Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Inquiry into Treasury Legislation Amendment (Unclaimed Money and Other Measures) Bill 2012

Treasury Submission

Regarding Schedule 1 – Banking

1. What are the types of bank accounts likely to be affected by the 7-year to 3-year reduction in the inactivity test?

The Bill does not change the definition of unclaimed moneys contained in section 69 of the *Banking Act 1959* other than to change the period of inactivity from 7 years to 3 years. Items 3 and 4 of Schedule 1 allow regulations to set a longer time period or set additional requirements for certain classes of bank account.

2. Will medium and high interest earning accounts also be affected (eg matured term deposits that roll over, internet or I-saver accounts, ie not just 'at-call' accounts)?

The Bill does not change the definition of unclaimed moneys contained in section 69 of the *Banking Act 1959* other than to change the period of inactivity from 7 years to 3 years. Items 3 and 4 of Schedule 1 allow regulations to set a longer time period or set additional requirements for certain classes of bank account.

3. What will be the effect on accounts and consumers impacted by this legislation if balances had been in a high interest earning account?

Most such consumers will be better off.

Many high interest earning accounts set out conditions, such as minimum deposit requirements, which by definition won't be met for an account that has had neither a deposit nor a withdrawal for three years. An example of such an account is provided in the Treasury submission. Another is the Commonwealth Bank YouthSaver account. It pays 4.01% if there is a deposit and no withdrawals every month. However, if there is no deposit, it pays only 0.01% interest on balances. The ANZ Progress Saver is similar. It pays 4.91% if there is a deposit and no withdrawals in the month. Otherwise it pays just 0.01%.

Many other high interest accounts only apply for the first few months after opening. For example, NAB's iSaver currently offers 4.75% for the first 4 months. It then reverts to 3.25%.

Interest earned on bank accounts is normally subject to tax. In contrast, the CPI interest paid on unclaimed moneys will be tax exempt.

4. Will inactive accounts of active customers (eg with other active accounts) be excluded?

The Bill does not change the definition of unclaimed moneys contained in section 69 of the Banking Act 1959 other than to change the period of inactivity from 7 years to

3 years. Items 3 and 4 of Schedule 1 allow regulations to set a longer time period or set additional requirements for certain classes of bank account.

5. What is the number of accounts likely to be affected?

We are unable to quantify the number of affected accounts at this stage. However, approximately 14,000 accounts were transferred to ASIC last financial year.

6. What is the average size account balance that is impacted by this legislation?

The average account size fluctuates from year to year. Of the accounts listed in ASIC's database as transferred in 2011-12, half were below $1,275 (see page 4 of the Treasury submission) and the mean account balance was approximately $4,400.

7. What is the maximum account balance that is impacted by this legislation?

The Bill does not change the definition of unclaimed moneys contained in section 69 of the *Banking Act 1959* other than to change the period of inactivity from 7 years to 3 years. Items 3 and 4 of Schedule 1 allow regulations to set a longer time period or set additional requirements for certain classes of bank account.

The current largest unclaimed bank account listed in the ASIC database is $992,750 from Carlisle, Western Australia.

8. Will account balances with over $100,000 in them be impacted by this legislation? If so, typically, in what circumstances (and, if possible, how many)?

The Bill does not change the definition of unclaimed moneys contained in section 69 of the *Banking Act 1959* other than to change the period of inactivity from 7 years to 3 years. Items 3 and 4 of Schedule 1 allow regulations to set a longer time period or set additional requirements for certain classes of bank account.

9. Will accounts owned by children that do not make a contribution within 3 years be transferred? How many?

The Bill does not change the definition of unclaimed moneys contained in section 69 of the *Banking Act 1959* other than to change the period of inactivity from 7 years to 3 years. Items 3 and 4 of Schedule 1 allow regulations to set a longer time period or set additional requirements for certain classes of bank account.

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Regarding Schedule 2 – First Home Saver Accounts

1. Will First Home Saver Accounts owned by First Home Savers that do not make a contribution within 3 years (possibly due to hard times) be transferred?

The Bill does not change the definition of unclaimed moneys contained in section 17A of the *First Home Saver Accounts Act 2008* other than to change the period of inactivity from 7 years to 3 years. It does not alter the requirement for FHSA providers to be unable to contact the account holder after making reasonable efforts. Item 2 and 3 of Schedule 2 allows regulations to set a longer time period or set additional requirements for certain classes of FHSA.