Greedy Oz Banks Refuse to pass on Cuts

by Clancy Yeates and Esther Han via judd - SMH *Sunday, May 12 2013, 10:51am*
international / prose / post

Both major political parties are loath to regulate the Banks, Why?

> Big banks have failed to pass on most interest rates cuts to their credit card customers, despite the Reserve Bank cutting them to their lowest level in more than 50 years.

Australians charged $6.2 billion in credit card interest bills annually are propping up the record half-year profits of $13.4 billion reported by the big four banks.

While official interest rates have been cut by 2 percentage points since rates peaked most recently in 2011, credit card providers have passed on an average cut of only 0.12 percentage points - or about one twentieth of the total rate cuts.

Figures obtained from interest rates comparison website RateCity show the average interest rate on credit cards is 17.16 per cent.

Choice head of campaigns Matt Levey said the banks were exploiting customers' failure to understand the full cost of making payments on credit, with more than $35 billion in credit card debt accruing interest each month. ''It's basically just [banks] taking advantage of a product that's poorly understood. While there's an extensive media spotlight on home loans, it seldom extends to credit cards,'' Mr Levey said.

The corporate regulator, the Australian Securities and Investments Commission, estimates each credit card holder pays an average of $807 in interest every year on about $4700 of debt. Among the big banks, the RateCity figures show ANZ had cut credit card rates by between 0.10 and 0.25 percentage points since interest rates peaked, while NAB had trimmed most of its rates by 0.25 percentage points. Westpac had left its credit card rates unchanged.

A Westpac spokesman said the bank reviewed its credit card interest rates, irrespective of the cash rate.

The chief executive of the Australian Bankers' Association, Steven Munchenberg, said credit card rates were not affected by official moves and reflected the higher risk of unsecured lending.

''It works both ways. Customers get the benefit when the cash rate is going up. They don't see that in their interest, and when the cash rate is coming down, they don't see that either,'' he said.

Mr Levey said paying only the minimum repayment on credit cards every month could lead to years of debt at high interest rates. For many cards, paying the minimum amount on a $2500 bill would take more than 15 years to repay.

''If you're not paying off your credit card in full every month you really should not be on a very high interest rate account,'' he said.

The failure to lower interest rates on credit cards comes as consumers continue to shy away from paying on credit.

Latest figures from the Reserve show the national credit card balance has been steady at close to $50 billion for about two years, of which about $35 billion is accruing interest.

RateCity spokeswoman Michelle Hutchison said banks had failed to cut their rates because people were not spending as much on cards and this was a way to make them more profitable.

''Card holders aren't using their cards as much as they used to, and more are paying them off,'' Ms Hutchison said.

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