

Budget advisers praise bank fee axing – NZ Herald, 30 July 2009

BNZ's decision to drop overdraft penalty fees has been described as "the best news we've heard in ages" by budgeting advisers.

Maureen Pitman, president of the Federation of Family Budgeting Services said the fees created many problems for low-income people and had been an issue in the budgeting advice sector for years.

No sooner had an adviser worked out a budget for someone than an unexpected fee turned up and threw everything out. "You can imagine how that just goes on and on and on."

The BNZ says the fees, which bring in \$25 million a year, have become more trouble than they are worth.

From September 1, those customers who have insufficient funds in their account to cover a payment or withdrawal will no longer be charged a fee.

Fees are charged by all the banks and can be steep. BNZ currently charges \$35 if it dishonours a payment because of insufficient funds, \$20 if it honours the payment and allows the customer to go into overdraft, and \$5 for an unpaid internet bill payment.

Banking Ombudsman Liz Brown said honour and dishonour fees caused a steady stream of complaints to her office.

Often the fees were larger than the overdrawn amount. "I think a lot of bank customers do feel that they are quite unjust fees, and in particular that they are unjustly high."

BNZ chief executive Andrew Thorburn said the bank processed a million transactions a year that incurred the fees, and they were its number-one source of complaints.

The fees totalled \$25 million a year so it was "not an insignificant business decision" to drop them.

"What it takes is a lot of our staff's time to then work through with [customers] and solve it and refund it, or whatever we do."

The bank's Australian parent NAB also announced yesterday that it was dropping the fees and Thorburn said the two institutions had worked together on the common problem.

Going by the number of times it had to charge the fees, BNZ had concluded they were not an effective deterrent to customers' going into overdraft.

The bank would still decide whether to honour or dishonour payments when there were insufficient funds, he said, and an unarranged overdraft would still attract interest.

But it hoped to encourage people to manage their money better with services such as text or email alerts when an account was about to go into the red.

The fees would not be made up in any other way. "We hope it [scrapping them] is a way of gaining new customers to the bank."

Yesterday, none of BNZ's competitors indicated they would follow suit.

A Kiwibank spokesman said the BNZ announcement had "taken us by surprise" and it would be looking more closely at the details.

ANZ and the National Bank said in a statement that they "continuously review our product and pricing structures to ensure they remain competitive".

Westpac said it had been working to help customers minimise any dishonour or overdraft fees by getting them on to the right accounts for their needs and introducing email and text alerts.

Massey University banking expert Claire Matthews said the BNZ's decision was a bold one.

Honour fees probably generated the greater share of complaints, and cancelling them was appropriate.

"There's not a lot of work required so I don't think honour fees have ever really been justified."

However, the waiving of dishonour fees was more surprising, and she questioned the quality of customer the BNZ might attract.