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HEADLINE: Banking gaps leave many disadvantaged, says ANZ

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BODY:

A CORE group of about 120,000 Australians don't have a basic bank account, a new report says.

Plus, a further one million people have just a basic savings account, with both groups' financial exclusion leaving them open to exploitative loan sharks and "payday lenders", it said.

The report by Chant Link said the financially excluded usually came from the ranks of the unemployed, those in poverty, the disabled or indigenous Australians.

Financial exclusion was defined as the lack of access by certain consumers to appropriate low-cost, fair and safe financial products and services from mainstream providers.

ANZ chief executive John McFarlane, who commissioned the report, said the research showed "many of the Australians in the most need are caught in a vicious poverty trap".

"There are clear areas of need that would make a big difference to their lives and the lives of their children," he said.

"These include small loans at an accessible cost for people on low incomes, micro-finance in communities facing disadvantage, particularly the indigenous community, and savings products, financial counselling and financial literacy for those people potentially at risk." ANZ said it would donate \$3 million over two years to help local credit unions fund programs to help the financially excluded.

Credit unions were chosen instead of the ANZ's branches because the type of people affected were more likely to accept a credit union than a bank, ANZ spokesman Paul Edwards said.

The programs to be funded would include two models currently run by ANZ.

The first is a matched savings program. Customers do a course on positive financial habits and have any savings matched by ANZ after a year or 18 months.

A second program, offered through the Brotherhood of St Laurence, offers small loans to the less privileged.

The product gives customers loans at around personal loan rates, instead of credit card and charge card interest rates, which would otherwise be paid.

The ANZ's funding would be used to produce a new loans product to target the market of people who use "payday lenders", who can charge up to 1300 per cent.

The Brotherhood's general manager, Catherine Scarth, said too many Australians suffered needlessly because of lack of access to the banking system.