

From: [REDACTED]
To: [Financial Services Competition](#)
Subject: [REDACTED] ACCC INQUIRY INTO DEPOSIT INTEREST RATES
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Submission to the ACCC Retail Deposits Inquiry

ACCC seeks views on competition and consumer issues affecting Australian savers

“We are eager to hear about competition and consumer issues affecting the supply of retail deposit products to Australian consumers and self-managed super funds. This inquiry will closely examine how banks make decisions on interest rates, and any barriers consumers face in getting a better deal”. <https://www.accc.gov.au/media-release/accc-seeks-views-on-competition-and-consumer-issues-affecting-australian-savers>

I draw attention to the termination and non-payment of interest on bank accounts opened for the purpose of earning interest.

In 2006 I opened a cash management account with Bendigo Bank to operate as a transaction and interest earning account. This account paid regular interest from 2006 until April 2020 and then ceased paying any interest.

Recently I asked Bendigo Bank why no interest had been paid on my account since April 2020, despite the account being active, maintaining funds on deposit and the rise in general market interest rates. Bendigo Bank advised:

“The account which you hold with us ...is an obsolete product that we no longer offer customers.

As the account was phased out in 2016 Bendigo Bank, made the decision to remove the tiered interest offering from the account in April 2020.”

Bendigo Bank did not inform me prior to April 2020 that it planned to terminate interest payments on my account, nor was there mention of this change in statements.

This means that from April 2020 Bendigo Bank gained ongoing use of funds in my “obsolete” account and presumably funds in other “obsolete” accounts, while paying zero interest on those “obsolete” account funds. Phasing out interest earning accounts may be a convenient way for banks to boost their net interest margin.

I requested resumption of interest on this account, but was informed:

“As the existing account is no longer offered for sale we are unable to re-activate interest on this account. “

Customers lodge funds in interest bearing accounts, promoted by banks, to receive interest. It is deceptive for a bank to then later terminate interest payments on active accounts simply because it decides to no longer market the product to other

customers.

I asked if funds in this now non-interest earning account could be transferred to a replacement account bearing the same account name and number. Retaining the same account name and number would avoid the need to inform multiple entities of a change in bank account details. However, the bank would not open a replacement account with the same name and number, instead offering the impractical solution of opening and operating a second account.

So a barrier for consumers wanting to change to a more favourable account is the inability to switch to a different account type with the same account name and number. This benefits the bank by retaining funds in non-interest earning accounts.

Termination of interest payments on interest bearing accounts is beneficial to banks, but detrimental to bank customers. Obstacles to moving funds from non-interest earning accounts to interest earning accounts deter customers from achieving optimal interest earnings. Banks benefit, customers lose.

Similar experiences and issues are noted in other submissions to this inquiry:

Provider H: ME Bank had surreptitiously delinked the base interest rate payable on their "Online Savings" accounts from the RBA Cash rate... This change was made with no specific notification to existing customers This means that their online savings customers who were accustomed to receiving interest at the level of the RBA cash rate are being unknowingly fleeced...

Ben Koh: HSBC had publicly advertised a retail deposit product as a high interest, savings account. By making amendments in three separate steps over time, it justified eventually paying zero interest on the ostensibly same retail deposit product.

CHOICE: Australian banks continue to place barriers on consumers to switch deposit accounts. Banks with entrenched market power intentionally design products to be "sticky" by adding friction in the process of cancelling accounts... (p10)

National Australia Bank: As the ACCC is aware, the NIM (Net Interest Margin) is the difference between the cost to a bank of borrowing funds (including interest paid to depositors) and the price it receives for lending funds. NAB understands that the non-major Australian owned ADIs consistently increased their NIMs between 2009 and 2017, and have been higher than the NIMs of the major banks. (p6)

There are wider implications for government arising from a bank's termination of interest payments on accounts:

- Interest is income and interest on retiree savings can be a significant source of income for retirees. When a bank terminates this form of income it may push more retirees onto the pension, having budgetary implications.
- Interest is taxable income, so termination of bank interest means lower taxable income for bank customers and lower tax revenue for the government.

If the inquiry investigates the ethics, extent and implications of terminating interest on interest earning accounts then pertinent questions for the banks are:

(1) What is the total level of funds in formerly interest earning customer accounts that are now no longer earning interest?

- (2) Did the bank consider that permanent termination of interest on interest earning accounts meant those accounts may no longer be appropriate for account holders?
- (3) Were such account holders informed by the Bank that their accounts were no longer to receive interest and if not, why not?
- (4) Does the failure to notify account holders of interest payments ceasing on their account obscure a fundamental change to the terms and conditions of their account?
- (5) Were non-interest earning account holders informed of alternative interest earning accounts and if not, why not?
- (6) Does the non-payment of interest on accounts contribute to the banks increase in total income and cash earnings? (In 2023 Bendigo Bank announced a 14% increase in total income to \$1,932.8 million and cash earnings up 15.3% to \$576.9 million)
- (7) Is it ethical to open interest earning accounts and then terminate interest payments on those accounts, while still using those account funds to boost profits?
- (8) Will the Bank reinstate interest payments on now non-interest earning accounts and if not, why not?
- (9) Can an existing account be converted to a more suitable account type with the same account name and same account number? If not, why not?
- (10) Is the reason for not allowing a replacement account with the same account name and number a technical issue, a legal requirement or a bank policy?
- (11) If a customer transfers funds from a now non-interest earning account to an interest earning account, could the Bank again decide to terminate interest payments?

I hope this public interest inquiry exposes banking practices that disadvantage customers and recommends or implements measures to discourage such practices.

Yours sincerely

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