

To Australian Competition & Consumer Commission,

Re: ACCC Retail Deposits Inquiry

I am a bank customer and have held personal transaction and saving accounts with at least five different banks (at different points) in the last 10 years. I am writing to submit my views on questions 3, 16, 17 and 18 from the Issues Paper.

The views expressed in this submission are based solely on my personal experience as a consumer.

Recommendations:

1. Setting up a government-backed comparison website for all retail deposit products available on the market, which would help ameliorate consumer search costs.
2. Establishing a system similar to the transfer of superannuation for the transfer of bank deposits, which would help reduce switching costs facing customers.

Question 3: How effective is competition in the supply of retail deposit products in delivering good outcomes for consumers?

I do not think that there is enough competition in the market for the retail deposit products in Australia.

The savings accounts available to consumers (not including term deposits) offering the most competitive interest rates¹ typically impose burdensome conditions on consumers to obtain the maximum rate offered (which include bonus rates). These conditions typically include:

- a certain number² of “eligible transactions” per month (noting that the definition of “eligible transaction” differs across banks³);
- depositing of a certain amount of money⁴ from an external bank;
- growing the balance⁵ at the end of the month;
- an age limit for eligible customers⁶; and/or

¹ As of 6 May 2023. Examples include: 5.15% for Bank of Queensland’s Future Saver Account, 5% for ING’s Savings Maximiser, 4.8% for AMP Saver Account, 4.7% for Westpac’s Spend and Save, 4.6% for U Bank’s High Interest Savings Account, 4.55% for Virgin Money’s Boost Saver.

² The number of transactions required is typically **5** (see e.g. Bank of Queensland’s Future Saver Account, Westpac’s Spend and Save, Virgin Money’s Boost Saver, and ING’s Savings Maximiser).

³ For example, “eligible transactions” only include debit card purchases for Westpac’s Spend and Save account, whereas Bank of Queensland’s Future Saver Account includes direct debit payments, ATM withdrawals, BPAY payments or debit card purchases.

⁴ The amount required to be deposited from an external bank is typically **\$1,000** (see e.g. Bank of Queensland’s Future Saver Account, AMP’s Saver Account, ING’s Savings Maximiser, and Virgin Money’s Boost Saver).

⁵ Some banks do not stipulate the required amount of growth (see e.g. Westpac’s Spend and Save account), while other banks may stipulate the required amount of growth per month.

⁶ The age limit is typically around **30** (see e.g. 18–29 years olds for Westpac’s Spend and Save account, 14–35 35 years olds for Bank of Queensland’s Future Saver Account).

- a maximum balance⁷ that can enjoy the maximum rate offered (which includes bonus rate).

Such conditions are burdensome, and failure to meet any one of the required terms would mean that only the base rate (which is usually low⁸) is applied to a consumer's deposit for that month. As the ACCC points out on page 19 of the Issues Paper, potentially only a small cohort of customers can meet the eligibility for the bonus rate (thus the maximum rate offered). The "balance growth" condition is particularly difficult for young people to meet. Young people are at the start of their careers, and likely face relatively greater difficulties saving than older people (especially considering the current inflation rate). It is perhaps unsurprising that when an age limit is imposed as a condition, it typically restricts access to the bonus rate to young people.

I have also observed the conditions to obtain bonus rates become stricter and more burdensome over the last 10 years. The increased threshold to obtain a (relatively) more competitive saving rate cannot be justified, especially considering the tighter monetary policy environment.

Consolidation in the banking industry has also contributed to a reduction in consumer choice. Around 2017–2020, ME Bank offered one of the most competitive saving rates in the market. Bank of Queensland acquired ME Bank in 2021, and currently ME Bank no longer offers a competitive saving rate (noting that its parent company, Bank of Queensland, now offers one of the most competitive saving rates in the market).⁹

Other subsidiaries of larger banks may offer homogenous products (this strategy is likely employed to avoid cannibalising their own businesses). See examples below.

Examples of homogenous deposit products within the same banking group

Westpac owns Bank of Melbourne, Bank SA and St George Bank. See below for their respective deposit products on offer as of 7 May 2023 — noting the identical product names and saving rates offered.

⁷ See e.g. \$30,000 for Westpac's Spend and Save, \$50,000 for Bank of Queensland's Future Saver Account.

⁸ See e.g. as of 7 May 2023: 0.05% base rate for the Bank of Queensland's Future Saver Account, 0.05% base rate for the Virgin Money's Boost Saver and 1% base rate for U Bank's High Interest Savings Account.

⁹ As of 7 May 2023: 3.75% for ME Bank's online saving account, and 5.15% for Bank of Queensland's Future Saver Account

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Question 16: How easy or complex is it for consumers to search for and compare retail deposit products?

I have found it difficult to search for and compare different retail deposit products. This is mostly due to a lack of information on:

- what banks (other than the big 4 banks) there are on the market; and
- the different deposit products offered by different banks.

There is currently no one-stop shop that lists all the deposit products on the market. I sometimes refer to Canstar and/or Mozo (as their websites pop up when I Google e.g. “top saving accounts”). While these websites provide me further information on the banks/deposit products on the market, they are not comprehensive and do not reflect all of the deposit products available with competitive savings rates available to consumers. Some of the deposit products I have signed up for (with competitive rates and fewer conditions) are not listed on these websites and I only gained information about them via word-of-mouth.

Recommendation

Set up a government-backed comparison website for all retail deposit products available on the market. A government-backed comparison website would help ameliorate consumer search costs. Currently there are government-backed comparison websites to compare superannuation, energy and exchange rates (see e.g. YourSuper Comparison Tool, Energy Made Easy, and SendMoneyPacific). A website for comparing deposit products could be modelled on those websites.

Any government-backed comparison website should inform consumers of the deposit products available in the market and make it easier for consumers to compare the terms of different deposit products. Such a comparison website could also help increase the competitive pressure on banks to offer more competitive rates with less burdensome conditions. No bank would want to be regarded as a poor performer.

A government-backed comparison website would include the following information so that it is easy for consumers to understand and compare the terms across different deposit products:

- Introductory rate (and the length of the introductory term);
- Basic rate;
- Bonus rate;
- Conditions to obtain the bonus rate;
- Customer eligibility (e.g. people under a certain age);
- Maximum deposit.

Question 17: What are the impediments to consumers finding and understanding relevant information about retail deposit products?

As mentioned in the response to question 16, there is no objective comparison website that lists all the deposit products available on the market. As Moneysmart points out, “comparison websites are business and they may not offer an objective comparison of the products.”¹⁰

The conditions attached to bonus rates are also opaque and applied differently across different banks, which adds to the confusion for customers. Sometimes conditions are not made clear or obvious by banks to consumers, which may result in consumers not meeting the conditions and obtaining the bonus rate. See further details below.

A. “Eligible transactions”

One of the typical conditions to obtain the bonus rate is to settle a certain number of “eligible transactions” in a month. But the definition of “eligible transactions” differs across different banks. For example, for Westpac’s Spend and Save account, “eligible transactions” are limited to debit card purchases, whereas for Bank of Queensland’s Future Saver Account, eligible transactions include direct debit payments, ATM withdrawals, BPAY payments or debit card purchases. The definition of “eligible transactions” is usually provided towards or at the bottom of a product page, and is often not prominent.

There is also a time gap between when a transaction occurs and when it is settled, and this is not conveyed to customers (for example, if your eligible transactions occur towards the end of the month, it is possible that they may not be settled before the end of month). On social media, some customers point out that they have failed to meet the “5 settled eligible transactions” because the bank took a long time to settle their transactions. As a consequence, some customers recommend making these transactions early in the month to make sure that they are settled before the end of month.

B. When does the bonus rate apply

When the conditions for bonus rate are satisfied in a month, the bonus rate may be applied at different times for different banks. For some banks, the bonus rate is applied in the month the conditions are met,¹¹ while for other banks, the bonus rate is applied in the following month.

The timing of the application of bonus rates is typically not made clear on the product pages. The lack of clarity makes it difficult for customers to fully understand the conditions of bonus rate and plan and manage their deposits.

¹⁰ Money Smart, “Using comparison websites”, <<https://moneysmart.gov.au/using-comparison-websites>> accessed on 7 May 2023.

¹¹ See e.g. Westpac’s Spend and Save.

C. Balance growth

As mentioned above, one of the typical conditions to obtain the bonus rate is to increase the account balance at the end of the month. However, it is not clear at which point in time the balance is assessed — that is, when the opening / closing balance is assessed (whether it is the first / last calendar or business day of the month and whether it is assessed at 9am or 5pm).

This condition is vaguely explained on the product pages — it is usually along the lines of “*grow / increase your savings*”. Further details are only available in the “terms and conditions” attachment on the website. The terms and conditions documents are long and include information on all the products the bank has (e.g. saving accounts, transaction accounts, debit cards and loans). As such, it is difficult for customers to find out when the balance is assessed. The relevant points in time are also different across different banks (even though some belong to the same parent bank). See examples below.

Examples

Westpac provides in its terms and conditions that “[f]or the purposes of bonus interest, a month is the period from close of business **on the last business day of the previous month** to close of business on the last business day of the current month” (emphasis added).¹²

Bank of Melbourne provides in its terms and conditions that a month is the period from “**the day after the last business day of the previous month** to the last business day of the current month” (emphasis added).¹³

It is also unclear to customers whether the interest earned in the previous month can be counted towards the growth of the balance in the next month. Some banks make this clear on the product page by saying that interest is excluded from the growth of the balance, but this is not consistently observed across different banks.

The lack of clarity on the product pages relating to the relevant assessment times for balance makes it difficult for customers to understand when the opening / closing balance is assessed, which makes it more challenging for customers to obtain the bonus rate.

D. Lack of indication of whether the conditions are satisfied

¹² Westpac, Deposit Accounts for Personal customers Terms and Conditions, <<https://www.westpac.com.au/content/dam/public/wbc/documents/pdf/pb/PersonalAccountsPDS.pdf>>, accessed on 7 May 2023.

¹³ Bank of Melbourne, T&C and Fees, <https://www.bankofmelbourne.com.au/content/dam/bom/downloads/personal/bank-accounts/SavInvesTransAccounts_Terms.pdf>, accessed on 7 May 2023.

Not all banks provide an indication in the account about whether the conditions to obtain bonus rate have been satisfied for the current month, and the further steps required to satisfy all conditions. This makes it difficult for customers to know whether they have met all the necessary requirements to obtain the bonus rate, and thereby more likely for customers to not qualify for the bonus rate.

Question 18: How easy or complex it is for consumers to switch from a retail deposit product to an alternative product that better meets their preferences? What impediments do they face?

It is not easy for consumers to switch banks to take up an alternative retail deposit product. Below are some of the hurdles.

A. Bank daily transfer limit

Banks typically have a cap for the daily transfer limit to an external bank.¹⁴ This means that it may take consumers a couple of days to transfer the full amount to the new bank.

B. Recurring expenses / frequent payees

When consumers switch to another retail deposit product, they may switch their daily transaction accounts to the new bank. This would mean that they need to update all the payment details for their recurring expenses (e.g. rent, music subscriptions etc) linked to the previous transaction account / debit card.

For recurring transactions, much of the information is saved in the transaction account and consumers need to re-enter all of these details when switching to a new bank. For example, for recurring expenses paid using BPay (e.g. utility bills), consumers will need to re-enter the details for BPay. If a consumer often makes a transfer to another person (e.g. friends / roommates / children), the consumer will also need to re-enter the payees' bank details after switching to the new bank.

C. Data privacy concerns

When setting up a new account at a new bank, personal identity details are required. Given the recent high-profile data breach incidents, I would try to limit such an exposure by not going to a new bank.

From a financial investment perspective, we'd always hear the advice of "don't put all your eggs in one basket". In the context of deposit products, consumers may tend to spread their savings across different banks. It is often observed on forums and social media that consumers take into account the government-backed Financial Claims

¹⁴ See e.g. Commonwealth Bank: for a transfer to an external unlinked account, the maximum limit is \$20,000 (if a customer applies online) and \$100,000 (if a customer calls the bank).

Scheme of \$250,000 per account holder per authorised deposit-taking institution. However, given the rise of data breach incidents, from a data privacy perspective, the advice may be to “limit the number of baskets for your eggs”.

This means that consumers may be inclined to stay with their current banks due to data breach concerns.

D. Difficulty closing a bank account

To close all accounts with a bank, consumers must call or visit the bank. Both of these steps usually take a long time, and are a deterrent for consumers to switch banks.

Recommendation

A system similar to superannuation transfers should be instituted for consumer deposit transfers across banks. Transferring super is easy: consumers can make the transfer either on MyGov or directly via their new superannuation fund. There is no daily limit for the transfer of super, and the old super account is closed automatically when its balance drops to zero.

Having a similar system for deposit products would greatly reduce the switching costs facing consumers and increase competitive pressures on banks.