

Submission to the Financial System Enquiry

Subject: International Transaction Charges

Summary:

Bank to bank transfers from overseas banks incur a \$24 international transaction charge. This is for incoming transactions in \$AUD so is distinct to currency conversion charges. The charge is not applied as an explicit charge but just deducted from the gross amount before credit to the account. The charge is clearly excessive for the service provided and applied in a hidden manner.

Submission:

In the course of my business I receive payments from overseas clients. The nature of the agreements indicates payments will be made in Australian dollars (\$AUD). The payment is executed as an EFT transaction.

If I invoice a customer for \$100 they will pay AUD\$100 directly into my account. In my account I will receive \$76. I have two problems with this situation

1. The cost of the charge relative to the service provided
2. The accounting practices applied to the transaction
3. Ineffectiveness of the Ombudsman

Excessive Charge

It is difficult to comprehend how it costs the bank \$24 to execute this transaction. Payments I receive from domestic customers via EFT attract no charge.

One imagines the bank receives a data file and it is executed automatically by the IT systems. Surely the real cost to the bank of processing the whole file could not possibly be \$24 let alone the cost per transaction within the file. Remember there are no currency conversion charges just a pure transaction fee.

Accounting Practices

The transaction is simply credited to my account as a payment received for \$76. In the most practical terms this makes it difficult to reconcile to the original invoice for \$100.

To my mind the correct accounting practice would be to record a payment to the account of \$100 and then record a bank charge of \$24 for the international transaction charge.

Ombudsman

I lodged a complaint with the bank and failing to resolve the complaint I escalated the complaint to the Financial Industry Ombudsman. The case officer seems to think the complaint was a reasonable one.

The day after receiving acknowledgement from the Ombudsman I received a call from the bank. The tenor of the call was exceedingly polite but slightly smug. The content of the call was that this was the way the process had always been done and would not change and that the Ombudsman did not have jurisdiction in this area.

The complaint with the Ombudsman was closed and no further action taken. It was a disappointing outcome and undermined any confidence I had that the banks were subject to any effective oversight.