The Distasteful Business of Banking

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Oz Banks to use new software to target vulnerable customers

> No surprises here; banks will stop at nothing to increase their bottom line? Using new software packages designed to assess when existing customers/clients are at their most vulnerable, banks hope to sell more products and increase client debt. But what of the moral issue of taking unfair advantage of the public? Whatever happened to protecting the public interest? O, that's right, bank serving Juliar 'carbon tax' Gillard became PM!

Banking on finding your weak spot
by Deborah Gough

Banks and other financial institutions are drilling into personal credit card transactions to predict when financially stretched customers might be more susceptible to offers of increased credit limits, insurance, education or superannuation funds and investment products.

The Consumer Action Law Centre report, funded by the Australian Securities and Investments Commission, says policy advisers and regulators have not kept pace with advancing technology. The report links bank tactics to rising personal debt.

A decade ago, Australians owed $21.8 billion on credit cards, $15.3 billion of which was accrued interest. In February, those figures were $50.6 billion with $37 billion in accrued interest. The debt per card rate was $2123 in 2002, and now sits at $3364 with many people owning more than one card.

The report researcher Paul Harrison, of Deakin University, said banks had for years used basic data such as age and income to guess when customers might accept extensions on their credit limits, but it was a scatter-gun approach. Now, he said, powerful and more sophisticated computers could glean intimate details about customers, using information gathered from spending patterns, call centres, product registration and point-of-sale transactions.

Dr Harrison, who is chairman of Deakin's consumer behaviour and advertising unit, said the banks were trying to predict pivotal spikes in spending such as holidays, impending babies and retirement - all times when a customer might accept increased credit limits or other financial products. A spike in spending at baby stores by a woman is enough for bank databases to generate offers of credit or education funds.

The National Consumer Credit Protection Act prevents banks offering ''unsuitable'' credit to customers who cannot afford it.

The law centre's policy and campaigns adviser, Gerard Brody, said that from July 1, banks needed customer consent for future, unsolicited credit limit offers, but even if customers refused, their data could be mined to generate mortgage, personal loan, investment or insurance offers.

Dr Harrison said the information gathered was a powerful marketing tool used by all banks. Westpac spent $200 million over five years to develop its database on its 3.5 million customers, or $57 each.

The research found the most profitable customers for banks were not the loyal, pay-in-full customers, but the ones who did not pay all of their statement during the interest-free period.

The chief executive officer for the Australian Bankers' Association, Steven Munchenberg, said banks were using the technology to market themselves ''like any other business''.

He said banks used the same technology to abide by credit laws, and only about 1 per cent of customers paid the minimum credit card payment for six consecutive months.

A Westpac spokesman would not be drawn on the exact amount it had spent on data generation about its customers and said it was meeting its consumer lending, legal and industry code requirements. He would not be drawn on whether customers' information was used to target them with financial products.

http://tinyurl.com/72lldgm
