



**Financial Sector Campaign Coalition
Submission to the
Competition Commission Enquiry**

**Competition in Banking
27 October 2006**



TABLE OF CONTENTS

3	Introduction	3
5	The FSCC: profile and mandate	5
7	Banks and sustainable development	
9	Bank charges and Access to banking – actual and hidden costs	
9	Bank charges and Access to banking in urban areas	
	Case study 1: West Rand	
	Case study 2: Alexandra	
	Case study 3: Trade union member	
12	Bank charges and Access to banking in rural areas	
	Case study 4: Ngcingwane village, Eastern Cape	
	Case study 5: Bizana, Eastern Cape	
	Case study 6: Umzumbe, KwaZulu Natal	
14	Access to the National Payments System by financial co-operatives	
14	Savings and Credit Co-operatives	
	Case study 7: Sibanye Cape and Alrode SACCOS	
19	Case study 8: Burial Societies and village banks	
20	Bank charges, access to banking by organs of civil society and banking for social grant recipients	
	Case study 9: Ethekwini Civic Forum	
22	Bank charges and Access to banking initiatives	
	Is Mzansi the solution?	
26	CONCLUSION	



Introduction

The Financial Sector Campaign Coalition commends the Competition Commission for initiating this Enquiry into Competition in Banking in South Africa. We welcome the Commission's decision to conduct this enquiry in terms of Section 21 of the Competition Act, which gives the Competition Commission the responsibility to implement measures to increase market transparency and to enquire into and report to the Minister of Trade and Industry on any matter concerning the purposes of the Act.

We believe that this Enquiry into Competition in Banking is overdue and is a crucial intervention in a broader initiative currently underway in our society to transform the financial sector so that it better serves the needs of all South Africans. It is especially important in relation to initiatives to improve access to banking by the millions of citizens who are "unbanked" as a result, at least in part, of the lack of competition in banking, unaffordable banking services and high bank charges.

The FSCC trusts the Enquiry will shed light on the previously opaque or hidden banking industry practices that have resulted in the failure of the banking sector to provide access to banking products and services in an equitable, just, appropriate and affordable manner in post-apartheid South Africa.

For many years, despite our hard-won democracy, our political freedom has been constrained and severely limited by a noose of economic hardship and exploitation. During the first decade of our democracy, the discriminatory practices and conduct of banks in South Africa, honed during the days of apartheid, coupled with the lack of appropriate market conduct regulation, have contributed to the hardships experienced by the majority of citizens, who are working class and poor. Whether intended or not, the effect of continuing these industry practices has been to worsen the living conditions of the majority of South Africans, despite claims to the contrary.

In this submission, we wish to provide evidence of these experiences by the majority of South African consumers – people who are black, working class and poor. We would appreciate the opportunity to give testimony in support of this evidence during the public hearings that will form part of the Enquiry.

Before addressing these issues, we wish to outline some of the factors that we consider constraints in providing the quality of evidence, and mapping the linkages to other initiatives, that would be relevant to these hearings.

Firstly, the timeframes of the Enquiry have limited our ability to gather the mass of evidence required to prove the extent of the economic hardships caused by current banking practices, in particular access to the National Payments System and bank charges. We would therefore welcome the opportunity to supplement this brief initial submission through further engagement with the Panel during the course of the Enquiry.

Secondly, the terms of reference to enquire only into particular aspects of competition in banking are limited. These limitations could translate into only a partial answer to the more fundamental questions of access to banking by all South Africans and could therefore restrict comprehensive

and coherent solutions to this national and developmental problem.

While the terms of reference implement the 2004 recommendation by the Task Group for the National Treasury and the South African Reserve Bank that the Competition Commission should "investigate the possibility of a complex monopoly in the governance and operation of the national payments system", this recommendation itself was limited. Broader terms of reference would also have enabled the Commission to better address the widespread public concern regarding the level of charges made by banks and other providers of payment services to consumers.

In our view, the terms of reference do go some way towards examining the complex issues of competition and access to banking, but do not go far enough to ensure a holistic solution. Following on the findings in the Commission's research report *The National Payment System and Competition in the Banking Sector*, which laid bare to the general public for the first time some of the workings of the National Payments System and the calculation of the exorbitant bank charges which prevail across the industry in South Africa, we believe it would have been appropriate to conduct an Enquiry with more comprehensive terms of reference. In particular, the inclusion of assessment of ownership and control structures in banking and their effect on competition and market transparency and conduct, would have been in the interests of our national economic and social development.

Thirdly, while we welcome the invitation to testify, co-operate, and make recommendations for interventions and actions to be considered by the Competition Commission and other agencies, and recognise the ambit of the Competition Act, we do not consider competition and increased transparency as the only, or the primary, vehicle for transformation of the banking sector in our country.

We note the support for this enquiry by the National Treasury, the South African Reserve Bank, and the Department of Trade and Industry, underscoring government's concern and desire to change the current state of affairs in the banking sector. We will explain our view that strong intervention by government and its regulatory agencies is a fundamental prerequisite to bring about the long-overdue transformation in the banking industry.

We take into account the banking industry's cautious acceptance of this enquiry, and its stated aim of co-operating with the enquiry. We are hopeful that the industry, and the handful of major institutions that own and control the National Payments System and set the high bank charges and fees that characterise every bank's practice in our country, are willing to approach the Enquiry with a degree of honesty, transparency and integrity that has been lacking in their interactions with other stakeholders in financial sector transformation in the past. We will be watching carefully to see whether the banks, particularly the Big Four retail bankers, embrace the spirit and well as the letter of the Enquiry objectives.

South African civil society perspectives are of particular importance to this Enquiry, given the unique context in which it takes place, the backdrop of broader financial sector transformation against which it is conducted, and the legacy of apartheid which it seeks to understand and redress. We therefore appreciate the opportunities granted by the Enquiry to make this contribution.



Financial Sector Campaign Coalition: profile and background

This section provides a profile of the Financial Sector Campaign Coalition and gives a brief overview of its initiatives to transform the financial sector. The purpose is to show that the Enquiry should not be seen in isolation, but as part of the broader national commitment to transform the financial sector, including the banking industry, to ensure that it contributes to the development of our country and all its people.

The Financial Sector Campaign Coalition was launched in 2001 to campaign for transformation of the financial sector so that it would serve the needs of all South Africans. Having grown from its roots in the South African Communist Party's Red October Campaign in 2000 to "Make The Banks Serve The People", the FSCC is now a network of 50 member organisations representing civil society through labour, political, legal, human rights, health, youth, faith, consumer, community, women's and co-operative organisations. The Coalition is governed by a Steering Committee chaired by Dr Blade Nzimande, representing the SACP.

"The mission of the FSCC is to mobilise civil society and build a movement which contributes to the transformation and diversification of the financial sector in the South African economy, mobilise capital and other resources for economic growth and development, and to use this in the promotion of local livelihoods, local economic sustainability and development".¹

The FSCC is a non-profit organisation, registered as a member of the Community Constituency at the National Economic Development and Labour Chamber (Nedlac), the social dialogue forum which brings together government, organised business, labour and community groups in an effort to reach consensus on issues of social and economic policy, including public finance and monetary policy. Nedlac functions in terms of the Nedlac Act (Act 35 of 1994), one of the first pieces of legislation passed by the post-apartheid parliament in recognition of the need for social dialogue as a pillar of our new democracy.

As a member of the Nedlac Community Constituency, the FSCC spearheaded initiatives that resulted in the Financial Sector Summit in August 2002. The Summit declaration outlined thirteen agreements that committed business (including banks and other financial institutions), government, labour and community constituencies to work together for transformation of the financial sector. All partners in the Summit agreed that "the financial sector acknowledges that access to first-order retail financial services is fundamental to Black Economic Empowerment and to the development of the economy as a whole".

The agreements recorded, inter alia, the Summit's commitment to:

- Put strategies in place to ensure that the financial sector is more efficient in the *delivery of financial services*, which enhance the accumulation of savings and direct them to development initiatives.

¹ The NEDLAC Community Constituency - <http://www.nedlac.org.za/top.asp?inc=about/community.html>

- Promote *access to financial services*, by specific actions to ensure the provision of first-order retail financial services including *sustainable and affordable banking services*; contractual savings schemes; credit for small and micro enterprise and poor households; the development of sustainable institutions to serve poor communities; address issues of discrimination, and supporting higher levels of savings and investment overall.

The 13 Financial Sector Summit Agreements were incorporated *in toto* into the Growth and Development Summit Agreements which were signed in June 2003 by all Nedlac partners. These Agreements are the economic blueprint for our national growth and development.

One of the outcomes of the Financial Sector Summit was the Financial Sector Charter, which was signed in October 2003. The Charter is a sector transformation charter drafted in terms of the Broad-based Black Economic Empowerment Act. The Banking Association, representing all major banks in South Africa, is a signatory to the Charter. The FSCC is part of the Nedlac Community Constituency representation on the Charter's governing body, the Financial Sector Charter Council.

We wish to add our voices to those that will be heard by the Enquiry panel on "the level and structure of charges made by banks/ other providers of payment services"; "the feasibility of improving access by non-banks and would-be banks to the national payment system (NPS) infrastructure; "other aspects relating to the payment system."

The FSCC submits that there is an urgent need to examine the reasons for an estimated 13 million people in South Africa remaining unbanked or unable to afford newly acquired banking services, despite commitments to the contrary contained in agreements and voluntary transformation commitments outlined above.

We draw on various studies carried out in the past five years into banking the unbanked majority, and into the affordability, appropriateness and accessibility of banking products and services for the majority of people. Our submission includes evidence from our member organisations and from some individuals who provide testimony of how low-income earners and people with irregular incomes experience banking in South Africa today. We record the typical daily challenges of historically marginalised people with the banking industry with regards to banking charges, access and competition in banking, and the difficulties experienced by alternative financial institutions in accessing the National Payments System.

We are part of organised civil society, and are defined in the Commission's terms of reference as "other stakeholders." We submit that these "other stakeholders" should be regarded as important stakeholders in the Enquiry. These stakeholders include not only the millions of consumers of banking goods and services but also the millions more who have historically been excluded from access to the industry and who to date have had no recourse to challenge monopolistic, exploitative, profit-driven industry practices.

Banks and sustainable development

In an economic environment characterised by the persistence of grinding poverty, unprecedented income inequality, with rising Gini coefficients between 1996 and 2001; high unemployment rates of up to 42%, and a widening wealth gap, it remains an anathema to us, that bank charges and interest on savings for the poor are punitive, exploitative and unjust. High profits to banks come at a great cost to social stability and sustainable development.²

Within the context of workers earning salaries below sustainable and decent living conditions, let alone those earning income from survivalist activities and the unemployed, South African CEOs and directors of banks continue to pay themselves handsome salaries. Bank CEOs are among the top earners with salaries up to R15 million a year in 2005, 700 times more than the average worker's wage of R22 000 a year.

In its report entitled "Principles for Global Corporate Responsibility: Bench Marks for Measuring Business Performance," five wage levels were defined. These were:

Level 1: Marginal Survival Wage: Wage does not provide for adequate nutritional needs. Starvation is prevented.

Level 2: Basic Survival Wage: Wage allows for meeting immediate survival needs including basic food, used clothing, minimal shelter, fuel for cooking.

Level 3: Short-Term Planning Wage: Wage meets basic survival needs. Possibility of small amount of discretionary income allows for minimal planning beyond living from pay-cheque to pay-cheque. Allows for occasional purchase of needed item(s) as small amounts can be set aside from meeting basic survival needs.

Level 4: Sustainable Living Wage: Wage level meets basic needs including food, clothing, housing, energy, transportation, health care, and education. Ability to participate in culturally required activities (including births and related celebrations, weddings, funerals and related activities). Also allows for the setting aside of small amounts of money (savings) to allow planning for the future purchase of items and the meeting of needs.

Level 5: Sustainable Community Wage: In addition to meeting basic needs and allowing the worker to set aside money for future purchases, allows for the availability of enough discretionary income to allow the worker to support the development of small businesses in a local community including the support of cultural and civic needs of the community. Wage allows for long range planning and participation.³

² With reference to "Wages, Salaries and Sustainability - a critical perspective" - Originally published in 'Professional Management Review' magazine (PMR) Volume 16 Issue 06 2005, *John Capel, Director, Bench Marks Foundation of Southern Africa for CSR*

³ ³ Revised and Released in 2003 by the Steering Group of the Global Principles Network www.bench-marks.org

In South Africa the morally unjustifiable situation is that bank charges are comparatively and nominally higher for low-income earners and poor account holders. Even middle income earners complain that their inability to open a current account for example, forces them to pay bank charges when banks allow them only to open a savings and not a current account and pay charges proportional to the amount withdrawn. Similarly, bank clients who have debit cards but who are refused credit cards, pay proportionately more for the same benefits.

The Banking Association sees its role to "establish and maintain the best possible platform on which the banking groups can do competitive, profitable and responsible banking.^{4[2]}" There is much debate about what exactly responsible banking is in South Africa, and even more debate and disagreement around what is considered to be profitable. FSCC would be dubious about agreeing in any way that competitive practices exist.

The International Labour Organisation, in its publication titled "Concepts and Strategies for Combating Social Exclusion - An Overview", underscores the important role that banks should play in the 21st Century. It states that:

"In general terms, it is not immediately obvious that financial institutions and private banks per se, engage in social exclusion, they are in fact themselves creators of exclusion. During the 1990s, they started to show a certain interest since, in some ways, the creation of social added value generates new conditions for growth. This is primarily because financial interventions are tailored to the specific characteristics of clients and their attitudes.

In the second place, the role of banks is to ensure the relationship between savings and investment. They can display their social credentials to their employees and clients by offering clients the opportunity to allocate a small percentage of their savings to the financing of social and ecological projects. In so doing, they can also attract new funds....

This interaction between the financial coverage of individual needs and the promotion of collective projects is another aspect that should be emphasized. In the United States, the Community Reinvestment Act, 1977, designed to encourage ordinary banks and savings banks to meet the credit needs of precarious local communities and low-income groups and individuals, was amended in 1993 (the Community Development Financial Institutions Act) to allow partnerships between banks and other associations. It has had remarkably positive results in bringing together local savings, access to housing loans, financial institutions, the social economy and the development of community activities.....In practice, an increasing proportion of the population wants to know where to place its savings and to decide how they are to be used".

The situation described by ILO pertains equally to South Africa. An increasing proportion of the South African population also wants to know 'where to place its savings and to decide how they are to be used'. The Enquiry will contribute to the pool of knowledge that will assist South Africans to make decisions that are not only in the interests of shareholders, but that are in the interests of all stakeholders in our society who are committed to our national transformation goal of eradicating poverty.



Bank charges and Access to banking – actual and hidden costs

It is the small, middle class, mostly white elite in our society that experiences bank charges simply as the deductions from their cheque accounts which they see on written statements received by post.

For the majority of South Africans, bank charges are experienced in a number of ways. Firstly, there are the high bank charges for maintaining and conducting simple deposit and withdrawal transactions on a basic bank account. Secondly, there are the added costs of operating a savings account when a current account would be more appropriate but access to this is denied; thirdly, there are the hidden costs of accessing basic banking services in a country where banking infrastructure remains skewed along apartheid spatial development lines.

Below we illustrate the reality for most South Africans through case studies from historically disadvantaged urban and rural areas.

5 Bank charges and Access to banking in urban areas

Communities on Gauteng's West Rand have marched on banks in the area four times in the past year to protest, among other things, against high, unfair and unexplained bank charges by all of the major banks.

Case Study 1: West Rand, Gauteng

Mr Nkosiphendule Kholisile, district secretary of the Yusuf Dadoo district of the SACP, on the West Rand, Gauteng, explains their reasons for taking this action.

"For the past three years, I have been involved in the district FSCC to campaign for better financial services, especially banking services, in the townships on the West Rand.

The places where you find banks on the West Rand are in the previously developed white mining town like Randfontein and Krugersdorp and in the shopping malls and garages in their suburbs. Townships are still completely neglected by the banks, even though most of the people in the district actually live in these places. This means that black people who live in Mohlakeng, Simunye and many other townships and informal settlements have to pay to travel to places where they can find banks and ATMs.

As well as paying the bank charges to withdraw cash, you also have to pay the "hidden bank charges" of transport costs. On top of that, you must pay an extra fee if use the ATMs that belong to another bank. Usually, there is only one machine that belongs to one bank. If you happen not to bank with that particular bank, you end up paying extra fees to use the machine of the other bank. This is very unfair to our people, because they have no choice...they have to use the machine which is nearer because they have already wasted that R10 on transport."

Transport costs, on average, for people to travel from the township to the nearest ATM by minibus taxi is about R10 return.

At busy times, it is not even worth going to the nearest bank or ATM because it will be too full. You may stand for an hour in the queue. Especially at month ends, or holidays, you find that it is better to go straight into town like Randfontein or Krugersdorp to draw money. Then it costs about R 12. But the journey takes longer...about 30 minutes each way, so you must budget for at least an hour and a half if you want to draw even R20. These are all the real costs to poor people to draw money – you cannot just calculate the bank charges that you see on the slip from the ATM – that would not give a true picture. For each and every withdrawal by a black person from a poor area, you must add R10 – that is the real bank charge, two loaves of bread. Can you imagine, paying R10 and wasting one and a half hours just to draw R20? This is not the banks serving the people. It is the banks just ignoring the people and making us suffer more.”

People are also cross about the way banks never explain charges to them. They refuse to give people bank books any more, even though they only want to open savings accounts for them. This happens even with people who are old, who cannot read and write... they must still struggle with the ATM card. But the banks never explain the bank charges that will come from using that card, or the ATM machine. It is only later when your money is finished that you see you were charged R6 or R7 to draw out even R20 from the machine. Many poor people cry about this.... It is very unfair and they do not understand what that money was taken for....

Another thing about bank charges that people really do not like is that they never tell you that you will be paying even for deposits when you open your account. How can the bank charge me to put my own money in their bank? This is ridiculous! They should be paying me because they want me to be their customer.

A few months back, I took a loan from somewhere and I deposited it in my account. Later I saw my bank charged me R54 for the deposit. What do they do with that money they charge? I think it just goes into their profits – that's what makes people angry enough to march on the banks. They don't listen, they don't care, they just suck us dry. Maybe they don't care if we are their customers tomorrow.

The following table illustrates the distribution of banking infrastructure in the West Rand district Mr Kholisile referred to, showing the inadequate infrastructure in black areas and the abundance of both banks and ATMs in previously white towns.

Table 1: DISTRIBUTION OF BANK INFRASTRUCTURE, WEST RAND, GAUTENG

TOWN	TOWNSHIPS	TOTAL POPULATION	POP BG	BRANCH	ATM
Randfontein	Mohlakeng	51,270	51,252	1	2
	Toekomsrus	15,753	15,743	0	1
Krugersdorp	Kagiso	104,673	104,590	3	18
	Munsieville	20,570	10,567	1	1
	Lusaka	Not MP, so no census data	?	0	0
Westonaria	Bekkersdal	57,897	57,897	0	2
	Simunye	Not MP			
	Part 1	15,320	13,537	0	2
	Part 2	8,750	8,617	12	13
Carletonville	Khutsong	72,439	72,731	0	2
	Wedela	Not MP, so no census data	?	0	0
	Carltonville	19,043	8,758	18	29

Notes

1. MP = Data at Main Place level, the description used by Stats SA census for measuring population
2. Pop inflated by 3.7% from 2001 Census
3. Areas marked as "not MP" are part of MP and not MP in own right.
4. BG is Black Generic
5. Areas that may contain the "not MP" designation are added, e.g., Westonaria Part 1 and 2

Case study 3: Alexandra, Sandton

In Alexandra, the historic township to the north of Johannesburg, there are 175 000 people served by 1 bank. In Sandton, its newer neighbour, there are 130 000 people and 59 banks.

Alex residents, including businesses, argue that they need banks to serve this large, if poor, population. Banks have ignored this call. Informal comments from bank executives express the apparent industry view that as Alex is only a few kilometres from commercial, industrial, retail and residential areas in Sandton, they can easily access banking infrastructure there. Alex residents say that in this scenario, someone has to bear the cost and it is them.

This is the experience of bank charges, and hidden bank charges related by Alex resident, Ms D, who is a domestic worker in Sandton.

Ms D, Alexandra, Johannesburg

"I had to leave my children at home in Northern province when my sister found me a job here in Sandton. I had no husband, I had been unemployed for a long time. I could not even afford to buy shoes for my son to go to school. I was so happy to find a good job. At home we had a bigger house but no money. Here in Alex, we are so crowded that at night, we are so many in the house my bed is under the dining room table. I put my blankets on the floor after everyone else has gone to bed. At least here in Alex we do have electricity but we still have no bank.

My employer registered me and wrote me a letter to take to the bank to open my account. My salary is R2 500 and it goes straight into my bank account every month. My bank is Nedbank because that is my employer's bank and the money shows on the same day. I was so happy because that made me able to open accounts at Truworths and Edgars and Woolworths. The trouble comes when I have to withdraw. I have to do that when I am at work because there is no machine near my place in Alex. If I am at home and I need money. I have to catch a taxi to go to draw money. It costs R3,50 so I must have R7 return. I don't know exactly how much I pay to draw the money, I think it is R3 or R4 every time you draw R100. Usually, I draw once a week or twice.

I don't have the Mzansi account because I already had my bank from before. I could not change because Mzansi does not have debit orders to pay my monthly accounts. If you don't have debit orders, they will not open accounts for you.

We have so many people in Alex, why we can't have enough banks? Maybe it is because the banks think we are too poor. "

Bank charges and Access to banking in rural areas

While access in urban areas is restricted and results in an increase in the cost of access over and above bank charges, people living in rural areas pay considerably more to access basic banking services, for which they then pay high charges.

Case study 4: Ms M, Ngcingwane village, Eastern Cape

The village is in the Eastern Cape, 30 minutes drive from Idutywa and one and a half hours from East London. The women in this village work together on a project to make crafts, sewing, beadwork and growing vegetables.

"We use waste materials like plastic bags, bags from pockets of oranges and potatoes for crocheting hats and bags. Otherwise we put our hands in our pockets to buy materials and beads to make into clothes, table cloths and necklaces for people to buy. The trouble is we don't have a way of getting our things to shops to sell. We have no jobs here, so we are trying to make jobs for ourselves.

We have no banks in our area, we have to go to Idutywa to go to the bank. Transport is the main problem. We go by taxis and private cars. If it is a taxi, we pay R12 to town and back. If two of us must go to town to sign at the bank, it means transport money of R24."

Case study 5: Ms M comes from Mpongweni, a township in Bizana, within the municipality of Mbizana in the Eastern Cape. She earns between R1 500 and R3 500 per month.

The distance to the nearest bank from her home is 60km. She has accounts at three banks, FNB (11 yrs), Nedbank (7 yrs) and the Postbank (6 yrs). In addition to the three bank accounts, she is also part of a stokvel, a burial society, has bought government retail bonds and hopes to buy shares in future.

Her monthly bank charges are about R300, amounting to 10-20% of her income. These charges were not explained to her and ATM charges are not transparent – she does not understand what is meant by “DR”. Debit orders are charged high fees, she receives no monthly statements on savings accounts, and has to pay R2 per statement for printing a savings account statement at the bank.

To get to the bank, she takes a bus and a taxi - “but these are Stallion trucks, not proper taxis, because of bad roads”. In total, she spends a total of R30 for transport, and it takes 1h40 minutes one way due to bad roads. The costs of admitting to being married in community of property mean that a spouse has to travel to visit the bank in case of queries. This results in many people declaring they are married out of property when they open accounts, simply to avoid the extra travel costs.

The local Standard Bank is an agency for the Lusikisiki branch and has started a campaign to encourage people to open savings accounts. If they can have 20 000 new clients, then they can operate as a normal bank. She thinks it was unacceptable of banks to encourage people in the area to open accounts in anticipation of reparations to be paid by the Truth and Reconciliation Commission. There were negotiations where accounts with as little as R20 at FNB and R10 at Standard Bank, were opened. However, by the time the reparations were deposited, the bank accounts were closed, as bank charges had eroded the small deposits. The result was that accounts “had to be reopened all over again” in order to receive TRC money because the banks had not told people of the bank charges or the requirement to transact in order to keep accounts open.

The local FNB bank is small bank with a lot of customers. Computers break down on the busiest days, transactions have to be done manually. This wastes a lot of time, especially when grants are paid out and on the 20th of each month when teachers get paid. Furthermore, when the computers break down, only deposits are accepted and no withdrawals are allowed. This means extra costs to travel to another bank.

She recommends that, in order to make banking accessible, we must “not be charged service and transaction fees, and we must be given decent interest on savings”.

Despite earning no more than R3500, her bank recently offered her, without consultation, a loan of R10 000, which she refused. Again, she was called and offered a credit card and cheque account, and a loan. She thinks this is irresponsible and that the traditional method of saving, namely hiding your money in a three -legged pot like your grandparents did, will again become fashionable.

From the Eastern Cape to KwaZulu Natal, the story is the similar.

Case study 6: Mr N lives in Umzumbe, near Hibberdene in the Ugu District Municipality and works in the Port Shepstone area, part of the Hibiscus Municipality on the South Coast of KwaZulu Natal.

The closest bank to his home is 30kms away. This is a Nedbank facility that has existed for about 10 years. In Port Shepstone, where he is involved in a co-operative, the bank is less than 1 km away and also belongs to Nedbank. From home he takes a taxi or bus, at worst, hires a private car. Usually, he pays R16 for a return taxi trip. In an emergency, he would have to pay R250 to hire a private car. His income fluctuates but is usually about R3 500 a month and he pays about R150 or 4% in bank charges.

The kinds of transactions he pays for are deposits, withdrawals and transfers; he estimates his average withdrawal charges to be about R10, depending on the amount he withdraws. However, the closest ATM is inside the bank building and is not available after hours. He is therefore forced to use another bank's ATM, incurring additional charges that are, in his view, unfair.

He suggests that banks should be more transparent by showing how bank charges made up, and that charges should be printed out on transaction slips. He also recommends that "fines" (penalty charges) should be much lower and fully explained when the account is opened. He also wants banks to explain whether the time of the transaction in the day, attracts different costs and whether transactions done inside the bank cost more. He says all this information explaining charges should be explained simply and available in all local languages.

In general, the community members quoted above and other interviewed for this submission are unsure of the various costs per ATM transaction, and why these vary, but often correctly state that it is between R3-7 per withdrawal. It would appear from this small sample that people earning less than R1500 per month limit their transactions so that they pay about R20 in ATM fees.

The obstacles to affordable access described above illustrate the hidden charges that most South Africans pay to conduct simple transactions like withdrawals. While these charges do not appear on any bank statement, they are real for the majority of South Africans.

Access to the National Payments System by financial co-operatives

In addition to paying high bank charges, South Africans who try to join with others to circumvent the limitations of the banking system are thwarted by their lack of access to the National Payments System. In this section, we outline the problems experienced by two types of financial co-operatives, namely, savings and credit co-operatives, and burial societies.

Savings and Credit Cooperatives

Savings and credit co-operatives in South Africa are financial co-operatives in which members form a legally recognised and regulated entity for the purpose of saving together and lending to each other. In other countries, such structures are commonly referred to as credit unions. It is common for credit unions to have access to the national

payments system and to offer a wide variety of services and benefits to their members.

The Savings and Credit Cooperative League of SA (SACCOL) Ltd. was established by Savings and Credit Co-operatives (SACCOs) in South Africa as their national association. SACCOL members are denied access to the NPS as they do not fulfil the minimum requirements for membership imposed by the owners of the system.

SACCOL has three primary functions:

- it is the representative of the SACCO movement both locally and internationally;
- it provides development services to SACCOs. SACCOL services its member organisations by providing training, advice and other technical services as well as accepting deposit from and making loans to its members;
- it regulates SACCOs in terms of what a reserve Bank exemption.

SACCOL is a member of the World Council of Credit Unions (WOCCU). It is an organisation that has provided valuable evidence and arguments in the formulation of policies and the legal framework regarding financial co-operatives and actively participates in the Community Constituency of NEDLAC.

SACCOL is of the view that its members' operations are unfairly limited by lack of access to the National Payments System. SACCOs are not granted BIN number,⁵ so they cannot pay UIF, Pension Fund payments, and state department payments, or debit orders. This severely restricts the financial services they can offer to their clients.

SACCOL is also of the view that the South African Reserve Bank (SARB) and the Registrar of Banks are not taking responsibility to regulate banks in this regard. These authorities could intervene to remove barriers to access. They believe it will be necessary to ensure that the new Co-operative Banks Bill provides for co-operative banks to have appropriate access to the NPS.

Case study 7: Sibanye Cape Savings and Credit Co-Operative Ltd

The experiences of the Sibanye Cape SACCO Limited are typical of SACCOs throughout the country. Sibanye Cape SACCO Manager, Mr Victor Botha, explains how restricting access to the national payments system prevents financial co-operatives from providing appropriate, affordable and accessible financial services to their members. These members are mainly workers who have formally joined a SACCO and requested that stop-orders come off their salaries in order to save or pay back low interest loans, with interest calculated on residual balances.

"Sibanye SACCO is affiliated to the Savings and Credit Co-operative League of SA Ltd (SACCOL) and is legally registered with the Registrar of Co-operatives in the Department of Trade and Industry as a bona fide savings and credit co-operative.

⁵ The BIN number is the first six digits of the Account Number. Banks use BIN tables in routing transactions to the appropriate bank for credit approval and final settlement.

The SACCO has approximately 2 546 members that are using the services of the SACCO. Of these members 1609 are male, 881 female and 56 groups and organisations. We have members in 16 different factories that range from a total of 9 to more than 250. These members all have payroll deductions. Of our private members and groups, most pay through debit order and some deposit cash in our bank account or at the SACCO offices.

At this stage we have members in Khayelitsha, Belhar, Gugulethu, Atlantis, Epping, Bellville, Cape Town and Mitchell's Plain that both work and have joined privately. Each member has a right to vote or to be nominated to serve on the board of any of the SACCO's committees. Members elect a Board of Directors that chooses the Executive committee and specialized committees like Credit, Education and Promotion committees.

I have been a manager of this SACCO for ten years. Our main focus group has been factories and before 1998 we were quite successful in getting payroll deduction from Employers. We have and still receive a lot of support from unions like the National Union of Metalworkers of South Africa (NUMSA) and use their regional and local meetings to approach workers.

We grew from 4 to 26 factories between 1994 and 1997 but since then it has increasingly been a challenge for the following reasons:

- After the slump in the metal industry and factory closures we were reduced to 16 factories where we had stop order facilities.
- The workers like our savings and funeral products and the access to affordable finance. As a result, they are quite willing to join. However since 1999 we were unable to convince companies to allow payroll deductions from taking place.

I have visited an average of 30 factories a year and although the workers are willing to join, these attempts were not fruitful because of the blatant lack of cooperation and recognition from employers. Banks and other microfinance institutions do not have these problems. In some cases, even after workers have decided to join the SACCO, one of the banks was brought in to talk to the workers. After discussions, workers were told they can join the bank and the employer will allow deduction from their accounts. Because of these and the banks exclusionary and exclusively granted right to the National Payment System (NPS), the whole approach to self-sustaining organisations like SACCOs is undermined.

It is difficult or impossible for our members who are willing to pay their salary into their SACCO, as access is not as easy because we do not have the funds and the systems to allow ATM or cheque offs. Even government employees are not able to have access to the NPS. Hence the government, which is the biggest employer, cannot form a SACCO as there is no payroll deduction facility.

Finally, in countries like Kenya and Swaziland, the biggest SACCOs are government employee groups such as the teachers, health department officials and persons in the police services. SACCOs have made a meaningful difference in the lives of these people and their savings rates are much higher than South Africa. We have a debt problem, where indebtedness constrains saving due to interest payments – this has been complicated by high interest rates. Thus, by supporting SACCOs more, the government would also tackle the whole issue of over indebtedness.



poverty and other social issues."

Case study 8: ALRODE SACCO, ALBERTON, GAUTENG

Another SACCO manager, Mr Patson Ngwevela from Alberton in Johannesburg, says that despite the commitments by financial institutions in the Financial Sector Charter to support alternative financial institutions, SACCOs receive no support and have no choice but to pass on high bank charges to their members. He says high bank charges are seen as a source of sheer profit by formal banks, regardless of the socio-economic impact on lower-income clients. This is part of the reason they do not encourage SACCOs.

He says in his experience, there is little or no competition between banks in either service or pricing to groups like to one to which he belongs. He relates that his group started in an industrial area with only 4 members. By going factory to factory and recruiting members, the Alrode SACCO now has over 1746 members and savings of R 9, 4 million in the bank. The bank charges them over R2000 a month to deposit their members' monthly savings of R900 000, sometimes more.

But this money is not in their own bank, because they are denied access to the National Payments System. Like all SACCOs, they are forced to bank with a commercial bank in order to offer their clients the services minimum levels of service, such as providing cheques. For this they pay the same rates as everyone else - no recognition of their status, no acknowledgement that they provide the credit to the banks' clients that it does not want as borrowers.

He says they have changed banks since they started, but there is no difference in costs. They pay the same bank charges – there is no competition. "We went on a study tour of financial co-operatives overseas. When you walk into a co-operative bank in Holland or Japan, it is like walking into Absa."

The table below indicates the affordability of SACCO products and services compared to services provided and charged for by banks:

Table 2: A Comparison of typical bank charges and SACCO fees:

Transaction	SACCO fee/ Rate of interest	Typical formal bank fee/rate of interest
Savings account interest	6%	0 – 0.5%
Bank charges	No deposit fees	R1.05 for every R100 deposited
Standard monthly fees	Annual affiliation fee of R60	Varies – lowest R85. Standard monthly fees – minim bank fees of R25 p.m.

		on a savings account; High withdrawal fees
Cash fee	R4.00 regardless of amount	Pro-rata on every amount drawn- e.g. Rx per R1000
EFT fee	R5.40 – charged by banks	Varies – depends on type of account – but, for poorer people, they charge more than SACCOs do
Transaction Fees	A standard R3.00 per every transaction levied - (because of fees imposed by bank – lack of access to NPS)	Varies – substantially higher than SACCOs
Interest on loans	25-28% p.a. – to an extent, forced to do so by current banking institutional arrangements – works on a reducing balance system -Compared to banks, this is a very low rate.	If people in the low-income category do qualify, they are charged a much higher rate
Cheque fees	Same as banks – no extra fees charged even though SACCOs are forced to dealings with formal banks	Most poor people do not qualify for current accounts. If they need a cheque, they pay about R45 to get one from the bank.

Case study: Village Banks and Access to the NPS

In some rural areas, village banks exist and offer a range of services to residents in remote areas that are not served by commercial banks. Like SACCOs, village banks do not have access to the national payments system and pay retail bank charges which they have to pass on to their clients.

One such organisation is the Nkomazi Village Bank, of which Mr Aubrey Ngubane, a local high school teacher, is the Manager.

“Our village is near Malelane on the border of the Kruger National Park in Mpumalanga. We stay far from town and we do not have shops or banks.

Ten years ago, the people came together and we decided that we should start our own bank, where we could save our money and make loans. We built the Nkomazi Village Bank and now we have 600 members. The bank is owned by all the members equally.

Our problem is that we have to travel to the bank in town to deposit our money. We take a taxi to and put our money into the bank . They charge us even for depositing our money into our account. If we deposit R2000, they charge us about R10. When we withdraw, we pay again, maybe R20. The banks are robbing us. But we have no choice because we must keep this money somewhere safe. If it gets stolen our

members will hold us responsible. "

Burial Societies and access to the NPS

Perhaps the best know form of financial co-operatives in South Africa are the burial societies which exist throughout the country. These co-operative insurance schemes accept savings from their members and provide funeral arrangements in the event of a death in the family of a member. Estimates vary, but approximately 5 million South Africans contribute to burial societies; some members belong to more than one society in order to spread the risk as societies sometimes fail to pay out claims.

During apartheid, this form of co-operative insurance provided African communities in particular with the only affordable and accessible means of managing the high cost of burial, cover not adequately provided by commercial insurers. Even with large numbers of members and having to collect and distribute significant amounts of money, burial societies remain unregulated by financial services authorities. They collect contributions, usually monthly, and deposit these funds in a bank account. Complaints about high bank charges are very common. The Embalenhle Burial Society in Mpumalanga, has 50 000 members, and pays more than R250 000 a month in bank charges to process its members' dues and claims. Its members claim the big banks all offer the same services at the same prices – there is no competition for their business.

Trade Union members and bank charges

A trade union member who earns R2 800 per month in a factory building luxury cars, will be offered a basic savings account by most banks. If s/he has an account designed for low income earners at one of the major banks, and conducts a modest number of transactions, s/he will be paying the following service charges and fees, amounting to R132, 40, or 5% of the monthly income. This compares poorly with the internationally recommended benchmark of bank charges not amounting to more than 1-2% of income.

	Purpose	Bank charge per item	Total bank charges
Monthly fee		R6,50	R6,50
Withdrawal x 4	2 from own ATM; 2 from another bank's ATM	R4.90 x 2; R11,60 x2	R33,00
Debit card payment + cash x 2	1 chemist for medicine 1 supermarket for groceries	R R4,05	R8,10
Enquiry x 1	At another bank's ATM	R3,50	R3,50
Cheque x1	To pay school fees	R R44.00	R44.00

Transfer x1	Family emergency	R27.50	R27.50
Debit order x 2	1 insurance policy; 1 clothes account	R R4.90	R9.80
TOTAL			R132.40

9 Bank charges, access to banking by organs of civil society and banking for social grant recipients

Civil society organisations have no access to or influence over the National Payments System and anecdotal evidence suggests that they are largely dissatisfied with bank services and charges.

Case study 9: Ethekwini Civic Forum

The Ethekwini Civic Forum is a network of 42 civic associations in the greater Durban and surrounding areas and is recognised by the Durban Metro Council. Mr Siva Naidoo is the General Secretary of the Forum and is honorary life president of Tongaat Child Welfare. He speaks about the questions of access and bank charges by non-profit, community based organisations. As many Community Based Organisations and Non-Government Organisations offer social welfare and community health support programmes, he also touches on the problems experienced by recipients of social grants in relation to banking and bank charges.

"Banks do not provide a friendly environment for organs of civil society and in particular, for non-profit, non-governmental organisations.

Organs of civil society, despite being registered as Non Profit Organisations with the Department of Social Development, are often refused current accounts with banks. Such refusals can be for a variety of reasons, ranging from organisations being unable to meet banks' unrealistic and overly bureaucratic requirements in terms of documentation, to banks' refusal to accept as signatories elected office bearers who have bad credit records.

As a consequence, those organisations precluded from obtaining cheque accounts have only the option of opening a savings account and then operating an elaborate petty cash system. In addition, they must pay high fees to draw cheques or make electronic transfer, an arrangement that is inconvenient and costly. This generally undermines attempts to make organisations more accountable to their members and to ensure transparency in handling financial affairs.

Those organisations that are allowed to open current accounts are hit with astronomical charges in proportion to the transactions they conduct and the services they require. A small, poor but nevertheless credible community organisation can find its resources disproportionately depleted by high charges for the convenience of passing only a few cheques a month.

No innovation in terms of loans, especially for bridging funding. Many NPOs rely on funding by

donor agencies or from Corporate Social Investment programmes. It is quite common in this sector for there to be a gap, whether intended or not, between funds for a specific period or project finishing, and receipt of a further donation. Some organisations cannot survive the interruption, and banks offer no assistance whatsoever, even to those reputable organs of civil society that provide essential child welfare, health support and other services.

NGOs in the social welfare sector often serve groups made up of social grant recipients, including old age pensioners, disability and child grant recipients. Bank charges, as well as the inconvenience of accessing cash through the current banking infrastructure, discourage grant recipients in many areas from receiving grants directly into their bank accounts. In many areas, grant recipients opt to stand in queues from four o'clock in the morning to receive their payments in cash rather than have bank charges eat away the small monthly stipend they receive.

Despite the Mzansi initiatives, transaction fees for cash withdrawals, are a major deterrent. A pensioner who makes small withdrawals of R100 throughout the month could pay up to R70, depending on which bank and which bank's infrastructure is used. Notwithstanding the scrapping of some Mzansi charges, paying almost 10% of a meagre R860 monthly income on bank charges is not an option most pensioners can exercise.

Another key area of concern and outrage is the cost of penalties on rejected debit orders due to insufficient funds. These can be anything up to R100 or more, which is totally unacceptable. There is no correlation at all between the cost to the bank of rejecting a debit order and the penalty charge. This is pure punishment and it is morally repugnant that this punishment is suffered most by those who can least afford it. The only lesson people are learning here is that banks do not care about them or their problems."

However, in KwaZulu-Natal, a School of Development Studies publication provides some interesting data. In the month of August 2003, for example, of the 1,198,515 grant payments made, 107,295 were bank deposits, and 1,091,216 were cash payments made by private contractors, while only four institutional payments were made.⁶ Interestingly bank deposits, as a form of payment, amounts to a mere 9.8%. This number concurs with the findings of the Financial Diaries Project, which showed that about 13 % of social grants are paid into bank accounts.

With regard to the Child Support Grant, of the 533,141 Child Support Grant payments 35,144 (7%) were via bank deposit, and 497 997 (93%) were cash payments paid by private contractors.⁷ According to a Department of Social Development official, most grant recipients prefer cash payments so they do not have to pay additional costs in the form of bank charges, for example, although the state negotiates cheaper bank charges for grant recipients.⁸ This is one of the few

⁶ This information comes from DSDs Payment Extraction Report (PER) for August 2003. No Post Office payments were recorded for KwaZulu-Natal, although this is likely due to the fact that private contractors make cash payments to grant recipients through Post Offices (personal communication, Jane Jooste, Assistant Director: Grants Information Systems, 12 September 2003). Interviews with welfare officials confirmed the fact that payments are being made at Post Offices throughout the province.

⁷ Payments are recorded according to beneficiaries, some of whom may be receiving one or more Child Support Grant for the child(ren) in their care. Therefore this figure does not reflect the number of children who should be in receipt of the grant, but the number of beneficiaries in receipt of one or more Child Support Grant.

⁸ Personal communication, Jane Jooste, Assistant Director: Grants Information Systems, 12 September 2003.

examples where state intervention formally ensured relief to indigent citizens from bank charges. It would be important to ascertain whether this practice is indeed continuing in 2006. Moreover, is it discretionary, or a policy of government that is applied across the provinces to State grant beneficiaries.

Lund (2002:49) outlines something of the process of cash payments, the most widely used form of payment – in KZN. and may provide insight as to why formal banks did not want to “compete with private firms”. Towards the end of the 1980s the Apartheid government started privatising the delivery of grants in most areas in the country: “Private firms have done advanced research and development, and though there are differences between the firms, the basic method is the same. Mobile four-wheel drive vehicles have built-in automatic teller machines, with a system of fingerprinting for identification, and an electrical generator. Each month a payment route is worked out, and on any one day a vehicle containing the pension money will stop at, say, five different points, for between one and two hours at a time. The pensioners queue up, and then enter their thumbprint on to a pad, or enter their ID number. The machine confirms the identity of the pensioner, and the monthly award pops out. A member of the provincial social security department is supposed always to be on hand to deal with any problems. Armed guards accompany the van”.

Going back further, in a 2001 Department of Welfare report entitled “Mothers and Fathers of the Nation: The Forgotten People - The Ministerial Report on Abuse, Neglect and ill-treatment of Older Persons”, one of the recommendations of emanating from public hearings in Gauteng, was that bank charges to pensioners be scrapped.⁹

This recommendation was not implemented and pensioners have received no relief other than the implementation of state old age pensions through Mzansi accounts. However, while Mzansi does not charge fees to maintain the account, transactions cost pensioners the same as other account holders.

Banking charges and Access to Banking initiatives

Banks can and should provide important services to poor people. It therefore appeared logical for those concerned about pro-poor economic development, and passionate about reversing the exclusionary practices of banks during apartheid to enthusiastically support the Mzansi account initiative.

While a detailed study needs to be conducted to properly ascertain the impact of the Mzansi initiative, our cursory investigation for the purposes of this submission indicate that despite scrapping monthly fees on the Mzansi account, transaction fees are still comparatively high in relation to average incomes. And that in at least one case, banks charge more for typical Mzansi ATM withdrawals that they do on normal accounts.

For the purposes of this submission, we followed the example in the Commission’s research report and relied on information available to the general public either on the websites of the institutions or

⁹ <http://www.welfare.gov.za/Documents/2001/March/prov.htm>

by contacting their call centres.

We are aware that some of the information is inaccurate, but record it here nevertheless to indicate the information being provided by banks to the public. Our experience confirms that information on Mzansi is difficult to find. It is likely to be easier if one visits a bank in person, but we did not do this for the purposes of this document. None of the four major banks' websites have easily accessible Mzansi information. Three banks' call centres informed us that Mzansi was a government initiative.

Table 3: Mzansi account fees and benefits

	Post Office Bank ¹⁰	Nedbank ¹¹	FNB	SBSA	ABSA
Maximum balance allowed	R15 000	R 15 000	R 15 000	R 15 000	R15 000
Minimum opening deposit	R 10.00	R20	Nil, but R5 pm x6 to cover the cost of the card	R20.00	None
Minimum balance	No minimum	?	R20 --> No minimum	R20.00	No minimum
Inside branch – pay/withdraw	N/A	?	R15	R5.10 – R8.10	R2.35
Deposits (cash)	Free < 2001> R2000, R0.60 per R100.00 or part thereof on the full amount	First Free, thereafter R4.05, doubles after 5 th deposit R8.10	First free R 8.00 @ branch R 5.00 at ATM	First free R4.05	5 deposits (1 free) + 5 withdrawals per calendar month allowed (R10 each – ATM or counter) - thereafter a penalty fee added to applicable basic fee
Deposits (cheque)	Free	First free	Free	Free	R10.00 (counter)
Special clearance of cheque deposits	R 45.00	?	R35 per cheque (deposit of post-dated)	?	R45.00

¹⁰ <http://www.postoffice.co.za/postbank/5%20Fees/fees.htm>

¹¹ Nedbank interest fees on Mzansi accounts not available online – “page not found”

	Post Office Bank ¹⁰	Nedbank ¹¹	FNB	SBSA	ABSA
Withdrawals -cash	R 7.75	Flat rate R5.00	1 free cash deposit pm (FNB ATM - R4.50 + SASWITCH "higher transaction fees if you make more than 5 deposits and 5 withdrawals each month"		5 (@ R3.25 each) withdrawals per calendar month is allowed, thereafter a penalty fee added to applicable basic fee
Withdrawals – cheque	R 22.50			R44	
Point-of-Sale Purchase	R1.45	R2.00 (Maestro)	R.175	R2.00	R1.00 (Maestro +Visa)
Purchase & Cashback	R 1.45	R4.00		R4.05	
Post Office Terminal					R2.35
Monthly service (ledger) fee	Free				R 0
Replacement: Lost card	R 15.00		R45.00	R22 first;R44 second	
Full statement	Free	First free	R2.40	R2.00 – R4.05	R2.35
Mini statement	Free	?	R2.40	1 free/month R2.00	R1.00 ATM
Balance enquiry	Free	?	Free (Branch) 2 free/month at ATM Then R1.25	R2.00 R4.05 – branch	?
Reactivation/ Repayment from Unclaimed funds	R 55.00	?	?	?	?
Withdrawal (irrespective of amount)	R 4.00	fee	R1.50 – mini FNB ATM R4.50	R4.05 – R8.10	R3.25

	Post Office Bank ¹⁰	Nedbank ¹¹	FNB	SBSA	ABSA
			FNB or other ATM's		
Balance enquiry: ATM	R 1.00	?	2 free/month at ATM Then R1.25	1 free/month R2.00 – R4.05	R1.00 ¹²
Rejected transactions: ATM	R 1.85	?	R1.25	R2.00	R0
Rejected transactions: Card swallowed	R 4.90	?	?	?	?
Shipment fee for Credit (Stop) Order	Free	?	?	Free	Yes
Order (Stop Order): Internal Transfer	Free	?	R6.50	Free	?
Rejected Credit Order due to insufficient funds	Free	?	?	Free	?
Order (Stop Order): External Transfer (ACB)	R 3.00	?	R6.50	Free	Yes
Debit Order (ACB)	R 2.00	Free	R3.00 – internal R6.00 - external	Free	Free
Rejected Debit Order due to insufficient funds	Free	?	?	?	?
EFT credits (salaries) through IDC (ACB) magnetic tapes received directly from Third Parties	R 2.50 per line item if <200 transfers per month; R 1.80 per line item if >200 transfers per month	?	?		?
Rejected EFT	R 25.00	?	R30.00	?	?

¹² ABSA (first 2 free) , Saswitch, ABSA Supported ATM

	Post Office Bank ¹⁰	Nedbank ¹¹	FNB	SBSA	ABSA
Interest on Savings (Rands)	0- 500 – 1%	Not available – URL/ Web Page not working	1- 499 0.25%	0 – 500 - 1%	
	501-1000 - 1.5%		500 – 999 0.75%	501–1000 - 2%	
	1001-2000 – 2%		1000 – 1999 1%	1001–2000 - 2.5%	
	2001-5000 - 2.25%		2000–4999 1.5%	2001–5000 - .5%	
	5001 ⁺ - 2.75% ¹³		5000 – 15000 2%	5000+ - 3%	

Preliminary conclusions and recommendations

To assist the panel in its task of making recommendations as required by the Enquiry’s terms of reference, we propose that stakeholders be given a further opportunity to engage further, including on recommendations, during the course of the Enquiry.

We suggest that it would be appropriate to call for these further engagements at a time when the public will have had the opportunity to examine and analyse the information provided to the Enquiry. This will be especially relevant in relation to information to be provided by the banks, as this will be the first time such information will be available in the public domain.

Depending on the quantity and quality of the information provided by banks, we will possibly recommend that the Competition Commission should embark on a full investigation into Competition in Banking.

National Payments System

Our view at present is that the NPS should be owned and operated by the state in the national interest. Access to the system should be determined by criteria established by the relevant authorities in consultation with all stakeholders. We will examine information supplied by the banks to the Enquiry to establish whether this confirms our views.

¹³ *PostBank explanation* - Differentiated interest rates are paid depending on the amount invested in the account. Interest is calculated on the daily balance and credited to the account annually on the last day of February every year.

Bank charges

We also await the information banks will provide on how they calculate and impose bank charges. In particular, we will be paying attention to information on the links, if indeed there are any, between the cost of services and charges to consumers. Our view is that there should indeed be links, regulated by law. We believe there should be a direct link between fees and charges and it is cynical to suggest otherwise in a country with our history of exclusion of the majority of citizens from access to banking and exploitative and unaffordable bank charges. Bank should not be allowed to continue to use high charges as a form of punishment, especially when this punishment is inflicted most on poor customers.

Our view is that certain categories of accounts should carry no bank charges, they should be free. These accounts should have a minimum number of features. Further research should be conducted, under the auspices of the relevant authorities, to ascertain which types of accounts should offer free banking.

Consumer information and education

Consumer information and education should be required by the relevant authorities.

Market conduct regulation

In our view, there is an urgent need for appropriate and effective market conduct regulation in the banking industry by the relevant authorities.