

Attitudes to Banking Competition in Australia

Prepared for the Customer Owned Banking Association (COBA), February 2014



Executive Summary

New survey shows more than three quarters of Australians believe consumers would benefit from stronger competition to the big four banks

A recent survey of 1000 Australian adults shows that more than three-quarters believe consumers would benefit from stronger competition to the big four banks.

The research, conducted in January 2014 by Essential Research, also shows strong support for the Financial System Inquiry and low knowledge of the ownership arrangements of the smaller competitors in the market.

Other key findings from the survey include:

1. 69% believe there needs to be more competition in the banking sector in Australia.
2. More than half (57%) believe there is no genuine competition between the big four banks.
3. More than three-quarters (77%) believe consumers would benefit if there were stronger competitors to the big four banks. They also agree that 'The big four banks have an unfair advantage, compared to smaller banks and customer owned banking institutions'.
4. 47% think the dominance of the home loan market by the big four banks is bad for the economy and 61% think this is bad for consumers.
5. 50% do not believe the four major banks treat consumers fairly on home loan rates.
6. 76% have not heard of the Financial System Inquiry. Despite this, 80% believe it is important to hold the FSI.
7. 60% agree that 'The Financial System Inquiry will fail if it does not make recommendations that puts limits on the power of the big four banks in the market place'.
8. More than two thirds (67%) think that the big four banks will have too much influence on the Financial System Inquiry.
9. 82% agree that 'Credit unions, building societies and mutual banks are an important part of the banking sector, and should be supported by the regulatory system in Australia to promote competition'.

Competition

Australians support a fairer playing field to allow smaller institutions to genuinely compete in the banking sector.

69%

69% believe there needs to be more competition in the banking sector in Australia.

57%

More than half (57%) believe there is no genuine competition between the big four banks.

77%

More than three-quarters (77%) believe consumers would benefit if there were stronger competitors to the big four banks. They also agree that 'The big four banks have an unfair advantage, compared to smaller banks and customer owned banking institutions'.

81%

An overwhelming 81% agree that 'Credit unions, building societies and mutual banks are an important part of the banking sector, and should be supported by the regulatory system in Australia to promote competition'.

82%

A further 82% agree that 'Credit unions, mutual banks and building societies are an important service for many regional and rural communities'.

Home loans

Australians believe that in the home loan market there is a lack of real competition and fairness. The dominance of the big four banks is perceived as bad for the economy and really bad for consumers.

2/3

Two thirds think that there is not enough competition in the Australian home loan market.

69%

The majority (69%) think that 70% or more of all home loans are controlled by the big four banks (Commonwealth, National Australia Bank, Westpac and ANZ).

47%

61%

47% think the dominance of the home loan market by the big four banks is bad for the economy and 61% think it is bad for consumers.

1/2

Half of Australians (50%) do not agree that the four major banks treat consumers fairly on home loans.

Financial System Inquiry

There is a low awareness of, but strong support for the Financial System Inquiry (FSI) among Australians.

42%

42% believe there needs to be more regulation of banks. 37% think that that current level is about right. Only 3% think there needs to be less regulation.

76%

76% have not heard of the FSI. Just 3% had heard a lot about it. Despite this, 80% believe it is important to hold the FSI

The most important items that the FSI should look into were:

- Consumer protection through transparency of fees, costs and interest rates (66% rated as very important)
- The safety and stability of the financial system (60% rated as very important)
- Improving regulations to protect customers (58% rated as very important)
- Removing all unfair advantages of the big four banks (48% rated as very important)
- Addressing the long-term challenge for our nation to sustainably fund its economic growth (47% rated as very important).

66%

60%

58%

48%

47%

60%

60% agree that 'The Financial System Inquiry will fail if it does not make recommendations that put limits on the power of the big four banks in the market place'.

Bank ownership

Australians have a low level of knowledge of the different bank brands owned by the big four banks.

LOW

Australians have a low level of knowledge about the ownership arrangements of smaller competitors – Aussie Home Loans, Bank of Melbourne, Bank SA, Bankwest, RAMS, St George and Ubank – being owned by one of the big 4 banks.

31%
48%

Between 31- 48% stated that they were 'unsure' when presented with a list of possible owners – independent shareholders, another bank, customers, other or unsure.

52%

St George had the highest level of knowledge, with 52% correctly selecting 'another bank' as their owner.

21%
19%

Around one in five Australians assumed that Aussie Home Loans (21%) and RAMS (19%) were owned by independent shareholders.

About the survey

This survey was conducted online between the 24th and 29th January 2014. Respondents were drawn from the Your Source online panel of over 100,000 members (with the majority of panel members recruited using offline methodologies). Quotas were placed on age and gender to ensure the data was representative, and the final data was weighted the ABS Census Data.

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