

30 August 2007

Committee Secretary
Senate Economic Committee

Fair Bank & Credit Card Fees

I congratulate the Senate for its investigation into Bank fees and charges, the scale of which is shown in their soaring profits. I would like the Senate also to consider the Banks' actions in reducing the amounts they pay customers, which have the same effect as adding fees.

I have had extensive experience with banks:

1. As a senior commercial partner with a National law Firm (Phillips Fox) 1958-75.
2. As head of the first statutory privacy body in Australia 1975-82, which produced a number of reports on the finance industry.
3. As a deliverer of Meals on Wheels where I regularly have to help recipients with problems, primarily with banks and Centrelink.

There are two issues:

1. Banks allow situations to arise whereby the bank pays less interest than would be fair and proper.
2. Banks have swift and automatic facilities to act when it is to the banks' advantage. Mysteriously they do not have the facilities to write a letter when the customer is at risk.

I attach a short memo on a recent situation with Westpac. Fortunately I had the experience and perseverance to follow up.

The weak and the vulnerable are often unaware how they are being disadvantaged, to the banks' profit.

I am prepared to give further information if required.

WJ Orme
cc. Westpac

1. The Facts

1.1 I had a fixed deposit paying 6.5% with Westpac maturing on 4 July with instructions, on maturity, to pay it into my ANZ Bank account. In mid June I rang the branch and asked could I change the instructions, and was told I could by giving instructions in writing. I delivered a letter to the branch to this effect on 20 June.

1.2 On 7 July (Saturday) I received an agitated call from the 87 year old to whom the money should have been paid, saying it had not been received. I rang the bank's 24 hour line and was told the original instructions had been cancelled, and there was no new instructions inserted. I would have to go to a branch to ascertain what had happened.

1.3 On Monday 9 July I went to a branch but their computer was 'down'. After lengthy attempts they rang the branch who said they had cancelled the original instructions, but had no knowledge of my letter.

1.4 The monies were paid into my account on 11 July, with \$34.93 additional interest.

1.5 I lodged a complaint with Westpac, and was eventually told that in fact the branch had received the letter, but was concerned that my signature was different from the signature held by the bank. This is proper, but their subsequent actions are my concern.

1.6 The bank states that they tried to ring me but were unable to do so. The bank kept no record of when, and appears to have made only one attempt (possibly I was merely engaged). Further I have both a full message system and a backup on my telephone.

1.7 When I asked the bank's Customer Relations Manager why hadn't the bank written to me, the bank said 'Branches do not have the facilities to write a letter'. I was so amazed that I asked the Manager to repeat the statement so I could write it down.

1.8 She then said, 'The branch can handwrite a letter, but it would have to go through our message centre, and it would not have got to you in time'.

1.9 When I asked her how many days and at what rate the interest was calculated, she said seven days and she would get back to me on the interest rate.

1.10 She rang back to say it was six not seven days and the interest rate was 0.85%.

2. The Issues

2.1 The bank benefited from the use of my money by paying 0.85%, rather than 6.5% and for six not seven days, a benefit to the bank of \$286.80

2.2 While the bank charges customers for errors made by the customer, when I asked that they donate to charity as compensation for the many hours I had to spend rectifying their actions – in their words ‘the inconvenience that this matter caused you’, they said ‘the bank does not pay compensation’. They have agreed to pay \$300 to compensate for the loss of interest. There is one rule for the bank and the opposite for customers, again to the bank’s advantage.

2.3 Apparently as a cost saving measure, branches can no longer write a letter. While I doubt this, that is what I was told.