

Q1: To what extent do you believe direct credit and debit arrangements provide an impediment to account switching in Australia?

Please provide as much evidence as you can to support your view.

Ultimately, the customer is inconvenienced as the responsibility sits with them to notify DE users of the change of accounts. Banks providing tools and resources to aid the switching process certainly helps. However, ultimate responsibility should lay with the account holder to ensure only authorised transactions occur on any new account that is opened.

Q2: Are you aware of additional overseas experience that is relevant in the Australian context?

No.

Q3: In your view, do financial institutions already offer adequate support for new customers to transfer or re-establish direct credit and debit arrangements from their old financial institution? Are there any services offered which are particularly useful?

Financial Institutions providing Switching tools during the account opening process would assist with this process; this evidently is being offered by the Major Australian Banks.

Q4: Would a listing service of the kind described at section 9.1 assist in facilitating account switching? Do you think customers would be prepared to pay for such a service? If such a service was implemented, do you believe it is fairer for the cost to be absorbed by financial institutions (thereby in effect adding to the total costs borne by all customers, whether they switch accounts or not), or for those that make use of the service to bear the cost? Why?

Introducing a listing service would better serve the customer through shifting the responsibility of maintaining a list of their agreements with DE users. That said, providing such a service would be costly to a Financial Institution with no real identifiable financial gain. To charge solely the customers who opt in for a Listing Service would prove unreasonable as the system impacts and labour costs would far outweigh any sensible fee.

Q5: Would a redirection service of the kind proposed at section 9.2 assist in account switching? Do you think customers would be prepared to pay for such a service? If such a service was implemented, do you believe it is fairer for the cost to be absorbed by financial institutions (thereby in effect adding to the total costs borne by all customers, whether they switch accounts or not), or for those that make use of the service to bear the cost? Why?

An enhanced return transaction may work if used as a motivator for DE users to make contact with their customer. The implementation of a new return code indicated 'Account Switch' would assist, however education of all DE users would need to be extensive to ensure the enhanced returned transaction was best utilised. It would not be a service a customer could 'rest assured' with as it is manual. Another alternative would be to enhance messaging ability within standard DE files, but again this would be a costly and time consuming resolution with substantial resourcing requirements required. Also, who would bear the cost of the returned transaction? Several returned transactions could result significant penalties for the customer undertaking the Account Switch.

Q6: Would a central registry service of the kind proposed at section 9.2. assist in account switching? Do you think customers would be prepared to pay for such a service? If such a service were implemented, do you believe it is fairer for the cost to be absorbed by all financial institutions (thereby in effect adding to the total costs borne by all customers, whether they switch accounts or not), or for those that make use of the service to bear the cost? Why?

Having a centralised register would of course assist in the tracking of the DE System, and likely serve several other purposes. **To establish such a facility, as mentioned, would involve substantial development and staffing costs both initially and to maintain the integrity of the data.** As discussed in my response to Q4 it would be unreasonable to expect the customers who opt in for this service to bear the cost as it would be exorbitant. That said, the cost to an FI would be substantial and, at first thought, it would appear the return on the investment would be less than favourable.

Q7: Do you think there are other steps that could be taken to make it easier to transfer or re-establish direct credit and debit arrangements for financial institution customers? Please provide as much detail as possible, including the features and benefits, how the solution would work, what the potential costs would be and how costs should be apportioned.

Banks providing Switching tools is likely to assist this process mostly. Whilst centralising data and implementing new transaction return codes etc would be of benefit to the Account Switching process, it may prove difficult to build a case strong enough to justify the mass system and process changes needed to facilitate Account Switching initiatives.