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Mr Arun Kendall  
Industry Policy  
Australian Payments Clearing Association  
Level 6, 14 Martin Place  
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By e-mail: [akendall@apca.com.au](mailto:akendall@apca.com.au)

Dear Mr Kendall

**Re: Payments Industry Consultation Paper—Aspects of Account Switching**

Thank you for the opportunity to provide comment on the *Aspects of Account Switching Consultation Paper—September 2007* (Consultation Paper).

It is clear from an analysis of new ANZ customers as well as customer attrition rates that consumers are switching accounts, both to and from ANZ. However, there is the risk that some consumers are potentially not switching due to the difficulties associated with re-establishing direct credit and debit arrangements.

To respond to this in July 2004 ANZ launched Australia's first integrated account switching service designed to assist new customers move to ANZ. The online account switching service allows customers to enter all their relevant details (including old and new account details and identify all of the regular payments set up on their old account) and then automatically generate the necessary written advice to third parties. Features include:

- Automatic letter generation allowing customers to type in their information once and generate multiple letters
- Company address information is automatically entered with the address details for most major companies who use direct debit and direct credit payment methods already provided
- Customers can use the service in the convenience of their own home where they have access to all their bills and statements.

This service which streamlines the process for changing to ANZ is provided free to customers and can be found at [www.anz.com/switch](http://www.anz.com/switch). In February 2005 ANZ extended this service to small business accounts.

While ANZ's online switching service will assist new customers in preparing the written advice to third parties, it still relies on the customer being able to identify all third party and other regular payments made on their old account. For customers who have kept records of their arrangements this will be straightforward, for customers who have not kept records it may not be.

This is why ANZ believes the industry as a whole needs to respond to either further assist customers to identify and move these transactions, or for financial institutions to be equipped to do it on their behalf.

The Consultation Paper outlines three proposed options for assisting customers move their direct credit and debit arrangements. These included a service which would be provided by the incumbent financial institution to provide a list of all arrangements (Listing Service); a redirection service provided by APCA which returns non completed transactions combined with new account details (Redirection Service); and establishing a central registry service to replace the existing system (Central Registry). Each option is discussed briefly below.

#### *Listing Service*

ANZ believes that ANZ customers, both incoming and exiting, would benefit from a listing service which would assist them to identify their direct debits and credits. This listing service would tie in well with the current switching services provided by ANZ and most other financial institutions and facilitate a more reliable and easier account switching process.

Given that some consumers are successfully changing accounts without the benefits of a listing service ANZ does not believe that all customers would need or use this service. Therefore, rather than financial institutions absorbing the cost of providing this service and then passing it on in the form of higher overall fees, a user pays service should apply.

This would allow each customer to make a choice based on their individual circumstances as to whether the perceived benefit through improved convenience justified the cost involved.

It should be noted that a financial institution that provides a listing service is in effect assisting its customers to leave them for its competitors. This creates a strong disincentive for financial institutions to provide this service unless it is also done by competitors. Without full industry participation there will not be a level playing field.

### *Redirection Service*

While the proposed redirection service could potentially be effective for direct credits, it does not address the issues relating to direct debits due to the need for customer authority applying to these arrangements.

In the event that a direct debit is processed under the current arrangements a return transaction message is sent to the debit user's<sup>1</sup> financial institution. This message will in turn prompt the debit user to establish contact with the customer to seek the new account details as well as a new direct debit authority. Amending this message to include the new account details would not remove the need for the debit user to get in contact with the customer, as they would still need to seek a new direct debit authority.

While this proposal may provide some benefit for direct credits it appears to provide little benefit for direct debit transactions. As such ANZ does not support this proposal on the basis that it does not provide a full solution for consumers.

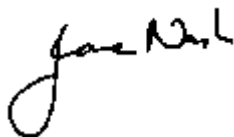
### *Central Registry*

While a central registry may be the most convenient option for customers, ANZ agrees with the contention in the Consultation Paper this would require fundamental system changes and costs would be significant. This would make a central registry less attractive as the cost would be passed on to consumers and a high price may deter customers from using the service.

Based on the options provided and the relevant costs involved, which would inevitably be passed on to consumers through higher prices, ANZ would support a listing service provided by all financial institutions on a user pays basis.

ANZ would be pleased to provide further information on this issue and I can be contacted on 03 9273 6323.

Yours sincerely,



Jane Nash  
Head of Government and Regulatory Affairs

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<sup>1</sup> Debit user's cover organisations that, on the authority of their customers, initiate a direct debit arrangement through their own financial institution with a customer's financial institution.