

Australia and New Zealand Banking Group Limited

Response to Questions in Writing following 5 October 2016 House of Representatives Economics Committee Hearing

Question asked by

Mr Kelly

Question

For a customer with a credit card with your bank – that has a \$5,000 limit, a \$4,300 outstanding debt and a \$86 minimum month repayment – if the customer failed to make the monthly minimum repayment on time (as per the terms and conditions of the credit card) – what is the total damages incurred by the bank?

Answer

When a customer fails to make a minimum monthly payment on a credit card when due, ANZ incurs legitimate business costs, including the:

- Costs involved in the collections department contacting the customer about the late payment;
- Additional credit provisioning costs incurred by ANZ when a customer pays late; and
- Loss suffered when ANZ has to allocate additional regulatory capital to the account because of a late payment.

Those costs can vary considerably as between accounts and as between individual late payment events on the same account.

For example, incremental costs will vary, depending on what collections activity is actually undertaken on a particular occasion. The provisioning and regulatory capital costs will vary depending on a number of factors, including the customer's prior account behaviour.

As such, it is not possible to calculate what loss would be suffered by ANZ on the specific information given.

However, to assist further, ANZ notes that one of the credit card accounts maintained by the lead applicant in the recent class action had a credit limit of \$4,000 (which is close to the \$5,000 credit limit you asked us to assume).

The evidence of ANZ's expert was that, in relation to the late payment events on that account, ANZ incurred actual costs (relating to collections activity, provisioning and regulatory capital) of between \$32 and \$54.