



**SA NATIONAL CONSUMER UNION  
SA NASIONALE VERBRUIKERSUNIE**

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**The Banking Enquiry  
Mr Charles Frank  
2006-10-27**

### **ENQUIRY INTO COMPETITION IN BANKING**

**It has been indeed been a very long period of time that SANCU has had grave concerns in so far as the level of charges made by Banks as well as the level of competition between the major Banks.**

#### **1. The Level and Structure of charges made by Banks**

**Although the pricing policy of each Bank may differ the South African consumer really has not got much of a choice when it comes to service versus costs. Yes, there are many products on the market but not enough information is conveyed to consumers.**

**Cash, which was always a "free" payment at the till has dissolved in a network of fees. Distribution fees for banks and merchants are high and bank charges for withdrawals at both ATM and the counter for consumers as well as Business are escalating.**

**Cheque costs, stop orders and debit orders are an ever increasing burden on consumers. Credit and debit cards can add a substantial amount to the debit going through consumers accounts.**

**There may be some variation between payment types but minimal variations between the charges for account types. It seems that over the counter withdrawals and payment fees as well as the SASWITCH fees at other Banks ATM's appear to stand out.**

**It is very difficult, actually highly improbable for consumers to make the correct service choices as they do not know the associated costs.**

**Consumers are not knowledgeable enough of banking costs due to little disclosure by Banks of transaction fees but very important also on the costs and interest rates associated with other banking services.**

**The general feeling of consumers is that Banks are overcharging them.**

#### **2. The level of Competition between Banks**

**Competition can only be effective if and when consumers can make rational choices and exercise those choices at low transaction costs.**

**If you evaluate the mirrored of complaints received by the Banking Ombudsman, which we must remember, has already been lodged with Banks and where consumers were still not satisfied with the outcome, It is clear that the average SA Consumer does not have much of a choice.**

**Whenever the repo rate increases, the four major banks immediately increases their prime rate – where does competition come in here?**

**Consumers cannot make rational choices when it comes to Banks due to the fact that the full costs of banking services (including initiation and transaction fees and bundled insurance products) are seldom spelt out. It is a fact that South African Banks charge more on retail transactions than our international counterparts.**

**Should you require any further input please feel free to contact me.**

**Kindest regards,**

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