

QW48: 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: Westpac has never undertaken the kind of detailed analysis that would allow us to quantify with precision the losses incurred in respect of any particular credit card late payment event by an individual customer.

As noted in our letter to the Chair of the Standing Committee dated 20 October 2016, in the recent class action against ANZ Bank in relation to its credit card late payment fee ANZ gave evidence (and the High Court accepted) that the average financial cost incurred by ANZ in respect of each credit card late payment event is in the range of \$33 to \$55. We expect that the categories of cost incurred by Westpac in respect of late payment events are similar to those outlined by ANZ.

The costs that would actually be incurred in relation to any particular late payment event would depend, in part, upon the level of collections activity that was required to be undertaken in respect of the late payment. We also note that for the purpose of calculating the bank's provisioning costs and additional regulatory capital costs associated with late payments (which the High Court of Australia found to be relevant categories of costs in the recent judgment in *Paciocco v ANZ Banking Group*), it is the customer's entire balance owed - \$4,300 in the given hypothetical example - that would have to be taken into account, rather than the \$86 monthly minimum repayment.