



28th September 2017

Mr Gavin McNeill
Adjudication
Australian Competition and Consumer Commission
Canberra

Dear Mr McNeill

Australian Bankers Association application for authorisation A91593 - Interested Parties Consultation

Thank you for your letter dated 15th August 2017 about the above authorisation.

This response is made jointly by Financial Counselling Australia (FCA), the Consumer Action Law Centre (Consumer Action) and the Indigenous Consumer Assistance Network (ICAN). All of our organisations assist Indigenous people in relation to financial and consumer issues. There is more background information about each of our organisations in Appendix 1.

FCA took the lead in preparing this joint response and apologises it is being submitted later than requested. However, this has meant we were able to revise our response in places in light of the recent announcement by the big four banks and Suncorp, that they are removing ATM fees for all customers.¹ This puts the application for an authorisation in an even more favorable light, given that the majority of Australians will now have access to fee-free ATMs.

Fee-free ATMs owned by the banks will have a significant positive impact for Indigenous people. People living in remote communities might travel to a larger

¹ This announcement was made by all four of the major banks on 24th September and by Suncorp on 26th September.

centre (such as Alice Springs or Katherine) for a number of reasons, such as access to more services, or because they can get more food for their money or to see their families. But because of low financial literacy they were still withdrawing money from an ATM, owned by a different bank or checking their bank balance multiple times.

Background

In preparing this response, ICAN drew on its experiences of providing financial literacy education and casework services to Indigenous clients in far-north Queensland and Townsville. FCA contacted financial counsellors and financial capability workers who assist people living in remote Indigenous communities in the Northern Territory, South Australia, Queensland and Western Australia. This feedback was collected through semi-structured interviews. Consumer Action has provided casework assistance to Indigenous people living in Victoria over a number of years and has extensive policy knowledge of the financial services marketplace.

Our organisations were all involved in the original authorisation application from the ABA five years ago. The catalyst for that application had been the November 2010 report from Financial Counselling Australia “ATM Fees in Remote Indigenous Communities”. That report documented that:

- ATM fees are unavoidable in remote communities with privately owned ATMs;
- there are generally no other ways to access the banking system. Internet and phone banking are generally not available and stores also charge for EFT transactions;
- residents living in remote Aboriginal and Torres Strait Islander communities spend a significant proportion of their incomes on ATM fees. Estimates provided by financial counsellors and money management workers suggest that a loss of up to 20% of a person’s income in ATM fees each fortnight is not uncommon;
- this high pattern of usage occurs because Aboriginal and Torres Strait Islander people check their account balances frequently. This is often because they are waiting for a Centrelink payment to arrive. They also tend to withdraw smaller amounts of cash more frequently. This is for budgeting reasons or because of the need to buy food more often due to a lack of refrigeration or for cultural reasons.

As a result of this combination of factors, many residents of remote communities did not have enough money to meet basic living expenses. The problem therefore became a spiral – if a person is short of cash one week because of ATM fees, they will be caught short in subsequent weeks. There is never an opportunity to catch up.

The agreement between the banking industry to subsidise the cost of ATMs addressed these problems by removing the cost imposition. This has meant that Indigenous people and others living in remote communities have the same

opportunities to access their funds as people in cities, who can generally find an ATM owned by their bank that does not charge a fee. The September announcement by the major banks and Suncorp that they are removing ATM fees for the machines they own will make it even easier for people in cities and regional communities to avoid ATM fees.

The important point in relation to this authorisation however is that the factors that led to the FCA report in 2010 have not changed – if the current agreement is not renewed, Aboriginal and Torres Strait Islander people living in remote communities would again experience the significant detriment described in the report.

Appendix 2 includes comments from some of the financial counsellors and financial capability workers interviewed in preparing this response. These illustrate both the current benefits of the authorisation and the detriment that would occur if it was not renewed.

Public benefits and public detriments

There are significant public benefits with the current arrangement. Use of the fee-free ATMs allows people living in remote communities to access financial services at a much lower cost, than if fees are charged.

It is in the interests of the community as a whole that people have enough money to live on week to week. There is real poverty in many remote Indigenous communities and this has a serious impact on the people affected, some of whom are children. There are also serious long-term, multi-generational impacts. For the community, individual and family poverty leads to increased demand for social housing, increased health care costs and social unrest.

ATM fees charged by private ATM operators may seem to be a relatively small amount for people on reasonable incomes. These fees however are significant for people on low incomes.

If there is any public detriment, it would be minimal.

The only detriment raised with us in consultations with financial counsellors and financial capability workers were their concerns about a number of remote communities that are not included in the arrangement. Sadly, this also reinforces the need for the continuation of this agreement as the problems outlined in the 2010 FCA report continue in these communities.

Whether the arrangement has led to improved access to banking and financial services for indigenous people living in very remote communities.

The arrangement has led to improved access to banking and financial services. Access to cash continues to be an important vehicle for exchange. In many of the remote communities, the ATMs are the only access to cash for hundreds of miles.

Financial counsellors have noted that the arrangement also provides an option to access cash without the minimum spend requirements associated with EFTPOS transactions in community stores. For example, in the community store in Maningrida a person needs to spend a minimum of \$30 before the store will allow you to also take some cash.

Access to the internet, another option for checking account balances, remains limited in remote communities. It is not available at all in some communities or only in some venues, such as the local council building. As well, many Indigenous people in these communities, even if they had the internet, lack the financial literacy skills to use it.

Phone banking is also problematic for similar reasons: there may not be mobile phone access, landlines are not always working, people may have run out of phone credit or do not understand how to use phone banking.

Whether the arrangement has, or is likely to have, an impact on the level of competition in the supply of ATM services.

The presence of fee-free ATMs makes it less likely that other private providers will introduce more ATMs to these communities. But this impact will not extend beyond the limited geographic areas applying to the authorisation.

Need for continuation of the authorisation

The current agreement needs to continue as conditions in the affected remote communities have not substantially changed.

Financial counsellors and capability workers tell us that there is still a long way to go to raise awareness of ATM fees. They are still seeing Indigenous people using the ATMs multiple times on pay days and days following. They say, overwhelmingly, that the free ATM agreement should stay in place because when residents are not charged the fees, they have more money to purchase food and pay for essentials.

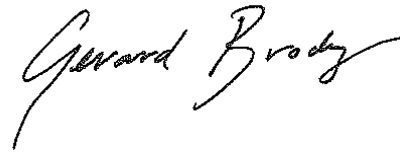
As remote indigenous communities already struggle with higher costs for basic necessities, the added burden of ATM fees will add significant hardship to an already difficult situation.

The recent announcement by the big four banks and Suncorp about free ATMs, means they are prepared to absorb the costs of running their ATM networks. Extending this assistance to Aboriginal and Torres Strait Islander people in remote communities is the right thing to do.

Yours sincerely



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CEO
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Gerard Brody
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Jon O'Mally
Acting CEO
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Network**

APPENDIX 1 – ABOUT OUR ORGANISATIONS

Financial Counselling Australia

FCA is the peak body for financial counsellors. Financial counsellors provide information, support and advocacy for people in financial difficulty. They work in not-for-profit community organisations and their services are free, independent and confidential. FCA is the national voice for the financial counselling profession, providing resources and support for financial counsellors and advocating for people who are financially vulnerable.

A number of financial counsellors and financial capability workers work predominantly with Indigenous clients, many of whom are in remote communities affected by this ATM proposal.

Consumer Action Law Centre

Consumer Action is an independent, not-for profit consumer organisation based in Melbourne. We work to advance fairness in consumer markets, particularly for disadvantaged and vulnerable consumers, through financial counselling, legal advice and representation, and policy work and campaigns. Delivering assistance services to Victorian consumers, we have a national reach through our deep expertise in consumer law and policy and direct knowledge of the consumer experience of modern markets.

Indigenous Consumer Assistance Network

The Indigenous Consumer Assistance Network Ltd (ICAN) provides consumer education, advocacy and financial counselling services to Indigenous consumers across the nation, with a vision of “Empowering Indigenous Consumers”.

Aboriginal and Torres Strait Islander peoples living in regional and remote communities often experience heightened consumer disadvantage. Structural barriers and a non-competitive marketplace create conditions in which consumer and financial exploitation may occur. In its ten years of service delivery, ICAN has assisted people through a range of consumer and financial issues including: dealing with unscrupulous used car dealers, finance companies, payday lenders, telemarketers and door-to-door salesmen. In line with its vision to empower Indigenous consumers, ICAN provides Indigenous consumers with **assistance** to alleviate consumer detriment, **education** to make informed consumer choices and consumer **advocacy** services to highlight and tackle consumer disadvantage experienced by Indigenous peoples.

ICAN’s services are free, independent and confidential. Our services are available to Aboriginal and Torres Strait Islander peoples, as well as non-Indigenous peoples, from Townsville to the Torres Strait.

APPENDIX 2 – SUMMARISED COMMENTS FROM FINANCIAL COUNSELLORS AND FINANCIAL CAPABILITY WORKERS WORKING WITH INDIGENOUS PEOPLE IN REMOTE COMMUNITIES

Catchment Area

Comments below come from workers involved in the following communities: Nyirripi, Papunya, Yuendumu, Kintore, Gove Peninsula, Groote Island, Gapwiyak, Umbakumba, Palm Island, Yarrabah, Amata, Pukatja, Pipalyatjarra, Indulkan, Maningrida, Barunga, Looma, Pandanus, Mowanjum, Ngallagunda (Gibb River), Kupungarri (Mount Barnett), Imintji, Dodnun, Wyndham & Kalumburu, Yalata, Oak Valley, Koonibba, Beagle Bay, Bidyadanga, Hopevale, Wujal, Ayton, Umagico and all northern peninsula area and Torres Strait, Jigalong, Mapoon

Not all of these communities are included in the authorisation. A number of the people interviewed wanted to see the arrangement extended to other communities.

Comments about issues reported with ATMs, banking and financial literacy

Each comment below is from a separate interview.

They are buying power cards in these communities and sometimes they do not have the concept of where the fees go, so for example, a person would try and purchase credit for their power card which was around \$20. But they may have only \$20 in their account and after the fee came out they would not be able to afford the power card.

These places are so remote that it helps a lot if people are not charged multiple times for using an ATM. If they have checked their balance 20 times and they are charged \$2.50 each time that would add up to a significant amount, but with no fees they have more money for food or bills.

People didn't really know that they are charged when they check the balance. Some will check the balance up to six times per day so that they know when money arrives to pay for necessities. It makes a great difference because the cost of food in the community stores is so expensive, people need every penny. Fruit and Veggies are a lot more expensive. The absence of ATM fees means people have the extra money to buy more food and possibly even healthier food.

People are still using the ATMs multiple times to check for their payments. If the payments are not there they will continue to check until the payments hit the bank. We think that people don't understand that they have to pay fees when they use the ATMs.

We are still seeing people using the ATMs many times to see if their money is in the bank. We are also seeing multiple fees on bank statements. With our workshops we let people know about the fees and suggest that they use their phones for checking their balance but they need to use the ATMs because they do not have a phone or the community phone booth which uses community phone cards is not always in service which is sometimes an issue. They also have issues around mobiles which sometimes do not have coverage or the coverage drops in and out. They may have \$30 in their key card and by checking their balance a couple of times they end up with less, and they could use that money to buy a couple of loaves of bread, or flour to make bread.

For my community which is (xxx), they only have use of the EFTPOS and they have access to internet banking. They use the internet banking to check balances. They have internet access via a community resource centre where they have to pay a fee to access the internet. Regardless of what platform they use, they will have to pay a fee. So the free ATM is a blessing for our mob ...

People go to the shops 2 to 3 times a day to check their accounts. If the \$2.50 fee came back it could cost people around \$15 per day to check their accounts and to purchase things, wasting a large amount of their payment .. Being a transient community as well, there is not a lot of emphasis on education around fees. Free ATMs are important because communities are so remote and they pay more money for food. Centrelink payments are the same no matter where you live but remote communities have greater expenses. Free ATMs save remote communities money.

People don't have online banking or a way of checking their account. One fellow said that he didn't want to turn up at the shop and be told he didn't have any money in his bank. So he goes to the ATM and checks it until the money is there. And that often costs him \$10 at least. We are still hearing and seeing people checking multiple times for their payments. We are seeing people doing NILS applications and when looking at their bank statement we can see the multiple fees. We do a lot of education around bank fees and if we count in the ATM fee workshops that's pretty much all we would be doing. Obviously most people do not have access to online banking or access to banking and the nearest bank is over 200kms away and this would be the only way for people to check their account balance. They can do phone banking but they may not have credit or service.

They are definitely still needed. It is about options and choices and unfortunately people in remote communities don't have that choice. In Cairns I can go and find an ATM that is free but people in remote communities can't. Even the post office charges. I do the NILs applications and I see the bank statements of applicants where they are getting a caning

from bank fees. We are seeing people using the ATMs to access their payments a number of times. We are budgeting the bank fees into peoples' money plans and these usually come out at around \$10 per fortnight.

We see people constantly checking ATMs for their payments. They would check 6-7 times. The main positive impact (of fee-free ATMs) I can see is that the women can buy things for kids.

Absolutely because without any physical banks in these communities the only access to their money is through the ATM and the mob at the time don't get it all out at once. They get money out each day as long as money is in the account. Mum and Grandma think that the money is safe in the bank.