



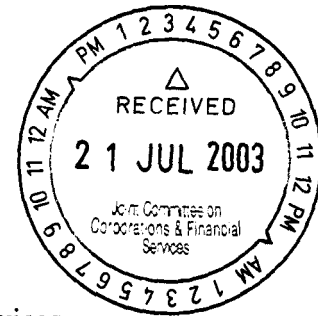
NAUIYU NAMBIYU COMMUNITY GOVERNMENT COUNCIL
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21st July, 2003



Chairman,
Parliamentary Joint Committee on Corporations and Financial Services,
Parliament house,
CANBERRA ACT 2600

Dear Sir,

**INQUIRY INTO THE LEVEL OF BANKING AND FINANCIAL SERVICES
AVAILABLE IN RURAL, REGIONAL AND REMOTE AREAS OF AUSTRALIA**

Council's original submission of 7th August, 2003 to your Committee outlined some problems that affect local residents at Daly River. Commercial banking needs are fairly well met by electronic and other means and it is mainly the personal banking needs where problems occur. It is to these that this further submission is addressed.

Nauiyu

Nauiyu is an Aboriginal community within the Daly River district some 230 kilometres south west by road from Darwin. Nauiyu would have an average population of about 470 with a further 100 people in the remainder of the district. During the tourist season from May to August, the overall population of the district might rise to approximately 900. The community is fairly well served by telephone and other communication services, yet local people continue to have some difficulties with banking. There are no banks or agencies located at Nauiyu or Daly River as it is somewhat small for same. The nearest banks or other financial institutions are in Darwin. Currently Council accounts are with the National Australia Bank, Darwin. Council is attempting to attract funding to establish a Rural Transaction Centre at Daly River and the Traditional Credit Union has indicated a strong interest in establishing a local presence if a RTC was begun.

Council Trust Fund

Most local people have a debit or credit card of some description but rarely a cheque account. Council operates a small trust account that allows locals to deposit the amount needed to cover a personal invoice. Council then issues a trust account cheque to cover. As the community operates on a cash economy, most wages are paid in cash. Cash deposits can be paid into respective bank accounts by use of the Council trust fund. In some instances such as the Traditional Credit Union, there is a fee of \$2 to cover deposits

made by a person or institution other than the account holder. Over the counter deposits attract no bank fees but other deposits are chargeable. The Council charges a transaction fee of \$3, therefore the customer has had to pay \$5 per deposit purely because they are unable to physically directly access their bank.

Determining account balances

Most pensions are deposited directly into the individual's account. The problem then becomes one of the account holder trying to determine balances at any given time. Provided they have an account with National Australia Bank, they are able to gain a read out of their account balance through the EFTPOS machine at the Council office. In the event of other bank accounts e.g. ANZ, Commonwealth, TCU etc., it is necessary to either gain the balance through telephone banking methods or swipe their card successively seeking reducing amounts. Eventually when the level of funds is determined, a withdrawal can be effected through EFTPOS. However, there may be a succession of up to 10 swipes with the card before the stage is reached where funds are available. There is a cost of \$1.25 per swipe in the case of Traditional Credit Union and I'm sure other banks would have similar fees.

Within the last week, the Traditional Credit Union has commenced a telephone banking system wherein account balances can be obtained by a telephone call to Darwin. Previously account balances could only be obtained by direct connection to TCU staff. It was estimated that there would be thousands of calls weekly and I have been advised by TCU that up to three thousand calls per week were unable to make contact due to all TCU lines being continually engaged.

The community is considering installation of a privately leased ATM machine. This includes the facility for the user to access bank balances. Other communities including Palumpa and Port Keats have followed this policy.

Bank fees

Bank fees are a major problem and misunderstood, especially to Aboriginal people in a remote community. Often they simply do not appreciate the need for a banking institution to charge fees, interest etc. simply as it is a commercial entity. If informed that Centrelink is to pay \$194.00 into their account, they expect, perhaps naively, to be able to receive the full \$194.00 without any charge for the account itself. The Traditional Credit Union of necessity must charge for deposits and each time a debit card is passed through an EFTPOS machine.

Over past months I am aware of at least two occasions when accumulated bank fees with major banks have had the effect of absorbing the fortnightly pension. This occurred when an elderly account holder regularly withdrew her entire pension from her bank overlooking the fact that the next day a fortnightly direct debit of \$60 was due to cover a personal loan. This resulted in a \$50 dishonour fee. After nearly three months of non-payment, the net result was the person had been charged over \$200 in bank fees without making a single payment from her loan. There are also instances when debit cards are allowed to overdraw by the banks. This takes place mainly on weekends when allowance

is made by the banks for regular pension payments. The pension may be forwarded to the account over the weekend but is not actually credited to it. The bank makes some allowance for a withdrawal over the weekend but often either too much is withdrawn or the deposit is less than normal. Consequently without the knowledge of the account holder, the account becomes overdrawn and daily bank fees apply. However if the bank was to strictly prohibit overdrawing on the account, any pension received over a weekend could not be accessed for up to two days after it was made available.

Personal loans

A further main problem is that most loans sought by Aboriginal people in isolated communities are generally at or below \$5,000 as repayments are then within their income. Generally major banks are unwilling to provide this low level of loan presumably because it is unprofitable to service, It is in this area that the Traditional Credit Union and similar credit unions play a vital role. The Traditional Credit Union offers a maximum loan to members of \$5,000 provided the member has raised the deposit over a three month period. However when the nearest TCU office is over 230 kilometres away, the difficulties continue.

In the case of small loans, e.g. under \$20,000, lending institutions seek either security either in the form of property able to be mortgaged or an acceptable repayment program that gives confidence to the lender. As property owned by the loan seeker able to be mortgaged is rarely available, lenders will often not consider a repayment programme claiming the applicant cannot demonstrate sufficient ability to repay the loan. Consequently the loan request is normally declined. It is here the Traditional Credit Union plays a most useful role in communities, virtually structuring its repayment programmes to suit the applicant. The TCU will not make a loan available until the applicant has saved at least 10% of the amount sought by regular deposits in a TCU account and three months has transpired from time of application. This serves the purpose of teaching loan recipients to make regular payments or set up deduction arrangements from their wages.

The difficulties of successfully negotiating a larger loan from a bank can be compounded by the lack of property, The majority of people in communities do not own their own home but rent publicly provided community housing at a subsidised level. Private home ownership is one aspect being discussed by this Council with relevant agencies and if successful could help provide property that is reasonably mortgageable.

A further disturbing occurrence is the retention by a trader of a debit card as security to cover credit provided. Often the PIN is demanded as well and stored with the card allowing the trader to remove funds as pensions and other income are credited to the account. This may go on until the debt is extinguished but in reality the account holder has little control over unscrupulous traders.

Public education

Another aspect, especially for an Aboriginal community in an isolated area, is the need for personal education. This need is evidenced in various ways, apart from instilling the

need to repay loans responsibly. There is a common attitude among many indigenous people that “tomorrow will look after itself”. Many give no thought to saving for future needs. It is felt that some form of public education campaign needs to be considered that would encourage people to accept responsibility for loan repayments and not to seek loans beyond their ability to repay. Other finance aspects such as personal budgeting, use of funds and the technology used by larger banks could be taught in communities.

Other matters

Overall, the Traditional Credit Union, helps to tailor banking for isolated communities. However while it will look after the low volume accounts the established banks seem to consider unprofitable, the TCU must charge relatively high fees and seek large community accounts such as the Council or community store to remain viable. Naturally the loss of the larger accounts is something the banks wish to avoid. Perhaps the solution lies in some general support or “sponsorship” of the Traditional Credit Union or similar by the large institutions which would allow the TCU to reduce fees and remain viable without needing the larger accounts.

In general, Council has to often provide some facilities to assist local residents with their banking needs. Council staff spend considerable time reconciling personal banking problems. Council facilitates the transfer of funds where a debit card is missing and generally provides a cheque cashing facility. Banks are understandably reluctant to install ATMS in isolated areas given the problems of security of the machine and contents and the high costs of servicing the equipment. Therefore communities consider introduction of privately leased machines.

As mentioned Council and other community staff spend considerable time assisting reconciliation of problems. Often it is necessary to make contact with a bank but as the major banks having “national” switchboards, the bank person is located interstate, unfamiliar with the particular problems at hand, yet reluctant to transfer the call to the appropriate Northern Territory bank branch. The Aboriginal account holder is often too shy or timid to be able to explain their problem. They could even be illiterate. Invariably the bank, bound by the provisions of the Privacy Act, will refuse to discuss the matter with another person and demand the person visit the nearest bank branch. An oral agreement by the account holder for the matter to be discussed is often not acceptable to the bank. Faxed requests for intra-account transfers or withdrawals etc. are often returned by the bank on up to three occasions until the bank is satisfied the signatory is the legitimate account holder.


Identification can be a problem. It is understood the banks have a mandatory requirement to be able to clearly identify clients, especially when new accounts are opened. Aboriginal people often do not have photographic identification such as licences or passports. Homes are rented and permanent residency can only be confirmed by Council. Some banks will accept written identification letters signed by senior Council staff or community elders/Councillors, but many institutions have difficulties in establishing clear identification.

In conclusion the principal problems of personal banking in small isolated communities can be summarized as:

- often no banks or credit unions,
- difficulty in determining the amount of deposits/balances,
- ignorance of banking technology,
- difficulty in providing sufficient loan security,
- high level of bank fees,
- the need for public education on banking and general finance,
- local government staff spend considerable time assisting local people,
- no ATMs,
- loans difficult to procure.

I trust the foregoing has been of some assistance.

Yours sincerely,



David Shoobridge
TOWN CLERK