Professional Investment Services

ABN 11 074 608 558 | Australian Financial Services Licence Number 234951

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Media Statement

PIS questions Bank lending practices

AUSTRALIA'S big banks are squeezing clients from both ends of the home loan spectrum according to managing director of one of Australia's largest diversified finance groups

Grahame Evans, managing director for Professional Investment Services, said the banks were squeezing borrowers on loan rates while making massive cuts to remuneration to the mortgage brokers supplying them with those loans in the first place.

"Consumers have every right to feel aggrieved about the high levels of interest rates they are paying," said Mr Evans.

He said traditionally the strongly competitive nature of the finance industry meant banks would only raise rates when the Reserve Bank lifted the official cash rate.

"However, recently banks have started to lift rates outside any move from the RBA, a trend started by the ANZ."

The Reserve Bank has raised interest rates 10 times in recent years, lifting the official rate to 7.25 per cent, the highest in almost 12 years.

However, many of Australia's major banks have made extra increases in interest rates during the same time.

At the same time, Mr Evans said, led by Westpac, banks were cutting commission to mortgage brokers by up to 40 per cent.

Traditionally lenders pay brokers an upfront remuneration of up to 0.7 of one per cent of the total loan amount with a ongoing remuneration of 0.25 of one per cent of the loan balance on a yearly basis.

"Banks are trying to have the best of both worlds.

"They are taking remuneration away from the brokers who are bringing the loans to the banks and are hitting borrowers with increased interest rates.

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"Where, in all of this, are they looking after the consumer? Are they returning the money they save on reducing broker's commissions to borrowers?"

Mr Evans statements came after the National Australia Bank recently reported a record half-yearly profit of $2.7 billion, up 25.8 per cent on the corresponding period last year.

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