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**St.George Bank Limited**

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Australian Payments Clearing Association  
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Dear Arun,

In response to the recent *Payments Industry Consultation Paper* regarding account switching published by the Australian Payments Clearing Association (APCA), St.George Bank Limited (St.George) is pleased to provide the following comments.

**Q.1: 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.**

At St.George we consider that the direct credit and direct debit arrangements do not provide a significant impediment to account switching. Throughout the industry, customers have practical experience establishing and rearranging Direct Credit and Direct Debit authorities.

Within the financial services industry, individual providers offer a variety of ways to assist consumers to

- Receive general tips to help understand the process steps involved to change their banking and payment arrangements;
- Identify the instructions and authorities against their account;
- Request that the party holding the instruction or authority transfer it to another account;
- Cancel relevant authorities;
- Transfer all or part of balances between accounts; and
- Open and close accounts

St.George holds the view that throughout the industry a considerable volume of account opening and closure regularly occurs which is replacing, or will be replaced by, other accounts, often with different financial institutions. The industry refers to this activity as account churn. The level of activity that occurs indicates to us that consumers are not experiencing any serious impediment to switching accounts when they require. Moreover, the involvement the financial institution can, and does, make in this process is typically an area of service differentiation.

The aggregate volume of account churn would comprise customers who use a service like St.George's Easy Switch™, perform a balance transfer, are assisted through the process by staff in a branch or in a call centre, manage the process unassisted by bank staff, or some combination of these means.

St.George's Easy Switch™ is available to customers opening an account with St.George and is a free service to assist with change of banking and payment instructions. This service provides the customer with guidance and practical advice with examples to ensure all arrangements have been considered. This includes on-line information, a checklist of typical steps, and standard template documents that can be completed as relevant to the needs of individual customers.

Existing St.George customers receive a summary on the reverse of each statement listed by "User" name providing details of both Direct Credit and Direct Debit transactions that have occurred within the statement period. This information is also available on our Internet banking site. Therefore, should they decide to move account to another Financial Institution, these details are readily available.



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

We believe that there is no consistent arrangement or “model” around the world with regard to the parties involved as holders and granters of payment instructions and authorities, nor the process of their re-arrangement where there is some change in the circumstances of the instruction/authority relationship. As such, there is no ready precedent to follow, adopt or critique for the Australian market.

In the Australian market, direct credit and debit instructions and authorities are held by those bodies which will initiate the payment to or from the consumer’s bank account, most often this will not be the financial institutions where the accounts are held. In these circumstances, there is no single organisation holding a complete view of the instructions or authorities in place for any individual.

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?

Please refer response to question one.

We believe the services offered to assist account switching are practical and useful and, to the extent that differences exist, represent competitive service level differentiation between 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?

As mentioned earlier, customers are provided with statements (paper and electronic) on a regular basis, which detail all Direct Credit and Direct Debit transactions that have occurred on the nominated account, in addition to a summary on reverse of statement.

Given that the necessary information is already available to customers, we do not see any significant benefit to be achieved by providing the same information in a different format.

Any listing service would not necessarily be a complete solution for a customer. As such it would be unlikely to be valuable enough to customers to warrant a separate charge. Accordingly, it would be likely that costs would be borne across financial institutions and their entire customer bases

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?

St.George does not support a redirection service as customers may have multiple redirection instructions in place with multiple institutions at any one time, resulting in a complex and complicated process to manage effectively & efficiently.

As it would be subject to new account notification to the old financial institution by the customer it would not be failsafe. Additionally, it would require multiple messages to achieve its results as well as message format changes, introducing additional costs as well as timeliness concerns. Consequently, its value to users may be questionable, and therefore difficult to cost-justify

As for all banking services. pricing of such service, if it were to proceed, we would expect to be proprietary to each financial institution.

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?


The *Payments Industry Consultation Paper* distributed by APCA detailing overseas experiences where a central switch is in place carries an onus on the customer to advise users of changes to banking details. Therefore, it may not completely address the concerns raised.

This proposed registry service would certainly require significant process and system development and changes. This would also have consequences and costs for systems designs of data storage and maintaining data integrity, security and keeping it contemporary. It is not clear to us who would be prepared to bear the cost necessary for such a development.

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.

Customers have all required information readily available; with many institutions providing account switching services free to their customers. St. George believes that, in the current Australian model of bilateral switching and clearing of direct entry payments, with third parties holding authorities, Australian financial institutions already competitively act to service the needs of existing and prospective customers in a fashion that neither direct credit, nor debit, nor account switching is effectively impeded.

Yours sincerely,

A handwritten signature in black ink that reads "George Beatty". The signature is written in a cursive style with a long horizontal flourish extending to the right.

George Beatty  
Acting Group Executive  
Retail Bank