



Our ref: AA1000441
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15/07/2019

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Ms Christine Cupitt
Chief Executive Officer, Acting
Australian Banking Association

By email: Christine.Cupitt@ausbanking.org.au

Dear Ms Cupitt

Australian Banking Association (ABA) application for authorisation AA1000441—request for information

I refer to the above mentioned application for authorisation lodged with the Australian Competition and Consumer Commission (the **ACCC**) on 22 May 2019.

The ACCC is progressing its assessment of the application, and requests some further information from the ABA to assist with this process.

Submission by consumer groups

As you are aware, the ACCC has received a joint submission, dated 25 June 2019, from the Consumer Action Law Centre (**CALC**), the Financial Rights Legal Centre (**FRLC**) and Financial Counselling Australia (**FCA**). The submission makes a number of suggested changes to the ABA's proposals relating to amendments to the 2019 Banking Code (the **Code**). I note the ABA's application makes reference to consultation with CALC, FRLC and FCA and that it intends to give further consideration to issues raised by consumer groups in its next review of the Code, to be completed by 2022. However, the ACCC seeks the ABA's response to the issues raised in this submission, in particular in relation to the following recommendations:

- Recommendation 2: All ABA member banks should provide a basic bank account.
- Recommendation 4: Clarify that basic bank accounts should be offered to holders of all government concession or pension cards, and that banks can broaden the eligibility criteria for basic bank accounts.
- Recommendation 5: Codify proactive provision of basic, low and no-fee accounts for new and existing bank customers, including through data analysis.
- Recommendation 6: Strengthen the minimum features of basic bank accounts to clarify free periodic statements, to require scheme debit, to waive all ATM fees (including from third parties) and to reduce the exempted 'ancillary services'.

- Recommendation 7: Clearly state in the Code the most common instances in which informal overdrafts will still occur and ensure banks are required to inform their customers about this clearly and in plain language.
- Recommendation 8: The Code should explicitly prohibit banks charging interest on an overdrawn amount for basic, low and no-fee accounts.

Informal overdrafts

I note that the ABA proposes to amend the Code to provide that for basic, low fee and no fee accounts for eligible customers that there will be no informal overdrafts permitted, except in instances where it is “impossible or reasonably impractical for the bank to prevent the customer’s account from being overdrawn.”

Please indicate the circumstances in which the ABA considers that it is “impossible or reasonably impractical” for a bank to prevent a customer’s account from being overdrawn, and for each circumstance indicate:

1. why preventing an overdraft is impossible or reasonably impractical
2. what would be required from a bank to make overdrafts preventable
3. what proportion of customer transactions is represented by this circumstance.

Basic Bank Accounts

We note that only some of the ABA’s Member Banks offer BBAs, that others prefer to offer low or no fee accounts, and that the ABA advises that its intention in setting a minimum standard for BBAs is to raise the general standards of the features of these products.

4. Why have banks which offer BBAs decided to offer these products in preference to low or no fee accounts? Do banks profit from these accounts or customers, or are banks motivated to offer these accounts for other reasons?
5. On what basis do banks decide the features of BBAs? Of the BBA products currently offered, have the features changed over time or remained static? Under what circumstances have the features changed?
6. The ABA’s application submits that banks do not currently compete with each other in respect of BBA features considered to be minimum community standards; however the application also advises that the ABA considers that competition will certainly drive the development of more innovative and accessible BBAs going forward. Please provide further detail on the level of competition the ABA considers currently exists between banks in relation to BBAs, and how and why the ABA expects this to change in the future.
7. If a minimum standard is imposed in relation to BBAs which is higher than that currently offered by ABA members (and does not also apply to low and no-fee accounts):
 - a. what incentive will there be for ABA members who currently provide BBAs to continue to do so (as opposed to switching to offer low or no-fee accounts), in circumstances where the ABA does not propose to make the provision of BBAs compulsory for its members?
 - b. does the ABA expect fewer of its members to offer BBAs?

Please provide a response by **COB Tuesday 30 July 2019**. This letter will be placed on the ACCC's public register. If you wish to discuss any aspect of this matter, please do not hesitate to contact Hannah Ransom on (02) 6243 1255.

Yours sincerely



Susie Black
Director (A/g)
Adjudication