

Press release

For immediate release

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Big 4 banks keep \$7 BILLION from borrowers

- Big 4 banks collect \$7 billion since November 2011 by not passing on full rate cuts
- Variable home loan customers with the big 4 banks missed out on 0.37 percentage points
- More borrowers need to compare their home loan: bigger savings could be made

February 11, 2015, Sydney, Australia – The big four banks have kept an estimated \$7 billion* from their variable rate home loan customers by not passing on the full Reserve Bank cash rate cuts since November 2011, according to one of Australia's biggest comparison websites finder.com.au¹.

When the latest interest rate cuts come into effect, the big four banks – ANZ, Commonwealth Bank, NAB and Westpac – will have each held back 0.37 percentage points of the Reserve Bank's 2.50 percentage points of cash rate drops on average from their standard variable interest rates.

NAB kept more of the cash rate cuts than the other three big banks since November 2011 according to finder.com.au, with 0.46 percentage points. It was followed by Commonwealth Bank and Westpac both keeping 0.34 percentage points while ANZ passed on the most out of the big four banks, keeping 0.33 percentage points.

However, Westpac holds the highest standard variable interest rate of the big four banks, which will be 5.70 percent from February 20. Commonwealth Bank holds the second-highest of the big four, with a 5.65 percent standard variable rate also from February 20, while ANZ and NAB follows with 5.63 percent from February 12 and 20 respectively.

¹ Experian Hitwise 2013, 2014



Michelle Hutchison, Money Expert for finder.com.au, said the majority of Australian mortgage holders will be impacted by the big four banks' decisions to keep rate cuts from customers.

"The big four banks hold 84 percent of home loan market share of all banks monitored by the Australian Prudential Regulation Authority (APRA). And it's estimated that 70 percent of all mortgage holders have a variable home loan according to finder.com.au.


"So when the big four banks hold out on passing on rate cuts, it's going to hit most households with a mortgage."

The total value of all home loans financed through the big four banks is \$1.1 trillion as at December 2014 (APRA data analysed by finder.com.au).

Commonwealth Bank holds the biggest home loan share in Australia, with a home loan book worth over \$354 billion including both owner-occupied and investment home loans.

For owner-occupied home loans Commonwealth Bank also holds the biggest share, worth \$231 billion, while Westpac holds the biggest investment home loan book worth over \$145 billion.

How much money the big 4 banks lend to home loan borrowers

Bank	Owner-occupied home loans (\$ billion)	Investment home loans (\$ billion)	Total home loans (\$ billion)	
ANZ	\$143.1	\$58.0	\$201.1	
Commonwealth Bank	\$231.3	\$122.9	\$354.1	
NAB	\$159.2	\$62.3	\$221.5	
Westpac	\$182.4	\$145.8	\$328.2	
TOTAL	\$716.0	\$388.9	\$1,104.9	

Source: finder.com.au, APRA December 2014, ordered alphabetically

"For a \$300,000 home loan, borrowers could be missing out on \$70 per month, \$840 per year or over \$25,000 over 30 years, based on the average 0.37 percentage points that the big four banks have kept from their customers.

"The big banks are making record profits from their customers because many borrowers are not bothering to compare their home loan to other lenders. While some prefer to pay more for to bank with the one organisation, it's a hefty cost for a little convenience.



“With ongoing variable rates soon starting from 4.23 percent, borrowers could save a lot more than 0.37 percentage points if they shop around.”

*Calculation of \$7 billion was based on average of the big four banks' total home loans financed per month since November 2011, and the difference between how much interest they earned per month based on their average standard variable rates each month and how much they should have earned if they passed on the full cuts, and then subtracting 30% as an estimate for the proportion of fixed home loans.

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