

24 May 2023

Confidential

Ms Leah Won
General Manager, Competition Enforcement and
Financial Services
Australian Competition Consumer Commission

By email: fscompetition@acc.gov.au

ACCC Retail Deposits Inquiry 2023 – Response to Issues Paper

Westpac Banking Corporation (**Westpac**) welcomes the opportunity to comment on the Issues Paper published by the Australian Competition and Consumer Commission (**ACCC**) on 21 April 2023 as part of its Inquiry into the market for the supply of retail deposit products.

The ACCC has invited public submissions and has welcomed views on issues that should be given weight or emphasis in the ACCC's inquiry process.

Westpac considers that it is important for the ACCC to have regard to the role of consumers, the key drivers of competition and the role retail deposits play in Westpac's overall funding mix for the purposes of its inquiry. Westpac is therefore pleased to provide the ACCC with information about its retail deposit products and alternative products and a submission addressing the following key themes:

- a) The important role that consumers play in driving competition in retail deposits and how Westpac addresses the varying needs of deposit holders through consumer led initiatives that drive product design and functionality;
- b) The key drivers of competition in retail deposits from Westpac's perspective and how product transparency, accessibility and switching is facilitated in retail deposits;
- c) The role that retail deposits play in the Westpac's overall funding mix and how Westpac sets its product pricing to attract and retain retail deposits in the current competitive deposit market.

1 Overview of Westpac's deposit products and alternative products

1.1. Key features of Westpac's deposit products

Deposit product type

Westpac offers a range of deposit products to its retail customers, with the aim of providing quality products representing choice and value to customers depending on customer needs. Those product types include:

- at-call transaction accounts that allow customers to address their everyday spending needs and provide an option for customers to save on mortgage interest payments (if linked to an off-set account);
- savings accounts that allow customers to earn interest on their deposits. Savings accounts are developed to encourage customers to reach their short term and ongoing savings goals by including features such as introductory rates for short term variable savings needs and bonus rates that reward balance growth and positive savings behaviours; and
- term deposits that allow customers to earn a fixed return on their investment over its fixed term. Term deposit products typically reward customers with more attractive deposit pricing based on the term and locked in nature of the investment.

Multiple channels for access

Westpac offers its customers a range of ways to engage with Westpac in order to access information about Westpac's retail deposit products, to bank with Westpac, and to meet their retail deposit needs.

Depending on their product type, Westpac customers can deposit, withdraw and access their accounts through Online Banking, the Westpac App, ATMs (including WBC branded machines, Smart ATMs and ATMx), branches, telephone banking, cardless cash, or at Australia Post through the Bank@Post network.¹

Making available different channels to manage and access these products ensures Westpac can meet the various needs of its diverse customer base and takes different demographics into consideration. It also simplifies the process for new customers to originate a deposit account with Westpac as this can be done digitally without leaving home – with a digital card available for use immediately.

1.2. Alternative products

As the ACCC has pointed out, retail deposit products serve a range of different customer needs. They allow customers to store and save their money, receive and make payments, and receive interest on their money. The ACCC has asked what alternatives customers have to retail deposit products for earning a return on their funding.

Westpac offers alternative investment products, for example, Westpac Share Trading products, BT Super Invest, and self-managed-superannuation-funds, designed to allow customers with a higher risk appetite to invest in these higher yield products.

There are other product types including products that are offered by non-ADIs that can meet these needs. For example, annuity products and superannuation investments that are offered by non-ADIs allow customers to grow their savings by investing their money and may achieve a yield more attractive than interest rates offered in low rate environments. These product types suit customers who have a higher risk/volatility profile and are not covered by the Australian Government's Financial Claims Scheme, which only covers retail deposit products. Customers who meet the sophisticated investor requirements can also seek to invest in over the counter bond products which would offer higher yields in low rate environments.

2 Competition in retail deposits

2.1. Drivers of competition in retail deposits

Strong competition for retail deposits is driven by a range of factors. These include:

¹ Providing over the counter banking services at Australia Post outlets.

- transparency and accessibility in product offering;
- ease of comparing product design, features and pricing, facilitated by the availability of customer product information and product/price comparison tools by third party intermediaries such as price comparison websites;
- improvements and innovations in product design and delivery in response to consumer needs; and
- product developments driven by technology innovations and investment.

2.2. Transparency in product offerings

The ACCC is considering whether there are any impediments to the availability, accessibility and transparency of information about deposit products that impact the ability of consumers to shop around and compare interest rates, fees, charges and other retail deposit product features.

Westpac makes available product details of its deposit products, including published interest rates, and other product terms and conditions through all deposit product distribution channels as set out in **section 1.1** above.

Westpac also offers a comparison feature on its website that allows customers to compare Westpac's deposit products, features and interest rates through a side-by-side comparison. Specifically, Westpac has made improvements across its website and collateral to better inform customers about its product offerings. This includes:

- a rate comparison webpage for savings accounts and term deposits;
- a product comparison webpage for savings accounts;
- a selector tool, 'Help me choose', which supports customers to choose the products that most suits their needs.

Westpac seeks to facilitate switching by ensuring information is clear and easy to access through a range of channels, that customers can switch into and between Westpac products easily online, and that it is simple and easy to compare Westpac's products. As set out above, there are multiple channels for opening a Westpac retail deposit product for both new and existing customers. These channels are quick and simple to access depending on the customer's preference, and there is no need to attend a Westpac branch to open a retail deposit product.

2.3. Third party intermediaries

In addition to the transparency of information about Westpac's products available through Westpac's banking channels, there are intermediaries such as product and price comparison websites that facilitate searching for products across ADIs, allowing customers to readily compare interest rates and product features across the market. These include, for example, Finder, Mozo, ClearScore, RateCity, Canstar and InfoChoice.

While customer usage of price comparison websites has historically been skewed towards credit card comparisons, in more recent times customers have also been using them to search for and compare mortgage products as well as deposit and savings products. Westpac values, invests in, and subscribes (as applicable) to these product and price comparison websites. This ensures that customers have information readily available and creates a level of transparency across the range of retail deposit products in the market, giving customers the ability to 'easily' choose between products and identify the most compelling product for them.

2.4. Product innovation

Westpac's product innovations are driven by customer need, accessibility and technology developments.

(a) Product design responding to different customer needs

Westpac's deposit products are developed to address customer needs/expectations. Westpac refines its products to attract and retain customers, taking customer feedback into account, to ensure responsive and consistent service. Westpac is guided by customer fairness considerations and regularly engages with its customer base and third party service providers to obtain feedback to ensure that its product suite and product capabilities meet customer needs.

This is reflected in Westpac Group's priorities as referred to in the most recent results announcement. This strategy includes placing customer care at the heart, being easy to do business with, providing expert solutions and tools, and advocating for positive change.

To meet customer needs of different customer cohorts, Westpac's retail deposit products have different features or functions, and Westpac continues to review and refine its customer value propositions with a view to developing competitive and market leading customer deposit products. An example includes Westpac's Spend & Save proposition designed to assist customers in the 18 to 29 age bracket to achieve their savings goal by paying bonus interest when their savings account balances are higher at the end of the month and additional bonus interest if they transact 5 times on their debit card linked to their transaction account.

Westpac also has specific processes for vulnerable customers and works closely with customers experiencing hardship. Westpac's strategic intent for equity and inclusivity is delivered by inclusive propositions for women, financial literacy nudges and education, and tailored products and services to drive financial inclusion for First Nations Australians.

(b) Simplification of product suite to enhance transparency, accessibility and comparison

Westpac has embarked on programs of simplification to ensure customer accessibility, transparency and fairness in its product offerings.

To ensure Westpac's products meet customer needs and are simple and accessible, Westpac has implemented product simplification strategies. This has included the proactive migration of customers from 30 no longer for sale deposit products to 12 consumer deposit products (across all brands) to meet 4 distinct customer needs: everyday banking, concession, short-term savings and long-term savings. This simplification process has improved transparency and enhanced the ability of customers to effectively compare Westpac's product offering.

Consistent with its simplification strategy, Westpac has implemented other key initiatives such as its fee simplification program, which involved the reduction in fees from over 300 types of fees appearing on customer statements to 9 types of fees, through removal and consolidation, with the view of creating more transparency, improving the customer experience, and support customer fairness considerations.

(c) Digital innovation in product design to improve customer experience

Westpac has made a range of investments in digital technology to improve the experience for its customers through digital channels.

Westpac uses technology to create the end-to-end customer experience. It assists customers in achieving their savings goals (ie via a Savings Goal feature and Savings Habits Onboarding experience) and promotes customer fairness through proactive communication initiatives,

involving push notifications/in-app messages to communicate to customers when, for example, interest rates expire, and bonus interest pop-up messages within Online Banking.

Some other examples of recent initiatives include:

- Pay to Mobile integration that allows payment 'on-the-go' to and from Australian Mobile Numbers making it easier to transfer funds between banks.
- Electronic Verification Strengthening: to facilitate opening deposit accounts online.
- Westpac has used its investment in Personal Finance Management technology to develop a product that offers customers financial insights based on transaction account data and offers spending tracker and budget tools, designed to put customers in control of their money.
- The availability of pre-maturity instructions, allowing Term Deposit customers to access maturity instructions digitally, ensuring the preferred action is taken on their Term Deposit when it matures.
- The digitisation of Westpac's Farm Managed Deposit (**FMD**) experience, which allows Westpac's agribusiness customers to open and manage their FMD online, making it easier for customers to choose the channel that suits them most, saving potential travel time.
- Westpac's Customer Pricing Platform, which allows Westpac to offer retail customers specific pricing based on their depth of relationship with the bank, rewarding existing customer loyalty by offering more attractive pricing.

2.5. Open Banking and the Consumer Data Right

The ACCC notes in its Issues Paper that the Consumer Data Right (**CDR**) has the potential to help consumers to navigate the large number of retail deposit products available.

Westpac notes that while the CDR is not currently being used by a large volume of Westpac's customers, digital technology does and will continue to play a large role in banking. For example, the *Treasury Laws Amendment (Consumer Data Right) Bill 2022 (Cth)* currently before the Senate aimed at expanding the CDR is expected to 'drive the development of new CDR powered products and services'.

Whilst Westpac is supportive of the CDR, it considers any expansion should be underpinned by safety and security given recent increases in cyber security incidents.

3 Price setting in current market conditions

As the ACCC has pointed out in its Issues Paper, interest rates paid by ADIs represent the 'price' to the ADI of sourcing funds from retail deposits.

Retail deposit pricing decisions are complex and involve the exercise of judgment based on factors both internal and external to Westpac. When reviewing and changing interest rates Westpac has regard to a range of different factors, not just the RBA cash rate. Those factors include the cost to Westpac of providing products and services to customers as well as other operational costs; Westpac's desired liquidity and funding mix; customer fairness considerations, shareholder considerations; the competitiveness of Westpac's deposit products and other products, cash rate movements, and bank bill swap pricing.

As the economy moves out of the low rate environment and inflationary pressures remain, customers are seeking a higher yield for their deposits and financial institutions are competing intensely to attract and retain retail deposits. Retail deposits are a key part of Westpac's overall funding mix. Westpac, therefore, seeks to ensure that its deposit pricing is competitive in order to retain and attract retail deposits by meeting customer and shareholder expectations and to achieve Westpac's funding needs, including funding mix between deposits and wholesale funding.



Mandy Rutherford

Managing Director, Cash and Transactional Banking