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Money

## Laziness costing borrowers \$6.1bn

By Richard GluyasThe AustralianOctober 27, 2009 12:00

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APATHY is mostly to blame for customers of the big four banks missing out on \$6.1 billion in annual savings that can be achieved by switching their home loans and other borrowings to the cheapest providers.

The Australian reported financial comparison firm Infochoice yesterday released its first quarterly cost-of-banking research report, which showed big-four customers could save \$5.3 billion on their home loans, \$275 million on credit cards and \$482 million on other financial lending, including car loans.

By taking their business elsewhere, they could save \$4300, or 20 per cent, cutting their annual banking costs from \$21,500 to \$17,200.

"The real anomaly is that, while the four major banks offer increasingly less competitive products, they continue to increase their market share," Infochoice chief executive Shaun Cornelius said.

Takeovers of BankWest and St George Bank, by Commonwealth Bank and Westpac respectively, along with severe funding pressures in the non-bank sector, have enabled the big four to snatch more than 90 per cent of new mortgage flows.

However, Mr Cornelius said the major banks were far more expensive than their smaller rivals when it came to the complete cost of banking, including service and transaction fees, ATM fees and interest rates.

This was despite access to cheaper and more diverse sources of funding, for example, the lower fee to use the Federal Government's wholesale funding guarantee, because of their higher AA credit ratings.

Mr Cornelius said mortgage customers could save \$3186 a year in interest payments and fees by switching from the 5.78 per cent average variable rate for the four majors to the 4.92 per cent average rate for the lowest four mortgage facilities in the market.

Those loans were provided by non-bank lenders State Custodians, Ratebusters, MyRate and HomeStart.

Assuming an average home loan of \$300,000 paid over 30 years, the total savings over the life of the loan from switching to the lowest average rate would be almost \$58,000.

Mr Cornelius said there was no rational reason, apart from apathy, for customers to stay with a big-four bank and not seek a cheaper rate.

"The majors have trusted brands and there's been a flight to perceived quality in the financial crisis, but Australia has always had a strong banking system, and the guarantee is in place," he said.

Mr Cornelius said there were costs involved in switching, and in some cases, particularly where customers were switching out of fixed-rate products, they were relatively high, between \$2000 and \$3000.

But mostly they were below \$1000.

Read more in *The Australian*.

## Comments on this story

**Ryan.. of Sydney..** Posted at 5:12pm October 27, 2009

Its not Laziness, its called EXIT FEES !!

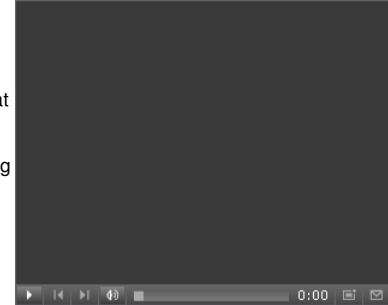
**No Idea of melbourne** Posted at 2:45pm October 27, 2009

Stefan - that is what the article is talking about. You are too lazy to shop around and want to "avoid the hassle to keep all your data up to date" when you could potentially save 1000s??? Case in point - You can get your mortgage through CBA and pay a yearly fee (which all the banks seem to do) of \$350 to avoid ongoing fees etc for a discounted rate that is worse than another provider, say INGDirect. You can keep you bank account and credit card at CBA for \$170 a year (\$60 for an account, \$110 for a gold credit card) so you are well ahead with an interest rate that is around 25 points lower than the CBA discounted rate - and no ongoing fees! The article is right - people are just lazy

**Andrew of Sydney** Posted at 2:40pm October 27, 2009

I would switch tomorrow if GE Money had not sold Wizard (who my mortgage was with) and kept the customers. This was a dirty trick and yet we are still locked into having to pay a hefty DAF to get out. On top of this, we are now paying a higher interest rate than we were in January, since they did not pass on 1.15% of the last 1.25% of interest rate cuts, but were very quick to pass on the 0.25% rise this month. Let us out GE Money - you are a ripoff.....and no, I won't be going to one of the big 4 ripoffs

Play

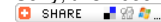


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ING to split in two and repay state aid  
The bailed-out Dutch financial services group ING is splitting itself in two.

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**Gibbon of Brisbane** Posted at 2:37pm October 27, 2009

Steve of Brisbane - they're called Heritage and they're awesome

**Steve** Posted at 1:29pm October 27, 2009

Maybe if it didn't cost me over \$10,000 in exit fees from ANZ in regard to my mortgage, I would shop around some where else..

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