

SUBMISSION 36

Mr Paul Zinkel  
House of Representatives Standing Committee on Economics  
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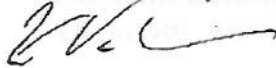
Dear Mr Zinkel

**RE: BANKING COMPETITION INQUIRY**

Please find attached my submission on banking competition.

I would also like to address the public hearings in Sydney on Banking competition.

Yours Faithfully.



Kevin Vierboom

I wish to make the following submissions

#### Mortgage Lenders Insurance

Currently bankers ask consumers who exceed the banks Loan Valuation Ratio to take a policy of insurance on the possible default of the loan. The insurance providers are often owned by the bank or the bank is a large shareholder in the insurance provider.

The banks do not allow the insurance policies to be roll-over from one lender to the next lender. The consumer is who seeks to leave a bank and go to another bank must pay a fresh round of insurance and this is then added to the principal of the loan. The consumer then ends up paying a very much larger amount in interest on the insurance policy.

#### Suggested Reform

I would like to see legislation to make the insurance policy transferable between banks provided the amount of the loan amount is not increased.

#### Lack of competition for home loans

Currently the 4 pillars banking policy has resulted in the banks charging whatever they want to for home loans. The banks have ignored the RBA and the Government and increased their margin on home loans by approximately 0.6% above the RBA in the last 12 months.

The banks have said that this is due to the Subprime crisis in the United States. The Govt and the RBA have done little about this behaviour by the banks. In fact the banks on a day to day basis offer to buy credit card debt from on balance transfers at rates 0% bankwest for 9 Months, 2.95% ANZ for 12 months, 7.99% AMX for the life of the balance.

This is a remarkable thing in liquidity crisis! Credit card debt is not secured and home loans are a secured debt. The banks are not short of funds and the subprime crisis is being used to increase bank profits and put Mr and Mrs Average out on the street.

Further at the time of the last rise in rates by the banks money market rates were for actually falling. If a union made a similar demand or a public servant we would never hear the end of it.

The banks are the only institutions which can make an adverse investment decision and then demand that the average Australian pay for their mistakes.

If a builder does not quote the correct amount in a building contract then he has to suffer his loss. The Government should not allow the management of a bank to stand in a better position on the basis that they now control finance system.

It is clear that the banks have long stepped over the line and serious competition reforms are needed to address this problem.

#### Suggested Solutions

All Australians who have paid into a superannuation fund should be able to borrow from the fund at rates set by the RBA from time to time.

Mortgage lenders insurance should be available from the superannuation funds to allow a fully level playing field. This insurance should also be transferable as outlined above.

#### Control of the banking system

The recent subprime crisis has allowed the banks to get rid of the non bank lenders. A prime example being Rams. The home loan book was purchased by Westpac.

The banks also control the ATM network and have invented a wide range of charges for the use of these facilities. The cost of these transactions is not high to the banks but outrageous to the consumer. The network in banking is also another major problem for a non bank lender to overcome.

#### Suggested Solutions

Non bank lenders should be able to borrow on terms set by the RBA from superannuation funds. This would establish some competition.

Banks should be required to offer at least one account in which a specific number of transactions can be purchased from ATMs or internet banking.