

26 February 2009

Adjournment

Banking

Mr BRADBURY (Lindsay) (12:16 PM) —Last week the Governor of the Reserve Bank, Mr Glenn Stevens, appeared before the House of Representatives Standing Committee on Economics and commented on some impending reforms to ATM fees. The RBA, in consultation with the banking sector, has put together a package of reforms that will have an impact on the way people use ATMs. These reforms come into effect from next Tuesday, 3 March. Under the proposed regime, transaction fees will be charged by the owner of the foreign ATM—that is, an ATM operated by a bank other than the customer's bank—to the customer directly.

To provide greater transparency in relation to these fees, the fee will be displayed on the screen during the transaction—allowing the customer to cancel the transaction if they do not wish to proceed and pay the fee. This relatively simple reform is intended to make ATM fees more transparent and promote competition between financial institutions and ATM operators by allowing customers to identify and choose to use the cheapest ATMs. Underpinning these reforms is the abolition of the interchange fee. Under the existing arrangements, each time a customer uses an ATM that is not operated by their own bank their bank is charged an interchange fee by the ATM operator, and that fee is generally passed on to the customer through a transaction fee. Depending on the bank, these fees could range from 50c to \$2 per transaction. Now that the customer will be required to pay the ATM fee directly to the foreign ATM operator under the new rules, there is no longer any real cost to the customer's bank and therefore no justification for a customer's bank to impose any transaction fee upon the customer for using the foreign ATM. The only possible argument for the imposition of a fee is to recoup the cost of processing the transaction.

Mr Stevens estimates that any such administrative cost would be 'at most 10c and quite possibly a lot less'. If these new arrangements are designed to ensure better disclosure of ATM fees then this simply will not be achieved if the customer's own bank continues to levy a fee, which will not be disclosed at the point of the transaction, on their customer for using a foreign ATM. The only way that customers will be able to have any faith that these new arrangements will lead to a better disclosure of ATM fees is if banks and other institutions do not impose transaction fees upon their own customers for using ATMs not operated by them.

However, I understand that some institutions are planning to continue to charge customers a fee. These fees have been described as 'disloyalty fees'. I think most customers would find the notion of a fee for 'disloyalty' just a little bit rich coming from their bank. To my knowledge, only the Commonwealth Bank and Citibank have announced that they will not charge their customers a disloyalty fee for using a foreign ATM. I congratulate these two institutions for doing the right thing by their customers. I am concerned that other institutions have foreshadowed an additional foreign ATM transaction fee, which will mean

that customers will be slugged twice every time they use a foreign ATM. The National Australia Bank say that they will charge a 50c fee every time a customer uses a foreign ATM, on top of the fee the customer will directly pay to the operator of the ATM. There is no justification for these 'disloyalty fees'. The costs to the banks of processing these transactions are negligible, yet some have seen this as an opportunity to profiteer.

While banks in other countries have been collapsing and governments spend billions or even trillions of dollars to recapitalise and bail out their banks, four of our banks are among the only 18 banks in the world to have a AA credit rating. This is unquestionably a good thing. Ensuring our banks have strong balance sheets and return profits in these difficult times is critical to the overall health of our economy. It is, however, reprehensible that banks and other financial institutions propose to slug customers a fee for using a foreign ATM when the bank is not bearing any real cost, especially when many of these institutions have been the beneficiaries of significant government support in the form of bank guarantees.

I know many people in my electorate—and, no doubt, right around the country—are very angry. That is why I am launching an online petition on my website, www.davidbradbury.com.au, where people can sign on and register their opposition to being hit with these unfair bank fees. I will keep those people who sign my petition updated with further information on the charges that institutions choose to impose from next week. I call on the banks to do the right thing and drop these absurd and unfair fees.