

**Chief Executive Officer
Vaughn Richter**

12 November 2012

Mr Tim Bryant
The Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

By e-mail: economics.sen@aph.gov.au

Dear Mr Bryant,

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

Thank you for giving ING Bank (Australia) Limited ("ING DIRECT") the opportunity to comment on the captioned Amendment Bill.

We acknowledge that the intent behind the Amendment Bill is to reunite people with their unclaimed money; and pay interest on these monies, whilst they remain with the Australian Securities and Investments Commission ("ASIC"), at a rate equivalent to consumer price index ("CPI") inflation from 1 July 2013. We also acknowledge that both of these objectives are beneficial to customers.

However we believe that careful consideration needs to be given to this Bill to ensure it does not lead to unintended consequences.

ING DIRECT would request the Committee to consider the following matters prior to approving the passage of the Amendment Bill:-

1. The basis for determining a 3 year threshold.
2. Assessing lost or unclaimed monies at an account level, not as a single customer view level.
3. The current interest rate paid by Australian Deposit Taking Institutions ("ADIs") on these monies in relation to the CPI inflation rate.
4. The 'auto-consolidation' changes to be introduced as part of the Government's Stronger Super reforms which are scheduled to commence in January 2014.
5. The proposed implementation date.

The 3 year threshold

ING DIRECT questions the premise that customer disengagement occurs after 3 years, and requests further detail on how the Committee arrived at this conclusion – including the results of any research which influenced the proposed timeframe.

Many of our active customers hold multiple ING DIRECT accounts. Whilst they regularly transact on their 'everyday' accounts, they often take a 'long-term' view with their savings.



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The ING DIRECT Business Optimiser account, for example, is commonly used by customers to fund part of their retirement plan. They may have deposited a large amount of money, but refrain from accessing it for many years. Similarly, customers make the most of the competitive interest rates offered by our Savings Maximiser to save over an extended period of time for property, education, shares and other long term investments.

It's important to note that, whilst customers may not always transact on these savings accounts, they will still frequently view their balances. Our technology allows us to measure these interactions, and we're confident that other banks have a similar capability.

As a result, we believe that the proposed 3 year measurement will not provide an accurate picture of disengagement in this situation.

Single Customer View

ING DIRECT proposes that it may be more appropriate to consider the threshold from a single customer view rather than from an 'account' viewpoint, in order to provide a more accurate assessment of the extent of unclaimed monies.

If the Amendment Bill is passed from an 'account' perspective, then we'll need to advise active customers who regularly transact on some, but not all, of their accounts, that unless they transact on each of their deposit accounts at least once every 3 years we'll have to close them and pass the money to ASIC.

The Terms and Conditions that apply to our savings accounts do not currently mandate that a customer must transact on their accounts at least once every three years. Making changes to our Terms and Conditions may lead to ASIC investigating us for misleading our customers. We would require an assurance from the Government that this would not be the case should the Committee pass the Amendment Bill in its present format.

If, on the other hand, the Amendment Bill was passed taking a single customer view, we believe the majority of accounts would not be affected as most of our customers are active on at least one of their accounts.

Interest rate paid on our savings products

At ING DIRECT the basic savings product interest rate is currently 3.50% p.a. and no fees are charged on any of our savings products.

In the event that we were required to close an active customer's savings account (due to them not having transacted on this one account in the last 3 years) and send the monies to ASIC, the CPI rate applied to their savings would be at a lower rate than the current minimum paid by ING DIRECT.

Whilst we agree that customers will benefit from being paid interest at the CPI rate after 7 years, we also believe that, if the threshold is set at 3 years, customers will be disadvantaged by receiving a lower interest rate as a result of their savings being held with ASIC rather than ING DIRECT.

ING DIRECT also queries the basis for deciding the CPI rate is the best rate for customers, and seeks further detail on how the Committee arrived at this conclusion.



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Auto-consolidation of superannuation accounts under the Stronger Super reforms.

Again, we agree that customers will benefit from being reunited with their lost superannuation. However, with the auto-consolidation of superannuation accounts being introduced in January 2014, we don't believe there will be very much 'lost super' around to be claimed under the Amendment Bill.

Proposed Implementation date

The Amendment Bill, if passed, will come into effect on 31 December 2012.

ING DIRECT believes this is an unrealistic timeframe given that the legislation has not yet passed Parliament, the Regulations have not been released and the implementation date is around a period when banks implement freezes on technology changes.

We strongly recommend the Committee consider extending the ADI reporting date to ASIC to 30 June 2013. This is in order for ING DIRECT to make the necessary system changes, communicate with our customers in a timely manner and meet compliance requirements.

Once again we thank you for inviting us to provide our feedback and we look forward to addressing any questions that you may have.

Yours Sincerely,

Vaughn Richter
Chief Executive Officer
ING DIRECT AUSTRALIA

