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Mr. Charles Frank  
Competition Commissioner 1  
Fax 012 394 3493

Dear Mr. Frank,

### **ENQUIRY INTO BANK CHARGES**

I worked for Standard bank for thirty years and for three other bank for ten years when I was fortunate that Standard Bank re employed me. The bank has always been very good to me but now that I stand in front of the counter I find banks are out of touch with the needs of certain business sectors and in general out of touch with customer needs and have become the most shocking dictatorial operators. I feel, now that I am a pensioner who has given his best to the industry that it is my duty to highlight various aspects and incongruities regarding the place of banks in our society, its charges, service and behaviour so that a just structure which benefits not only the rich, shareholders and senior bank officials but the whole spectrum of the banking public of our country.

#### **Money Lenders and Banks**

Over the centuries money lenders and subsequently bankers have been regarded as dictators and money sharking operations who take borrowers to the cleaners. In the past it was mentioned that in many respects excessive interest was charged and when borrowers could not repay a debt they landed in the debtor's jail. Of course this eventually led to the introduction of usury acts and government control. In our days the public is extremely unhappy with their banks in that it feels "done in" by heavy charges and that they have to pay for bad service. From our perspective it appears that there is collapse of the banking industry to properly attend to and service up and coming entrepreneurs, the small business sector and the country at large. This led to an increase in a thriving money lending industry and the so called "loan shark" operations. Like in days gone past it appears that these operators on the whole appear to be well off.

While banks are controlled by the registrar of banks there does not seem to be money lending registration and serious control. Because banks appear to be better controlled there is a great need for the big four banks to come up for a better penetration in the retail market or assist with the establishment of many smaller banks and work out programmes whereby such operations can make use of the big banks computer and transfer systems. Where there is a will there is a way. Presently there is no will because of the high earnings banks achieve.

**THE FOLLOWING MATTERS ARE THINGS THAT THE BANK'S HAVE CHANGED OVER THE YEARS AND TO ENABLE THEM TO UNDERTAKE THESE CHANGES THE NECESSARY FUNDING HAS PROBABLY IN MOST INSTANCES COME FROM THE EASIEST WAY OF OBTAINING FUNDS, NAMELY INCREASING BANK CHARGES AT WILL.**

- Cost of banking.

Banks in their zeal to show huge profits have over computerized and the computer is regarded as big brother and not a tool. Also banks are pressurising for people to become a computer entity with no say one only needs to look at the various call centres. Banks under these circumstances do not have to show empathy and do not have to try and look at individual customer needs. The motto therefore is profit at all cost. Decision makers at the cold face are non existent because they cost money. The whole spectrum of banking therefore is geared to profit making and customer needs do not exist.

Enclosed are leaflets from Standard Bank setting out their charges. What irks is that to date there is no explanation as to how these charges are derived at. Whilst fees based on transactions as percentage of value have gone up from ,25% to in some cases to 1,15%. Amounts of money in transit due to the inflation has risen enormously since the 1960's why did the percentages have to increase from ,25% to 1,15%? In the late 1950's and beginning 1960's there were no charges on various items. Some are mentioned hereunder:

- a. No cash dispensing fees when paying in and withdrawing cash.
- b. No charges on savings bank accounts.
- c. Remittance cheques charges were .25%
- d. There were no charges on stop payment instructions.
- e. No charge on overdrawing in excess of the limit.
- f. No R/D charges.
- g. Easy excess to managers who could in many cases make immediate arrangements.
- h. Cheque books were issued free of charge.

In those days banks levied charges as laid down by the Register of Co-operation meaning that banks in South Africa would charge the same commission for their services. This "Cartel" situation was later dropped in that it was felt that that competition would actually cause bank charges to drop. As can be seen this did not take place.

A Refer to Drawer (R/D) charge of R99-00 is a rip off and such a penalty should only be allowed if the bank can prove that it has made every endeavour to save the customers face. Contact must be made with the customer and there must be positive indication as to an agreement. Apparently this is a computer charge and cannot be reversed.

For exceeding your limit there is a charge which is to be treated the same as R/D charges. In both cases these charges should be at the discretion of branch if there is a such a management.

- Costs – Government intervention

Whilst government intervention is not a correct measure to put pressure on banks they should however be reminded that unless every endeavour is made to reduce costs government will have no option but to step in. It is sad that banks could not get their house in order and had to let matters get out of hand.

A broad spectrum of costs and quasi costs have been highlighted however costs which fall to be paid by customers because banks have not got their house in order and banks are unable to deliver a service as expected, customers therefore must present banks with invoices so as to remunerated for their inconvenience. This will also make banks more careful to give a better service.

- Cost for standing in a queue.

Banks closed at 13h00 in the 1950's, at month ends there were long queues but this aspect was normally counteracted by putting more tellers on the counter. There were no Auto banks at the time and it cannot be recalled that there were excessive queues as there are now. Banks forget that it costs their customers money for standing in cues for unreasonable times. It looks as if banks don't care about their customers needs and costs, or have a will to care as long as profits are high. Senior managers and directors do not have to stand in queues. Banks appear to increase charges as and when it appears to be convenient when profits are slipping. With four banks there is little competition and charges can be manipulated at the will of the bank because customers find it difficult to change. Also legislation is such that the control by the state virtually stops customers from changing bankers. The freedom of movement by customers needs to be investigated and improved.

- Interest

This also has been found to be a grey area in that whenever our an account gets overdrawn or overdraws in excess of the limit not only are excess fees charged but the interest rate which the bank then charges is maximum even when rates are at their lowest. This is dictatorial and when charging an excess of the limit fee it is a banks duty to give a customer the chance to discuss the interest rate. By keeping quiet the bank allows its officers to become dictatorial. Banks must at all times play open cards with their customers even when they overdraw accounts. Interest was a big bone of contention at the time of the interest consultants and this matter needs to be seriously investigated and cleaned.

- Fairness

It is believed that there is only a Customer Relations section in Johannesburg. Taking the size of banks into consideration each area or section country wide needs to have a section where differences of opinion and complaints are investigated and in the shortest possible time put to rest. In view of the difficulties to move from one bank to another, customers must also be allowed to get second opinions away from the area where the original problem started. Unresolved complaints are unnecessary and costly for which the customer pays. The bank does not feel the pain in that its computer is geared to charge at all cost. No hurdles must be put in the way where a customer's air their views, no lengthy written process should be required to deter a customer from stating any form of unhappiness in fact bureaucracy should not be a factor. Senior bank staff and managers must be trained to handle this aspect and must not try to intimidate customers to keep quiet.

Whilst customers are presently encouraged to speak up and give their views this is a very lame effort. By making a very serious effort of encouraging a more open dealing and understanding with customers this may even bring down costs.

## GENERAL

- Computer.

In 1968 Mr. Max Eberhardt from Standard Bank explained that with the introduction of computers banking would become faster and cheaper. Looking at the brochures it appears that allowing for inflation charges have increased excessively.

- ATM's, Credit cards and Debit cards.

Banks, to get customers out of their offices are using all kinds of new ideas and gimmicks like Auto banks, Credit cards and Internet. Auto banks in many areas are often out of order which makes banking expensive, naturally customers have to pay for time and fuel to find another Auto bank or additional charges have to be paid when using another bank's ATM. Unfortunately customers computer are not geared to debit banks with the cost when banks are at fault. In cases where ATM's are also not loaded because of crime, the state is also to be criticized for being incapable of controlling crime, cash heists etc. Ministers in control of the security of citizens should be severely criticised for not getting security under control.

1. By using the debit card facility in shops customers are levied a certain percentage on each transaction which is paid to the dealer.
  2. When swiping a Standard Bank debit card or auto bank card customers pay the normal commission to the bank. This commission surely is high enough so that the bank does not also have to charge the dealer. What is presently happening looks to be a "rip off" and is regarded as dishonest.
  3. The Debit card system is a very good mode of payment but it is an even better money spinner for banks. The most worrying factor is that there is no indication in banks balance sheet as to profits made by debit card operators. This should be changed and legislation should be introduced so that this aspect becomes visible in the balance sheet of the bank. This aspect needs to be controlled. In Europe various organisations are already agitating as to the high costs customers have to pay when making payments via the card systems.
  4. Although it appears when swiping an entry through the machine that this entry is debited to the MasterCard on the same day, this is not the case. When this was queried it was mentioned that to accommodate a new system will be costly. Debit card operators have been living with system for many years surely by now enough money has been accumulated to come up with a most up to date system. When crediting a MasterCard account this credit is not reflected on the account the same day but the next day. One asks the question as to what is happening to the money in the meantime.
  5. Card fees seem to be particularly expensive when one takes the cost to the dealer into consideration which could be as high as 5% per transaction. It is also not understandable that no interest is paid on positive balances to debit card holders.
- Clearance times and lead times.
    - i. When depositing a cheque the clearance times are 7 days. In this day of the computer and in house mail bureaus etc. this lead time is out of date and a hindrance to small businesses. Banks have all the necessary equipment and know how to come up with systems where these extended times are eliminated. It appears they do not have the will to change or come up with a better system.
    - ii. When paying accounts to customers at other banks via E-mail it takes up to three days for an account to be credited. Computer entries will not go through when an account overdraws. There is therefore no necessity for clearance times when making E-mail payments. Cheques get debited the same day. Credits should be sorted out as this aspect is also a hindrance to the small businesses. Due to the lack of serious competition between banks it again appears that banks do not have the will to improve their systems.
  - Knowledge, understanding and empathy.

The saddest criticism these days in the field is:

- a. Long queues
- b. Staff ten years ago was better trained.
- c. Management is remote
- d. Management under pressure
- e. Appointments to be booked long ahead
- f. Managers having to service a number of outlets and customers do not get quick and proper attention and are therefore neglected.
- g. Bad service at high cost.
- h. Banking is becoming stress factor.
- i. Bank managers do not understand their customer's needs.

Whilst we have picked up many complaints from customers in the field we have not done a survey and can therefore only speak of what is happening to us.

For example my company worked out a contract growing system to assist farmers, existing and emerging. An approach to the bank was made at various intervals over a period of four years. Senior managers and directors listened patiently to the proposals and then disappeared into their offices and no further interest was shown. It appears that bank managers do not understand any new form of wealth creating schemes for the existing and emerging farmers. It was felt that South Africa is entering into some form of industrial revolution and there is a great need for progressive bankers and not policy makers and office dwellers. Banks were a great pillar when the industrial revolution in Europe got under way. In South Africa the four big banks seem to be a hindrance.

Our unhappiness was eventually brought to the attention of the CEO of Standard Bank in an effort to get some response. A meeting was arranged where once again everybody listened carefully but no results. The manager who is apparently looking after a BEE portfolio promised to respond to our proposals but eventually did not reply and did not respond to telephone calls.

No interest was shown and never was the question raised as to how the bank could give its knowledge to assist a customer with a new idea. In the case of Standard Bank it is felt that the slogan "Inspired, Motivated and Involved" is not a reality but an empty message. It is felt that officers are too comfortable in their jobs and actually have very little feelings for a customer and have no will to go the extra mile. When the CEO was informed that the negotiations with the bank were a disappointment an outsider to the negotiations made contact with the information that monies owed to the bank had to be paid back before the bank would entertain further negotiations. This was a totally absurd statement in that how loans can be repaid if the bank blocks efforts for customers to repay them. It shows that bank staff does not understand their customers needs and have neither empathy nor a will to be of service to their customers. This kind of behaviour is a problem which many people in the field have with banks.

An apparent fear was picked up that staff will be axed should they misjudge a situation or their pension would be jeopardised and this is a very worrying factor. "Don't make mistakes even if customers are placed into difficult situations" appears to be the motto. Many a bankruptcy could have been saved had banks understood their clients or had moved from their ivory towers and showed more empathy and interest. Mr. Mohammed Yunus who lives in Bangla Desh (I am not sure of the spelling of the surname) managed to be awarded the Nobel price for his method of creating loans and improving the lives of his people. He was able to establish many small businesses and through this the Swedish Nobel Prize authorities became aware of him. Perhaps our bankers should take a lesson from him. South Africa is in a similar position as Bangla Desh.

- Call centres and telephone centres.

1. Call centres should be immediately taken under a spotlight in that banking is a highly personal matter and to be talking to a machine like person on the other side is making a mockery of being a human being. There are no follow ups and when asking for the person with whom one discussed a problem previously this cannot be done because “it is too difficult to get hold of this person” It also takes longer to come to terms with a problem than when being able to deal directly with one person. Here we have another issue where the customer is made to pay for a bad service and it is the customer’s time and energy which is wasted. Banks should be reminded that it is dealing with people and not with semi computers.
2. Telephone Centres. Standard Bank is presently introducing telephone centres in Johannesburg and on the East Rand. Telephonists have already informed that this is also a cost cutting exercise and they may be retrenched. Telephonists at Standard Bank Head Office have also indicated that they may be retrenched. When trying to speak to our local office the new telephone centre took longer than previously to get hold of the person with who contact was to be made.

Telephone centres together with call centres should be taken under a spotlight in that to date it appears that no representation has been made to the public whether it accepts such centres. Senior Bank staff, directors and CEO’s are behind the counter and what is feasible to them is in many instances a total nuisance situation for customers.

- Banks in South Africa

South Africa is viewed to be an emerging economy and it cannot be seen that success can be achieved with four big banks which are over computerised, who cannot explain as to how charges are arrived at and who do not understand customer’s needs. In Europe there are to date many small banks and quasi banks who arrange loans and who understand the needs of customers in particular sectors or industry of the economy and who specialise to service a particular sector or industry. Four big banks that pay huge dividends cannot satisfy an emerging economy. It appears that banks view any business below corporate business as a quasi nuisance factor. The four big banks should be forced to support quasi banks and finance brokers. It is an economic fact that with many players in the banking sector competition will force costs down and improve service. It will also create the establishment of a strong private sector which we so desperately need in South Africa. What is most important more employment will also be created.

- Branches and Managers

Customers of the four big banks have a right to be treated with understanding and respect. By allowing banks to employ one manager for a number of branches and by categorising customers to discuss their financial needs with staff members indicates that banks are not interested in promoting the private sector. Banks must change back to a proper branch system and managers who have knowledge and are respected will be more likely to be accepted in structuring deals for customers. The present system is discriminating.

- Credit Departments

These departments appear to be remote from customers and it is therefore assumed that whilst customers cannot contact them that credit departments do not understand customers needs and

people who submit credit applications also do not have the know how and understanding as to what customers really want. These remote areas in banks lead to suspicion and anger and banks should therefore take the necessary steps to play a more open role.

- Development funds.

From experience it is found that monies for development are extremely difficult to come by as these organisations are suffering from huge administrations which use most of the funds to pay for its administrators and administration. To justify their actions immense hurdles are placed in the path of applicants. An application to NGO's and other Development organisations has been found to be extremely time consuming difficult and then becomes costly for applicants who have to drop out and many a good idea is lost. Standard Bank also has a development scheme but it appears that only organisations where Standard Bank can gain maximum exposure are supported. As all Standard Bank customers have contributed to its wealth the small business sector should be in the first instance be supported. Banks are an integral part of society and therefore it is expected that development funds are firstly issued to those areas where they really make the most impression. Banks cost customers money by playing remote.

- Grievances

In the 1990's Interest consultants ripped off customers when they charged customers large fees for recalculating the interest charged by the bank. At Standard bank interest consultants had no luck because the systems were faultless. However a decision was taken to contact customers per telephone and it was found that in every instance customers had a gripe with the bank in that they felt neglected by the bank and were unable to air their grievances with the bank. Branch manager were informed of customers unhappiness and were urged to sort out matters. This exercise was found to be successful in that virtually in every instance customers managed to sort out their grievances. Another factor which brought about success was that instructions to come to terms with customers was that these instructions came from "Head Office" and manager felt obliged to act. Also interest consultants had the ears of the press at one time. A similar system should be introduced again whereby the bank makes contact when it finds that a customer is having problems. In front of the law we are all equal and banks are not more important then their customers. Banks are obliged to give customers a chance to come to terms with it and not be rejected.

Over the years "Customer Relations" sections were approached and whilst officers in this section do their utmost to appease customer grievances they appear to be powerless when it comes to bigger issues. Senior manager often are not interested or have the will to look into tricky matters and often claim to be too busy as their sections are understaffed. Stalling methods are applied in that customers have to wait for periods longer then ten days before they can get an appointment and the complaint we often get is that senior manager show little interest and would rather not get involved. Naturally this attitude costs the customer money and as mentioned above movement from one bank to another is extremely difficult these days.

- Retrenchments.

To improve service and assist with the formation of banks that specifically cater for businesses which do not fall under the corporate umbrella suitable staff must be employed and no further retrenchment is to be allowed. This matter should also be brought to the attention of the finance

union that does not allow any retrenchments and that it will take steps against banks that carry on such a retrenchment programme.

### **IN CONCLUSION**

The whole attitude of banks needs to change in that they are an integral sector of modern society. Profits are also an integral factor of our modern society however when people are forced to make use of a service at an excessively expensive cost and only one sector benefits from this the situation may arise that monies are hidden under a mattress as in olden days. This is very dangerous. In the present circumstances it is also criminal that banks are making use of situations where customers have no other option but to make use of their services. South Africa is in the process of trying to find its feet in the world and an expensive banking system therefore is a factor, among the many other problem areas, which retards the advancement of our country.

A serious warning is hereby issued to the competition commissioner to view the banks charges and costs. Big is not beautiful, big is a curse and a thief, big creates immense unemployment and poverty with the masses while the rich live in lust and luxury. It is expected that people have to be scrupulously honest whilst big operators have powers above the individual and are free to take the law into their own hands because who can tackle them. Barclays bank by investing in South Africa must have anticipated great earnings at the detriment of ordinary South Africans it is therefore only right that the huge earnings must be swayed away from the Stock exchanges to the people who earned this money. The French Revolution was an indicator of the anger of the masses when the rich held all the privileges and fortunes and the people battled to make ends meet. Communism and Nazism could not have stuck out its ugly head had there been a more just distribution of wealth. Why can't banks get their house in order now and pave the way for other BIGS, politicians and governments to start with similar actions so as not to challenge the masses to take the law into their own hands and like at the time of the French Revolution chop off many a head. Do we need that?

Direct and indirect costs have been highlighted and I trust that this will motivated all the players to find just and acceptable solutions.

W A H Hartung  
(Member of the Bank Pensioner Society)