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TITLE: We don't need stronger banks, we need stronger regulation

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Don't you just love the banks? They just give and give and give. In fact, they are so generous that, according to a recent survey by The Australia Institute, more than half of Australians who do not have a job received unsolicited offers of credit cards last year. Offering money to people in their time of need, how good is that?

Of course, the interest rates on credit cards are a little higher than average. In fact, they are about three times the official interest rate. But that's fair because, as we all know, the risk to the banks of people defaulting on credit cards is higher than average. But if the risks to the banks are so high, why are they writing to unemployed people and offering them credit?

If credit cards are so risky you would think the banks would be more careful about to whom they offer credit limit increases but in fact the opposite is the case. Banks love customers who are struggling to make the minimum monthly repayment as they end up paying the most in interest. They won't admit it but they can't stand all those customers who pay off their balance in full each month.

Another thing they don't like to admit is that credit cards aren't actually that risky. According to the Reserve Bank's data, credit card customer defaults only account for 1% of the total money owed. And when you consider the billions the big banks make in credit card fees from customers, retailers and smaller institutions you can see why the banks are so keen to offer more and more credit cards with bigger and bigger credit limits to almost anyone they can find.

The generosity of the banks doesn't end with offering us all those credit cards and frequent flyer points. On the contrary, in addition to helping us at a personal level they are there to help our economy as well. According to Ralph Norris, the chief executive of the Commonwealth Bank of Australia, the \$6.1 billion profit he just reported was a boon for all Australians. Banks pay lots of wages you know, and they even pay tax. But, of course, the main thing they pay is dividends to their shareholders.

In an attempt to soften the expected community hostility to the 41% increase in his bank's profit Norris trumpeted the fact that his bank paid their 45,000 staff more than \$4.5 billion in wages but in making this comparison he actually highlights an amazing

feature of the Australian banking system. Last year 45,000 people got up each morning and worked hard for the Commonwealth Bank and at the end of the year the shareholders of the bank who had done nothing more than wait patiently for the dividend cheques earned far more than them.

Of course banks need to make a profit if they are to stay in business, and of course those who have invested in banks deserve a dividend cheque. The question isn't should banks be allowed to earn a profit, it is how much is enough?

Last year banks made actual profits of about \$23 billion, which translates into more than \$1000 in profit for every man, woman and child in the country. While the bank reporting season isn't finished yet, it looks like this year it might be more like \$1200 per person. Is that enough? The stock market didn't seem to think so as the share price for the Commonwealth Bank actually fell the day it announced its 41% profit increase. They were expecting more.

There has been a lot of talk about the cost of living in this election campaign but there has been very little discussion of the need to regulate the banks to keep their fees and interest rate margins down. Every dollar they gouge in super profit is a dollar that comes straight out of the pockets of ordinary Australians.

In their desperation to look civic minded rather than rapaciously greedy the banks have started to concoct bizarre stories about how we all benefit from high bank profits. Really? Would we all benefit if higher petrol prices helped to keep the oil companies "strong"? Would we all benefit if higher food prices helped to keep Coles and Woolworths "strong"?

The plain fact is that the big banks in Australia are far too strong as it is. They have used their strength to drive out their smaller competitors. They have used their strength to charge outrageous, and possibly unlawful, fees on those who missed a payment. And they have used their strength to increase their profits to the point that the underlying profits of the banks account for about \$3 out of every hundred dollars earned in Australia.

We don't need stronger banks, we need stronger regulation. And if that doesn't work we should have a super profits tax on the banks. I can just imagine the advertising scare campaign they would run: "A bank super profits tax will hurt Australian families. Just like we do with interest rates, we will pass all of the costs straight back on to consumers. You can't hurt us. We're just too strong".

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