

Itumeleng Lesofe

From: Donald Stechman [donald-s@absamail.co.za]
Sent: Tuesday, May 23, 2006 9:34 AM
To: Banking Enquiry
Subject: Competition Commission public enquiry into bank charges.

Dear Mr Keith Weeks.

Competition Commission public enquiry into bank charges.

Regarding the above enquiry by the Competition Commission into banking charges I wish to submit an example of what I believe is an excessive charge that has little bearing to costs involved.

I have an approved overdraft facility for my personal cheque account with Absa Bank. If I use the overdraft facility, interest at 13.75 % per annum is charged on the daily deficit, if I remain within the approved overdraft limit. If I exceed the approved overdraft limit, an additional 6.25 % per annum is charged on the daily deficit. That makes a total of 20 % per annum. It is noteworthy that even 13.75 % per annum is about double the interest paid on bulk investments in the money market at present. As security for my overdraft, I have such a money market investment with Absa Bank that I maintain with a credit balance that would cover my approved overdraft limit at least five times over.

However, my main complaint is that if my account is in overdraft for 5 consecutive days or longer for an amount of only R100 or more, the bank imposes an overdraft ledger administrative fee of R18.

Interest charged on R100 for 5 days at 13.75 % per annum would amount to only 19 cents. That leads me to query how the bank justifies imposing a charge of 95 times the accrued 19 cents of interest for exceeding what seems to be an arbitrary amount of R100 for 5 days, and to query how the bank incurs extra costs at day 5 of a R100 overdraft.

Although the bank calls the R18 an administration fee, it is tantamount to charging interest at 1314 % per annum on a R100 overdraft for 5 days.

Please would you confirm receipt of my email and advise me whether it will be included in the enquiry.

Yours faithfully

Donald Stechman

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