

**BETTER
BANKING**
IT'S IN YOUR INTEREST



The case for better regulation of banking in Australia

Finance Sector Union of Australia

Phone: 1300 366 378 (Monday to Friday, 8am - 6pm AEDT) | Fax: 1300 307 943 | FSU Website: www.fsunion.org.au | Email: fsuinfo@fsunion.org.au



Better Banking in Australia

In April 2010 the Finance Sector Union, in collaboration with its New Zealand counterpart Finsec, conducted a comprehensive survey of Australian bank customers and workers to determine levels of satisfaction and concern around bank practices in Australia and New Zealand.

The research showed that Australians want better regulation of the banking sector. They are worried about their debt levels, are less likely to trust advice given by staff that are pressured by sales targets, oppose sending jobs and personal data offshore and are sick of excessive bank fees.

Bank workers want to improve the reputation of their industry by having their employers invest in jobs and skills, recognise good customer service not just sales and provide value for customers money.

The Finance Sector Union, on behalf of the Australian public and bank workers, is calling for the adoption of a Charter for Better Banking. This charter calls for action by both the industry and the Government to improve banking services for all Australians.

- Commitment from Government and banks to stop offshoring jobs and invest in developing skills in the Australian financial sector.
- Government regulation to prohibit or significantly limit the extent to which performance can be measured by sales volumes linked to selling debt products in the finance sector.
- Government regulation to require banks to reflect interest rate movements set by the Reserve Bank
- Government regulation to prohibit the bonus culture that rewards risky short-term behaviour by executives in the finance sector
- Regulatory requirement for banks to demonstrate a direct link between their fees and charges and customer service provision

Surge in middle class bankruptcy

ABC News Mon May 24, 2010

Debt

A report shows that a growing number of middle class Australians are filing for bankruptcy. The University of Melbourne's Centre for Corporate Law and Securities Regulation has found that the number of personal bankruptcies surged 6 per cent in 2008-09 to 27,520.

A co-author of the report, Professor Ian Ramsay, says unsustainable home loans have been a major cause of bankruptcy among the middle class.



I maxed my \$10,500 credit card limit during my travels offshore and upon my card's expiration I decided not to reactivate the new card so that I could easily repay this huge debt. When later talking with a call centre representative not only did she offer to increase the limit on my maxed out card but also pressured me into reactivating the new card and creating further debt.

CUSTOMER QUOTE



Staff didn't receive pay rises last year as they didn't achieve their sales targets. Our district has been in severe drought for the past 4 years and it has been very difficult to sell products. This hasn't been taken into account at all.

WORKER QUOTE

Aggressive sales targets for debt—credit cards, lines of credit, mortgages, personal loans—contribute to unmanageable personal debt levels. Some might think a bank employee asking if they would like a higher limit or a new loan is just being friendly, but in fact his or her salary is tied to selling products each and every day.

This sales and bonus culture makes short-term, often high-risk, thinking the priority. And customers clearly don't like it.

Nearly half of those surveyed were uncomfortable with their debt levels, rising up to 58% of those with personal loans. Over 90% of respondents don't want the customer service they receive to be measured by sales targets.

Further, 88% are less likely to trust the advice or products offered to them by staff whose performance is judged on sales targets.

Bank employees don't like it either. Nearly half say they are always under pressure to sell debt products even when the customer doesn't ask for them and may not be able to afford them. A third are uncomfortable about their customers' ability to meet their financial obligations if they take the new debt product they are being forced to sell to them.

More than three quarters of respondents want Government to act, improving regulation to stop high risk lending and to stop personal debt getting out of control, and ensuring new global rules are imposed on our banks to stop the high risk banking activities that led to the Global Financial Crisis.

We can take action on debt now by seeking:

Government regulation to prohibit or significantly limit the extent to which performance can be measured by sales targets that are linked to selling debt products in the finance sector.

Rates and Fees

NEWS REPORT

Fee gouging: banks face huge class action

Adele Ferguson, Michael West, SMH - May 12, 2010

Australia's banks face the biggest class action in corporate history for overcharging their millions of customers about \$5 billion in penalty and late fees over the past six years.

Leading litigation funder IMF Australia will pay for more than 10 class actions against the banks, including the big four - Commonwealth Bank, ANZ, Westpac and National Australia Bank - in an effort to claw back at least \$400 million in what its lawyers will claim is a systematic gouging of banking customers.



“There are fees for drawing on your account - fees each time you use your pin number, self service transactions, counter transaction fees, foreign ATM fees, debit interest - which is deducted for whatever reason. The lower your account balance is the less ‘free’ transactions you have. They’ve taken work away from tellers by making online banking easier and ‘affordable’, but then slug you a fee for just blinking it seems.”

CUSTOMER QUOTE

“I’m cynical about the reasons given to us each time there is an interest rate rise. We’re told that it’s linked to the world market and the cost to the Bank to borrow funds overseas. If this were the case why are we only adjusting rates when the reserve bank makes an announcement? Why is there such a huge margin between the two rates? And how are the Banks still making increased profits rather than seeing them go down?”

WORKER QUOTE

Over the past few years in Australia, the gap between what the Reserve Bank charges and what banks charge has widened. The Reserve Bank’s March quarterly bulletin figures show that banks continued to raise the cost of borrowing to the consumer well above their increased costs. Fixed-rate mortgage borrowers on three- to five-year terms are paying 1.7 to 1.8 per cent above a benchmark rate, business borrowers are paying 2 per cent more and personal borrowers are paying an extra 3.4 per cent.

Rather than acting responsibly when making interest rate decisions to help personal and business customers get through the Global Financial Crisis, banks have acted exclusively in their own interest to make more profit. As interest rates rise, and personal debt increases thanks to aggressive sales targets, the situation will only get worse. More families will spend more of their income to pad banks’ bottom lines instead of reducing their debt or day-to-day living.

79% of customers and bank workers want the Government to take action to make banks accountable for interest rates changes beyond Reserve Bank decisions. Roughly the same number of customers (78%) aren’t prepared to pay higher interest rates or fees for better service, indicating they feel they are already overpaying for the service they currently get.

While some banks have moved to cut some fees, many customers are still very frustrated and angry by the excessive fees they are charged. Like interest rates, fees are well above what it costs the bank to provide the service.

Customers are showing that anger through the class action against banks on excessive fees, and ASIC is gearing up to act against banks that charge excessive fees, but better regulation is needed for a more permanent solution. 82% of respondents support regulation to require banks to demonstrate a direct link between bank fee increases and providing better customer service.

We can take action on rates and fees now by seeking:

- Government regulation to require banks to justify interest rate movements beyond the Reserve Bank.
- Regulatory requirement for banks to demonstrate a direct link between their fees and charges and customer service provision.

Offshoring

NEWS REPORT

ANZ and Finance Sector Union clash on bank's Manila move

Richard Gluyas, *The Australian* - April 07, 2010

“Offshoring is obscene! Not only is there a security issue with passing information to an organisation effectively beyond the reach of Australian government control (and therefore a measure of protection for account holders) we also have the issue of loss of Australia jobs (you can't compare jobless numbers to vacancies for areas requiring skills).

There is also the tendency for offshored job holders to be only trained in one channel and not empowered to be responsive to individual circumstances - creating a lot of animosity and frustration.”

WORKER QUOTE

“I am very worried about offshoring jobs in finance - we need the jobs here to provide career paths and we should be keeping our sensitive financial information here where we have strict Privacy Laws.”

CUSTOMER QUOTE

ANZ Bank and the Finance Sector Union have clashed over the bank's plan to open a Philippines operations hub employing 300 people, with the FSU saying the move could cost 100 jobs, mostly in Victoria.



We can take action on offshoring now by seeking:

- Commitment from Government and banks to stop offshoring jobs and invest in developing skills in the Australian financial sector.
- Enacting consumer right to know legislation.

In recent years, Australia has seen more than 5,000 finance jobs sent off-shore. Most of those jobs have been in account processing areas, which means that the most confidential information bank customers have – their personal identification details, employment details, financial history, details of their businesses and all the other things that banks require when assessing loan and other applications, are being processed overseas.

This is not good for two reasons. Firstly, most customers are never informed that their private information is being sent overseas for processing. 87% of respondents to the better banking survey believe Government should require banks to let Australians know when this happens.

Secondly, moving jobs offshore doesn't help the Australian economy, doesn't help build skills in the Australian workforce, and decreases productivity in Australian staff. Australia cannot become a financial services hub while jobs are being moved overseas and skills are not being developed.

More than half of Australian bank workers say that offshoring makes their job harder, and 66% say customers get angry with delays caused by the difficulty of getting answers from offshore banking operations. The results are higher in those banks that offshore more jobs than others.

79% of workers are concerned about how many jobs will be left in Australia's finance sector in 10 years time. 88% say that sending jobs offshore is a major point of concern for bank workers.

Community Expectations



CBA on track for record profit

Danny John - May 12, 2010

Commonwealth Bank remains on track to produce a record profit this year after its latest quarterly performance saw its latest net earnings hit \$1.5 billion for the period to March 31. In what is turning out to be a strong year for the banking industry, CommBank confirmed that the huge tide of bad debts that resulted from the impact of the global financial crisis on the domestic economy had peaked.

Today's announcement mirrors the most recent result from its major competitors such as Westpac and ANZ who both unveiled reasonable profit growth for their latest half years.

Westpac shatters record

Danny John - May 6, 2010

WESTPAC says it will be a "challenge" to repeat its record first-half net cash earnings of \$2.98 billion even though it remains on course to turn in a best-ever full-year profit of \$6 billion in six months.

There should be caps on CEO salaries and bonuses so these fat cats are no longer paid obscene amounts of money while the average worker is struggling to pay off debts.

CUSTOMER QUOTE

The average bank worker appears these days to be working to increase Executive salaries and bonuses with little to minimal reward for themselves. Executives' salaries are hugely inflated by the share dividends they receive as incentives on free or cheap share purchases. The higher the profits the greater the portion of profit ending up in Executive's pockets.

WORKER QUOTE

The four major banks in Australia have never made more money. They report their profits in billions. They make more than a million dollars an hour from the fees and interest imposed on average Australians.

Customers and workers aren't opposed to banks making a profit but clearly want banks to act in accordance with Australia's interests, not just their own. Customers also voiced concerns about banks not being the good corporate citizens as they could be.

42% said banks generally are getting worse when it comes to being a valued member of the community, and 63% think banks are getting worse at maintaining a balance between profitability and keeping banking affordable. 38% of customers and 49% of workers think their bank is heading in the wrong direction.

The gap between what CEO's make and what the average worker makes has never been bigger too.

While the average bank worker will only get their normal annual pay rise if they reach their aggressive sales targets, the executives get huge bonuses. At the same time, 73% of bank workers report that their unit doesn't have enough staff to do the job properly.

CEOs do work hard, and deserve to be compensated accordingly, but most survey respondents (70%) think it's gone too far and Government needs to act to cap executive salaries.

We can take action on meeting community expectations now by seeking:

- Government regulation to prohibit the short-term, bonus culture that provides massive rewards for risky short-term behaviour by executives in the finance sector.
- Regulatory requirement for banks to demonstrate a direct link between their fees and charges and customer service provision.
- Legislative provisions that require demonstration of the public benefit of mergers between finance companies before they are allowed to proceed.

In the words of the workers

I'm sick of targets being unachievable, and being increased every year even if we didn't reach our targets in the previous year. Banks have lost the customer focus. We're not being rewarded on a job well done, we're being graded lower because our sales targets are not achieved, and that impacts on our pay. Without our work, CEOs wouldn't meet their targets or get their bonuses. It is so unfair to see them getting hefty pay increases, and we can't even get increases to our pay to keep up with inflation."

Bank worker, NSW

We are told that our major focus is to 'Customer Care', but they are only words. If I spend 3/4 of an hour helping a customer with a big problem, I am questioned about my 'productivity' for the day. Yet another employee who just flogs credit cards to all & sundry is a 'good guy' because he has met his target for the day.

Bank worker, QLD

We need to stop the ridiculous Credit Card sales pressure. I'm required to get 15 credit cards a quarter and one quarter I missed out on my total bonus because I got 14 and not 15 credit cards, even though I was well and truly over every other measure. This needs to be regulated to stop the pressure of selling on staff.

Bank worker, WA

I do not favour the new behaviour guidelines being linked to staff appraisals. I find it very hard to do my job let alone having to go above and beyond my tasks to obtain a better scorecard. Also having to record the extra tasks you do to prove you are worthy of the bonuses that follow. It all takes time & adds stress having to keep records to prove you are doing a great job.

Bank worker, QLD

Sick days and carers days are not taken by staff when they are required because staff cannot afford to have time off due to pressure to make targets. Often managers are making staff feel guilty for taking time off when required and made to feel bad or under achieving upon returning to work. Also being short staffed in some areas is impacting on training and learning that is being offered to staff.

Bank worker, VIC

As a teller, sales targets are ridiculous. Customers do not want to be hassled into more debt. I have been told that if a customer says no to a product, it is my fault for not enticing them enough and I am not to take no for an answer, which is not good customer service or good management.

Bank Worker, SA

Bank workers are sick and tired of being bullied and harassed to meet ever increasing targets, to stop giving what they perceive as good customer service in order to 'improve productivity', and forced to work unpaid overtime. While issues of bullying and harassment in the workplace were not specifically addressed in this survey, comments from bank workers indicate it is a very significant issue. The following are just some of those comments.

The branch I work in is and has been for at least the last twelve months extremely understaffed. Lines out the door and 70-80 hour weeks are now common place, with little regard for staff or reward for effort shown.

Bank Worker, NT

I have seen so many staff have breakdowns as a result of having to meet sales targets and sell stuff to banking customers over the phone. What the public don't understand is the impact this has on many staff - average workers who couldn't cope with the guilt of having to keep pushing credit - yet as always this side of the business doesn't get reported.

Bank Worker, NSW

Staff are asked to sign on in the morning and sign off at night not at the actual time they get there or leave, but by their working hours e.g. 8.30 - 5.05, even if they get at work earlier and leave later. It is wrong as the amount of unpaid overtime is a disgrace.

Bank Worker, QLD

Increasing targets seem to be the be all and end all of all staff meetings and the pressure never seems to let up. All other aspects of your work e.g. excellent rapport with customers and good customer service takes a very last place behind our sales targets.

Bank Worker, QLD

"As a teller, sales targets are ridiculous. Customers do not want to be hassled into more debt".

I use to love my job, I've been in banking for over 20 years, but the sales targets have made us mean and nasty to one another. I now feel stressed every day I turn up to work.

Bank Worker, NSW

I continually work hours of unpaid work to provide the service my customers have come to expect from me but I am made to feel it is poor time management on my part. Once my seniority and experience made me feel important - now I have lost confidence because my way of doing things doesn't suit current directives. Also, like other staff members, I have to suffer the stress and embarrassment of having my interactions with our customers closely monitored to see that I am following a rigid robotic way of doing things.

Bank Worker, NSW

Public Case study

Jon de Meyrick, Customer, SA

Jon filled out our survey and has also now signed on to the class action against the banks in an attempt to get back \$10,600 worth spent in overdraft fines charged by his bank.

"The problem with banks today is a lack of service, the inability of bank managers to communicate with their clients.

Rudd goes on about mining company profits, so called super profits, but the banks' returns on invested capital are phenomenal, up to 30 – 40% compared to just 6% with the mining companies.

If a Director of a company or a CEO earns \$6million a year, and a bank worker gets \$40,000 per year; a bank worker must work for 150 years in order to earn the same salary their Director earns in just one year. Australia's banking system has to be reformed.

I wholeheartedly support the Better Banking Charter for the reform of Australia's banking system"





Comparison with New Zealand

Unsurprisingly, given many of the banks and issues are the same, there were many similarities between the Australian and New Zealand results of the Better Banking survey.

Areas of very similar or the same results included:

- High level of discomfort with debt levels.
- Bank workers should be paid for providing professional customer service not selling products.
- Government regulation of bank lending practices – in particular, for policies to prevent high-risk banking activities.
- 60% of customers in both countries were surprised to learn that bank worker's salaries are tied to how many products they sell.
- Concern about rising interest rates.
- Banks should be required to notify customers when their personal data is being sent overseas.
- The acuity of the pain felt by consumers and workers was slightly higher in Australia however, with slightly larger percentages of respondents registering concern or wanting immediate Government action of several key issues.
- 29% of Australian bank workers were uncomfortable about their customer's ability to meet their financial obligations with new debt products, slightly above the 25% of New Zealand bank workers.
- 59% of Australian bank workers versus 45% of New Zealand bank workers feel that selling debt and increasing sales targets have become a greater priority to the banks.
- 70% of Australian public and 83% of Australian bank workers believed that people can get paid too much and the government should cap bank executive's salaries, compared to 60% of public and 69% of bank workers in New Zealand.
- 61% of Australians strongly disagreed with the statement, 'fees don't bother me as long as I get better service in return' compared to 41% of New Zealanders.
- 82% in Australia versus 74% in New Zealand want a direct link between bank fee increases and providing better customer service.
- 79% of the Australian public would vote for a political party that promised regulation of interest rates; compared to 56% of the New Zealand public.
- 59% of Australian Bank Workers believe that selling debt has become a much higher priority and sales targets always go up compared to 45% of NZ bank workers.

Off-shoring of jobs was shown as a major concern to both the bank workers and the public in Australia and New Zealand. However, 83% of New Zealand bank workers were concerned about their long term job security due to offshoring, slightly higher than the 79% registered in Australia.

It is clear that customers and workers in both Australia and New Zealand want reform to banking practices through better regulation.

BETTER BANKING

IT'S IN YOUR INTEREST



Finance Sector Union of Australia

Phone: 1300 366 378 (Monday to Friday, 8am - 6pm AEDT) | Fax: 1300 307 943 | FSU Website: www.fsunion.org.au | Email: fsuinfo@fsunion.org.au

Authorised by Leon Carter, National Secretary June 2010