



# MEDIA RELEASE

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## **\$1 BILLION BANK PENALTY FEE INCOME STREAM FINALLY REVEALED**

Consumer Action Law Centre has welcomed the release of today's annual banking fee bulletin by the Reserve Bank of Australia (**RBA**), which reveals for the first time that Australian banks reaped over \$1 billion in penalty fees over the past year.

Nicole Rich, Director - Policy & Campaigns at Consumer Action, said that Australian households were bearing the brunt of unfair penalty fees, paying \$961 million or nearly 83% of these fees.

"We have always thought that Australian banks were generating hundreds of millions of dollars in unfair penalty fees each year but the banks refused to disclose the information," Ms Rich said.

"These figures finally tell the Australian community what the banks are charging in penalty fees and unfortunately things are even worse than we feared."

"Households paid \$961 million in penalty fees in the 2008 financial year and most of those were on ordinary deposit accounts and credit cards."

"20% of all fees the banks charged households in 2008 were penalty fees."

Ms Rich said that Consumer Action first raised concerns about penalty fees in its 2004 *Unfair Fees* report, but Australian banks seemed reluctant to make the changes needed to reduce their penalty fee-take.

"As recently as last year we proposed a practical, seven-point plan for better banking practice on penalty fees, but most of our suggestions have been ignored."

"Our plan included preventing account overdrafts unless the customer has authorised this, setting the fees at levels that reflect the banks' direct costs, and giving consumers real-time warnings such as on the ATM screen before a transaction goes ahead."

"With increased scrutiny of their penalty fee practices, the banks have made minor changes in the last few years to give an appearance of action, but they have avoided the changes that will make a real dent in this income stream, including changes that would make it easier for customers to avoid the fees."

Ms Rich said that the Federal Government had missed an opportunity to take action to protect consumers from unfair penalty fees last year after its Senate inquiry admitted there were problems but failed to recommend any solutions.

"Nearly \$1.2 billion in fees suggests the banks are facing little competitive pressure to reduce these fees and it is time for action. If the banks' addiction to penalty fee income makes it hard for them to implement solutions, the Government needs to act."

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