

Do Banks treat customers fairly?

Speaker: Paul Lewis, Financial Journalist and presenter of BBC's moneybox

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Paul began by explaining that the views put forward were solely his. He has his own website www.paullewis.co.uk where his material would be loaded. For this speech go to Paul's website then Click on **Read my latest pieces or rummage through the archives**, then go to speaking archive, then select **Financial talks and speeches**, then select 14th May 2007.

As FS Club's analyst commentator on the club's sessions I don't propose to précis or repeat parts of his talk which you can read in full by following the link above. Below is a short I hope salient commentary which may prompt you to want to read the full article

Paul's thrust is that there is ample evidence of the proof that we are not treated fairly and he produced a large range of different bank data in support of his allegation. In fact the main conclusion to be drawn is not only are we not treated fairly but the data would show evidence of cartel like practices in the significant similarities between the various banks key figures for borrow, lending, charges and penalties etc

There is clearly an in-balance between the power of the banks and the consumer. Paul dwelt on what he regarded as the iniquitous overdrawn penalty charges, where he could see no justification for the £30 or £35 charge for bouncing the payment and generating the corresponding computer produced letter to a client point out this fact, nor has he been able to tease out from any of the banks what the true cost of producing this is.

A study has shown the estimated costs of bouncing a cheque to be £4.50, and stopping a direct debit to be £2.50 but the big five have been averaging charges of £34.40.

As a result of OFT threats of possible investigation credit card penalty charges have been reduced to £12 from £25.

There has been a significant increase in consumer action, supported by website action groups where customers have been able to achieve significant recompense for "unreasonable treatment", with none of the cases being tested in court.

Paul then examined the lack of competition among the UK banks. The Banking Services industry is providing a large range of essentially retail services without the characteristics of a retail industry. He contrasted their behaviour with that of a high street supermarket.

Paul then examined the myth of "free banking". This is believed by many of the bank users and the banks hide behind this myth with the threat of an end to free banking if various new impositions are made on them. Free banking is "hiding the fees elsewhere".

Paul's summary position is that we need to get banks to become competitive and behave like a true retail service.

Questioned about the UK banks positioning relative to other countries, did not share much light. The USA has lots of small banks and the European banks have traditionally made banking charges explicit although they are moving towards the UK's "free banking" style by the same process of hiding fees elsewhere.