

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

Westpac Banking Corporation

WBC27QW: Of existing customers who switch to better lending arrangements within your bank, could you share any broad data you have regarding the size of their loan (at the time of changing), the duration of their loan up to that point, their income bracket, their location, and their age?

Alternatively, could you indicate if the customers who change tend to share a particular demographic profile? If that information could be provided overall, but also separately depending on whether the customer changed their lending arrangements after unsolicited contact from the bank (after a rate change for example) or as a result of contact they initiated with the bank, it would be appreciated.

Answer: What constitutes a better lending arrangement will vary from customer to customer. For example, a customer may select an interest only home loan with a higher interest rate than a principal and interest home loan because they want the benefit of lower repayments or there are particular tax advantages due to the structure of their lending arrangements.

For the purposes of responding to this question we have defined customers who have switched to a better lending arrangement as those who:

- Switched their mortgage within Westpac, including switching between: product types (e.g. Investor to Owner-Occupied); payment types (e.g. Interest Only to Principal & Interest); products (e.g. Basic to Standard Variable); and interest types (e.g. Variable Rate to Fixed Rate); or
- Had a downward adjustment to their mortgage rate (other than those that were due to a pricing change we made in response to a change in the RBA cash rate).

In total, between 1 October 2018 and 30 September 2019, 444,601 mortgage accounts met the above definition. Of those:

- 254,932 switched their mortgage; and
- 189,669 had a downward adjustment in their rate.

The table below includes the broad data we are able to provide in relation to those loan accounts.

Metric	NSW	ACT	VIC	QLD	WA	NT	SA	TAS	Other	Total
No. of Loans	156,397	8,963	114,246	71,238	48,010	3,995	33,594	3,305	4,853	444,601
Average loan size	\$343,035	\$287,604	\$317,798	\$265,751	\$280,815	\$283,108	\$226,599	\$190,644	\$354,804	\$305,990
Average loan duration (years)	6.0	6.3	6.3	6.6	7.2	7.1	6.2	8.1	6.4	6.4

Note: "Other" includes customers with a non-Australian residential address.

We are not accurately able to determine the income bracket of these customers. This information is collected at the time of origination but not on an ongoing basis. We are also not able to provide accurate information on age because accounts can have multiple customers of varied ages.

Based on the data available to us, we are not able to identify whether the customers share a particular demographic profile. Compared to the total Westpac Group mortgage portfolio the customers shown in the table above have a larger loan size (\$305,990 vs \$275,513) and slightly longer loan duration (6.4 years vs 6.2 years).