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From: John Clarke [REDACTED]
Sent: Thursday, 16 February 2023 2:14 PM
To: Financial Services Competition
Subject: submission of example of transparency and fairness failing on savings account interest payments - for commission consideration

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Hi there

For consideration of the commission, I would like to bring to attention an issue regarding transparency and fairness on savings account interest rates I recently experienced with my Bank. I feel this is a separate issue to the level or amount of interest paid, but of great importance to investigate further, as suspect it affects a lot more people than myself

Happy to discuss further

Thanks

John Clarke
[REDACTED]

I use a digital app to access my bank account. On the home page of the app I can see my current account and savings account balances side by side. I can move funds between accounts at the touch of a button. Very quick and easy

I noticed a little while ago the interest credits on my savings account were very low. I enquired why, and was told as I had moved cash out of the savings account each month I forfeited the savings rate (3.75%) and reverted to the standard rate (0.25%). On checking the T&C I noted that any movement of funds out of the savings account each month (i.e. more than once, and any amount from \$1 upwards) meant you defaulted on the rate.

I think mine and other banks use this as a trick to avoid paying interest and boost their Net Interest Margin (NIM). A number of factors contribute to this, which Banks' could do more to tackle:

- 1) The accounts are side by side on the app, inviting transfers of cash between the two. They are not on separate pages or one hidden. Its almost as if they are presented as two flexible and easy to access current accounts
- 2) There is no alert or warning message when you transfer money from the savings account, flagging that you will forfeit the rate
- 3) Per above, people typically over-save at the start of the month (post pay day) and have to shift cash back during the month. Transferring between the two accounts is likely to become more common as cost of living pressures rise
- 4) Peoples savings account may have a low balance, and they may not know or track the interest being paid. The amount can fluctuate from month to month also (as the total savings balance changes and interest is paid pro-rata). This makes it confusing to check or know what rate of interest you are being paid

I will be writing to my bank asking that they address point 1) above. I think this would be a simple update to the app, and help a lot of people avoid defaulting on the interest rate.

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[REDACTED]

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