

NZMEA Survey: How Is Your Bank Treating You?

We have all seen comment in the media and from politicians that the trading banks are increasing margins, and essentially subsidising housing lending with higher margins from business loans and short term rates that disregard the OCR.

I have been asked by the media to comment and have so far only drawn on my own direct experience.

It would help me if you could give a brief response on the following questions. In addition, if you know of other businesses that may be interested in taking part in this survey, please forward this email to them.

RESPONSES:

Please indicate if you agree or disagree with the statements:

Question 1

My bank has increased the margins I pay on credit facilities.

Strongly Agree						Strongly Disagree
i 1	i 2	i 3	i 4	i 5	i 6	i 7
31%	20%	12%	7%	1%	11%	18%

Question 2

My bank has tightened covenants associated with my credit facilities.

Strongly Agree						Strongly Disagree
i 1	i 2	i 3	i 4	i 5	i 6	i 7
26%	18%	13%	9%	4%	15%	15%

Question 3

My bank has increased charges associated with credit facility changes.

Strongly Agree						Strongly Disagree
i 1	i 2	i 3	i 4	i 5	i 6	i 7
21%	19%	15%	6%	8%	17%	14%

Question 4

My bank has tried to increase my credit facility costs but maintained existing arrangements when I complained.

Strongly Agree						Strongly Disagree
i 1	i 2	i 3	i 4	i 5	i 6	i 7
12%	12%	3%	25%	12%	15%	21%

Question 5

My bank has used the opportunity of any change of credit facility to increase associated direct and cross guarantees.

Strongly Agree

i 1	i 2	i 3	i 4	i 5	i 6	i 7
23%	18%	5%	21%	5%	10%	18%

Strongly Disagree

Question 6

I am thinking of changing banks.

Strongly Agree

i 1	i 2	i 3	i 4	i 5	i 6	i 7
23%	13%	5%	18%	4%	17%	21%

Strongly Disagree

Question 7

At the moment my primary bankers are:

i ANZ	i ASB	i BNZ	i HSBC	i Kiwibank
15%	20%	15%	1%	6%
i National	i Rabobank	i Westpac	i Other	
28%	1%	9%	1%	

Question 8

If you ticked 'Other' please provide details:

- Rabobank

Question 9

Would you support an inquiry into competition in our banking sector, the role of Kiwibank, the factors that negatively impact the real economy and the volatility of our currency?

i Yes	i No
86%	14%

Question 12

Do you have any other comments to make on this matter?

- I am still at a loss as to why banks do not lower their interest rates on credit card facilities, and other charges, particularly when the Government is reducing the interest rates to what they are today. This seems grossly unfair, particularly in a climate where many people are struggling to make ends meet. This is perceived as the Banks being continually greedy!
- The banks margins for mortgage interest rates are unacceptable.
- For above reasons, we recently left XXX and changed to XXX. Difference in cost of credit was huge and XXX offers better flexibility. Upon exiting XXX, their charge for fixed interest loan break fees bordered on gross abuse of their position, we estimate overcharging by 50%! We will be pursuing legal options to address this matter.

- The Banks have done nothing in this economic climate to assist business rather they have covered their own position at the expense of everybody else. They created this mess and are still profiting while we are still paying.
- Our bank held its rates until contacted by us and did not actively seek to advise/ensure we were minimising interest cost over the last 12months result excessive interest paid!
- XXX decreased our overdraft rate to a new rate, being their base lending rate plus a fixed percentage (in response to my request).
- I was told that they will be reviewing all accounts soon. I balked at this. He argued that a "margin" increase was needed because of the lending cost increasing. As I am 90day bills then margin I said no as the cost is reflected in my rate every roll date. So that changed to "economic uncertainty has increased so we need to increase margin to reflect risk". We are ahead of our game and Principle repayment plan with undrawn facilities so again this seems like bullshit. The final comment was that lending at 5% was just too cheap. He said there was a project to review all accounts and put margins up for the bank. The one I really enjoyed was he said "keep it in perspective it is only about \$12k per annum of (extra) cost". I guess on a bankers' salary \$12k is nothing but to me it is a lot of money. I am half way thru a 5 year deal so I will have to suck up their increase if they try one but I will be fighting tooth and nail about it.
- We are waiting for final confirmation of an offer from XXX having become completely disenchanted with XXX and their arrogant attitude and unwillingness to help during this recession. I hope more businesses follow suit.
- We are in a slightly unusual situation in that our credit facility is provided by our Principal, as we are generally in credit with our Bank. They have certainly tightened the criteria for guarantees, required backing for forward exchange cover etc.
- XXX has been very supportive but has to play the game as well. I don't hate XXX.
- Credit in general has become so much tighter, not just in the banking sector. The amount of work required now to do just simple things like lease a vehicle is ridiculous....
- Our son shifted from XXX to XXX. After 3 months he found them so good and rates better so he urged us to change. We had just questioned XXX from introducing a new insidious charge. When questioned they replied other banks did it. We are very pleased we moved hearing stories from others. We had a tough 5 months up to April and problem with payment from Mauritius. We sought to increase our facility by 10%. They requested some easy to submit figures and within 24 hours approved.

In May and now in June our business has taken off. We don't need the extra facility anymore. However we have some capex and other marketing expense ahead. They again promptly approved with no demand for extra security. They are well covered anyway.

- 100% happy with XXX.
- I have been told by XXX that they have down rated funding for joinery manufacturing.
- Our financing is via mortgage finance.
- I believe that the individual banker is more important than the bank. The difference between individuals is greater than the difference between banks.