



# Brotherhood of St Laurence

Working for an Australia free of poverty

## MEDIA RELEASE

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### **Banks' services must account for low-income people, Brotherhood of St Laurence tells Senate inquiry**

At a time of upheaval in the financial system, banks still have a responsibility to service low-income people appropriately and to assist people who are vulnerable to hardship resulting from economic crisis, the Brotherhood of St Laurence said today.

The Brotherhood made these points in a submission to the Senate inquiry into the economic, social and employment impacts of concentration in the banking sector, which was established in late 2008 after some bank mergers in Australia.

Gerard Brody, the Brotherhood of St Laurence's Senior Manager, Financial Inclusion, will be speaking before the inquiry at a public hearing this morning at Parliament House in Canberra.

Mr Brody said before the hearing that the Brotherhood welcomed the Senate Economics Committee's interest in the implications of the increasing number of mergers among Australian banks.

"There are some important issues to consider in relation to people on low incomes as bank mergers create the potential to exacerbate financial exclusion, for example by reducing choice in banking products and services, resulting in higher fees and higher interest rates – and this is even more pertinent given the global financial crisis," he said.

"With speculation now about further concentration of the sector we are concerned that banks will increasingly focus on wealthier, more profitable customers to the detriment of disadvantaged people.

"We do welcome recent steps by some banks to reduce or abolish penalty fees on transaction and savings accounts, and urge all banks to do this. These fees are incurred when people overdraw their accounts and are often imposed in relation to periodical direct debits, which are encouraged by energy companies, telcos and insurers – all essential services. People on low incomes are more likely to incur such fees because they tend to have less funds in their accounts," Mr Brody said.

The Brotherhood of St Laurence has some key concerns when it comes to consolidation in the banking sector:

- Governments should impose conditions on all mergers requiring banks to provide affordable products for low-income consumers and other members of the community with special needs;
- Mechanisms must be in place to monitor and enforce these conditions, and the Government and regulators should develop indicators that show whether low-income people are being appropriately serviced;

- Governments should undertake annual reviews of the retail banking sector, including considering the level of competition and whether the sector is servicing people on low incomes; and
- Access to bank branches is also important, particularly when mergers reduce the number of branches. People on low incomes often prefer to do their banking in a branch as many lack access to other forms of banking, in particular online banking which requires a secure computer and internet connection.

“In Britain and the United States, governments have taken steps to monitor the performance of banks in addressing financial exclusion”, said Mr Brody. “For example, the British Treasury has established objectives which are measurable over a five-year period, including a goal that affordable credit, saving accounts and simple insurance products should be available to all who need them.

“In Australia there are some smaller projects that show what can be done. For example, the Brotherhood of St Laurence, in partnership with ANZ bank, provides a savings program and a loans program for people on low-incomes, who may otherwise have to resort to payday lenders or other high-interest loans to buy essentials such as a car to get to work, or a computer for their children’s education,” Mr Brody said.

“While some innovative banking programs have been developed that address the needs of low-income people, Australian governments need to learn from international experience and provide incentives for banks to deliver affordable products and services,” Mr Brody said.

“More broadly, the Brotherhood wants the Australian and state governments to develop a national financial inclusion strategy that would ensure all Australians on low incomes are able to use mainstream financial services.”

The Senate’s Inquiry into Aspects of Bank Mergers is expected to report by 17 September.

The Brotherhood’s submission is on its website at:

[http://www.bsl.org.au/pdfs/BSL\\_subm\\_Senate\\_inquiry\\_bank\\_mergers\\_2009.pdf](http://www.bsl.org.au/pdfs/BSL_subm_Senate_inquiry_bank_mergers_2009.pdf)