



Abacus
Australian Mutuals

Association of Building Societies and Credit Unions

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Mr Arun Kendall
Industry Policy
Australian Payments Clearing Association
Level 6, 14 Martin Place
Sydney NSW 2000

By email: akendall@apca.com.au

Dear Mr Kendall

Consultation Paper: Aspects of Account Switching

Thank you for promoting discussion about account switching and whether there is a need to enhance the ability of customers to change direct debit and credit arrangements when switching accounts. We appreciate the additional time allowed to provide these comments.

We look forward to seeing contributions from the consumer perspective and from other direct debit and credit users, such as billers and employers, recognising the reality of Australia's 'bilateral' payments infrastructure model and existing Direct Debit Request arrangements.

Abacus – Australian Mutuals is the industry association for credit unions and mutual building societies. Abacus draws together the representation activities of the former Credit Union Industry Association (part of Cuscal Ltd), National Credit Union Association and Australian Association of Permanent Building Societies.

For more detail on Abacus and its members, see www.abacus.org.au.

Credit unions and building societies provide banking services to 4.5 million Australians and are Authorised Deposit-taking Institutions (ADIs) subject to the *Banking Act 1959* and Australian Financial Services Licensees subject to the *Corporations Act 2001* and the Electronic Funds Transfer Code of Conduct.

Mutual ADIs provide their members with access to the payments system through branches and agencies, EFTPOS and ATM networks, the Visa and MasterCard schemes, direct debits and credits, internet banking, B-Pay and cheques and issue a range of payment cards including EFTPOS debit cards, scheme debit cards and credit cards.

Abacus represents the largest and most diverse group of ADIs in the banking sector, with 148 member institutions.

Our members include large regional home lenders such as Heritage Building Society and Newcastle Permanent Building Society, large nationally-operating credit unions such as Credit Union Australia and Savings & Loans Credit Union, and strong niche lenders such as NSW Teachers Credit Union, Defence Force Credit Union and Queensland Police Credit Union. Traditional Credit Union, serving remote Aboriginal communities in the NT, is the only ADI owned by Aboriginal people.

As member-owned ADIs, credit unions and mutual building societies seek to protect and promote the interests of their customers.

Account Switching

Customer mobility and account portability is fundamentally important to competition in consumer banking services. Effective competition means benefits for all consumers in choice, pricing, service standards and product innovation.

The latest Roy Morgan Research Customer Satisfaction ratings for consumer banking show that credit unions and building societies strongly outperform their biggest competitors. Roy Morgan's September 2007 report says 88 per cent of credit union customers and 89 per cent of building society customers are satisfied compared to 70 per cent of customers of the four major banks.

The survey finding that 30 per cent of customers of the major banks are not satisfied contrasts with the much smaller estimate – 3.1 per cent¹ – of financial institution customers that annually switch their accounts to alternative providers.

This mismatch between the proportion of customers who are not satisfied and the proportion who switch accounts implies that there are barriers to customer mobility and account portability.

Abacus supports measures to promote customer mobility and account portability, with an emphasis on a low-cost, practical and market-based approach.

It is likely that consumer perceptions about the difficulty of switching accounts may be inflated. Simple measures to facilitate switching can go a long way towards overcoming this perception problem.

In particular, the recent rapid proliferation of account switching advice and tools on ADI websites is a welcome development.

To further enhance conditions for account switching, Abacus supports the proposal put forward in section 9.1 of the APCA Consultation Paper for the "old financial institution" to provide a listing of regular direct credit and debit transactions on the customer's account.

"This would allow the customer to more easily identify and determine which direct credit and debit arrangements to re-establish with their new financial institution. The ability and cost of doing so would vary from financial institution to financial institution, depending on their technology and operational processes."

¹ APCA Consultation Paper, p17.

We would welcome further consultation on how to promote this as standard practice and how to engage all stakeholders.

Consumers will not be effectively empowered unless they can be confident that other direct entry users such as billers and employers will respond promptly to changes in account details.

Importantly, as the APCA paper notes², the BECS Returns Process provides a safeguard mechanism should a customer overlook a current direct credit or debit arrangement.

While a completely seamless and instant account switching model may appear to be the ultimate objective, it is obvious that considerable work is required to achieve this aim.

Even in best practice overseas models, leveraging quite different payments system infrastructure, there is always some work required of the customer in effecting the switch. We also note that in all cases, duration of the process of switching accounts is necessarily affected by regulatory issues such as consumer protection and anti-money laundering obligations and by logistical matters such as issuing plastic cards and cheque books.

Given these constraints, Abacus would welcome an opportunity for a broader discussion with other stakeholders, including ADIs and their representatives and consumer organisations, to discuss shared objectives and better understand system capacity and investment requirements to promote more effective account switching processes.

Please contact me on 02 8299 9046 or Luke Lawler on 02 6232 6666 or llawler@abacus.org.au if you wish to discuss any aspect of these comments.

Yours sincerely



LOUISE PETSCHLER
Head of Public Affairs

² APCA Consultation Paper, p12