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From: Mike Sampson [econresearch@mweb.co.za]
Sent: Monday, April 24, 2006 11:56 AM
To: Banking Enquiry
Subject: Banking Enquiry

The Competitions Commission
Investigation into Bank charges

Attention Mr Keith Weeks
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20 April 2006

Investigation into excessive bank charges. Exploiting Excon regulations and travel allowance transactions.

Sir,

Could the Competition Commission please investigate the “rip-off” by banks on foreign exchange transactions used for travel? These charges add up to between 2 to 3% more than similar commercial transactions. Why? It is more than apparent that the banks have clear “understandings” on this lucrative sector of their business and show little interest in sharpening their pencils. Clearly it is difficult to prove but a comparison between a normal commercial transaction and a travel allowance application reveals the level of exploitation.

For a normal commercial transaction a customer can get a buy/sell rate from a banks dealing room and a nominal charge would be made on the cheque. Say R300. The total cost would be then say the dealing room buy rate at the time plus R300. On R100 000 charges would be 0.3%. The bank makes its profit on the difference between the buy and sell rate. The cost of a draft or cheque is the same regardless of the nature of the transaction. Why then the extra charges?

Banks will not allow customers for travel purposes to get rates from the dealing room (FNB etc) but force travelers to accept the counter rate which is based on the previous day's rates and is usually about 1% less favorable on average. This is not only discriminatory but is a racket. The bank then charges a commission of 1 to 1.5% for travelers cheques or bank cheques whereas the cost of a cheque for normal commercial transactions is much less (0.3%). So the difference between a commercial and travel transaction is between 1.5 to 2.5%. I have little doubt that banks are exploiting travelers and using exchange control regulations to their advantage and indeed have a tacit if not negotiated understanding between themselves. This arrangement is further supported by high credit card transaction costs on which the bank scores both on the currency and on interest charges. Dare we suggest Barclay's interest in SA's ABSA is partially influenced by high domestic charges?

I would not like to give evidence in this matter but merely draw this to your attention as a citizen on the understanding you are acting in our best interests.

Yours sincerely

7/28/2006

Mike Sampson
Sea Point