on business days. There may be further delays if there are intermediaries between the customer's bank and the merchant's bank that are involved in the payments process. It is the practice of most banks, however, to pay interest from the date the funds were transferred, even if settlement is delayed.

Ultimately, it is up to individual financial institutions to determine their policy in this area. For any individual circumstances, the institutions involved would be best placed to provide directly relevant information.