A recent study by an Australian on-line bank identified that Australians are potentially worse-off by $4 billion per annum as a result of accepting lower interest rates on deposits that is potentially available in the market. The compound effect of this $4 billion per annum is a very significant sum.

Banks and other deposit taking institutions appear to be making it increasingly difficult to transfer funds between financial institutions (on the maturity of a term deposit for example) to obtain a better renewal interest rate from another financial institution. There should be a clear open market (like a stock exchange type facility) that provides a simple transparent mechanism for the investment of savings in deposit products at the best available rate at the time for the respective term and amount and facilitating the automatic movement of the funds on maturity (eg. a term deposit) or at the time of request if there is no maturity (eg. a high interest savings account).

The additional income to Australians from such a facility will be very significant over time and will ensure the financial institutions offer competitive interest rates for savings products and do not rely on the complacency of individuals to renew at significantly lower rates than available elsewhere in the market. This is particularly the case for amounts up to $250,000 covered by the Government Guarantee.

Peter McNeill