



## **Keeping the Banks Honest**

### **When it comes to finances, Watch Your Back!**

They used to be secure establishments people could entrust their money to for safekeeping in the knowledge that their best interests were respected and maintained. That was probably in the days when customer accounts were hand-written and checked by at least three clerks before being signed off by a senior official. A bank's reputation had to be earned and was guarded jealously, certainly would never have been taken for granted. Charles Dickens wrote about it, portraying banking as a very precise, honest vocation with no place for chicanery. Clients had a right to expect fair dealings; and, in the main, such was forthcoming. But today...? Dickens would be horrified to learn what goes on.

The Global Financial Crisis is history and many ordinary people were shocked to discover what some of the World's major banks had been getting up to. They were exposed by their own shortcomings and everyone suffered. There is little doubt that before this devastating event they were already juggling finances to exact higher profits. Sadly, despite being caught out, they are still doing it.

Fairly recently in Australia, the Federal Government launched a Royal Commission into banking practices. Although not entirely unexpected, when some of their shady dealings were publicly revealed, the bankers were left red-faced and their gullible customers fuming. As far as the guilty were concerned they weren't criminals, merely creative accountants; some of whom, it should be added, were receiving quite obscene salaries for overseeing what can only be described as scams. Unable to deny what they had done, huge fines were imposed on them accompanied by a wagging finger and a warning to cease and desist. Unfortunately, the old dog refused to learn new tricks, so the conniving goes on. It has to. Whose money will ultimately be needed to pay those fines? Their customers', of course – that means you and me.

Being aware of the cons and money-juggling is all very well; but what can ordinary folk do to avoid the consequences? Knowing how the banks are skimming off the top is a start. Interest rates are a huge earner for them, particularly when a country's Federal Bank reduces them to aid the economy and stimulate public spending. Generally, changes will be in small increments, maybe lowering the rate by a quarter or half a percent. That makes a difference on both sides of the coin. Borrowers with housing loans might expect that interest on their repayments should decrease by the same amount. Banks, however, are reluctant to pass on any or all of it; and in the latter case they are still benefitting by charging customers only slightly less while keeping the lion's share for themselves.

Even when basically named and shamed by more honest institutions which pass on the full amount; or have been strongly advised by the government to do the right thing, some

of the more devious conveniently delay capitulating for a while. When talking millions on the money market, just a few days can make them a small fortune. Your remedy is simple: check out those banks that have come to the party, see how their interest rates compare with your existing payment plan; and if they can offer you a better deal, either take them up on it, or return to your loan provider and ask them to match it, or else!

For investors, in order to gain the maximum advantage from interest rates, changes need monitoring frequently. It is relatively easy to compare what you are making on your various accounts with what other institutions are giving their customers. The same rule applies to investors as borrowers – go for the best deals and switch banks if necessary.

Another trick the banks use to snare more of your money is by altering payments-due dates. They can do this without notice – it's in the terms and conditions – and anyone who fails to act when it happens is likely to be out of pocket. Never assume that the dates your loan repayments are due will be set in concrete. If you have a habit of leaving payment until the last minute; should your provider have slipped the date back a day, you will be in arrears and it will cost. The same applies to credit cards, and not just with re-payments. Anyone like us who pays the full amount owed every month, and holds off buying more until the close-off date to even out the budget; we need to know if the banks sneak in and advance that date. Otherwise, something we have just bought won't appear on next month's statement: it will have to be paid for almost immediately.

One last reminder about weekends and public holidays. Paying cash over the counter speaks for itself – the office is either open or not. It's a bit different with online transactions. Payments made via the Internet the day before the due date may get there on time, if you're lucky. Make them on a Friday and you'll probably find the money won't be acknowledged as received until Monday or Tuesday. Seasonal holidays such as Christmas and Easter compound the problem.

In closing I'll just say this: when it comes to finances, remember the banks are behind you every step of the way; so make sure to watch your backs.

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