

Consumer Council
Submission to LegCo Panel on Financial Affairs on
'Impact of Banks' Branch Closure and Fee-Charging on the Public'
(5 May 2008)

Introduction

1. The Consumer Council ("CC") is pleased to note from the information given in the progress reports of the Administration and the Hong Kong Association of Banks (HKAB) that efforts have been made in relation to banks' closure of branches and fee-charging such as the launch of community-wide publicity programmes on the use of Automated Teller Machines (ATMs), and the launch of industry-wide simplified ATMs. CC believes these initiatives will enhance understanding and use of ATM services by groups mainly using branch services, in particularly the elderly. CC also welcomes the proactive moves taken by the banking sector in response to the needs of the community, for instance, exploring the feasibility of interconnecting the two ATM networks in Hong Kong, conducting an opinion survey on use of cross-network ATMs, and assisting bank customers to switch between banks.

2. CC would like to provide below views on the following aspects:

- Update on banks' opening and closing of branches; and
- Problems encountered by consumers in using ATMs.

Update on Banks' Opening and Closing of Branches

3. According to the information on bank branches provided by the Administration in the document CB(1)1379/07-08(3) (Annex B), there were 105 bank branches opened in various districts in Hong Kong from January 2006 to March 2008, with about 2/3 of them (68) providing general deposit and withdrawal services for use of all account holders, while 1/3 (37) offer services to selected customer segments including premium account holders and small and medium enterprises.

4. CC believes that in analyzing whether there is actual increase in the number of bank branches, it is imperative to look at also the number of bank branches closed.

5. CC has conducted a study with scope confined to bank branches which provide general deposit and withdrawal services but excluded automatic banking centers, or stand-alone branches for selected banking customers only, or branches opened and closed within the same district as a result of relocation. In comparing the branch information of banks as at July 2006 and January 2008 respectively, CC has found that during the period concerned, 13 out of 19 banks had opened a total of 48 new branches, but 6 of them had also closed 13 branches altogether. In aggregate, those 19 banks had a total of 999 branches in 2006, which rose to 1,034 branches in 2008. That is to say, there has been a net increase of 35 bank branches (3.5%). It may be worth noting that while some banks closed more branches than opened new ones, some others expanded their branch networks (e.g. Standard Chartered Bank and Chong Hing Bank). Table 1 provides information on the number of bank branches opened and closed by individual banks in 2006 and 2008.

6. The change in number of bank branches by individual banks does not seem to have caused more branches in certain districts. In studying the distribution of bank branches, CC notes that some banks opened branches at different locations in the same district where branches had been closed, but some others closed their branches without re-opening in the same district (e.g. Aberdeen, Shaukeiwan). Opening and closing of branches occurred in both busy (e.g. Wanchai, Yau Tsim Mong) and non-busy districts (e.g. Sai Kung, Northern District). A few banks chose to open branches in remote (e.g. Tuen Mun) and/or low-income (e.g. Kwun Tong, Sham Shui Po) districts.

7. In view of the above development, CC suggests that the Administration continues to monitor the need of people living in the low-income districts for bank branch services, and to keep liaising with the Housing Authority on the feasibility of increasing the provision of bank branch services in public housing estates.

Problems Encountered by Consumers in Using ATMs

8. CC notes that a bank has recently announced its plan to increase 300 additional ATMs, with one third to be placed at public housing estates territory-wide over the next three years, and to expand its branch network in Hong Kong. CC is glad to see the bank's proactive step in realising its corporate social responsibility and in meeting the needs of the community, in particularly the underprivileged groups.

9. With banks actively promoting the use of ATMs and more and more consumers shifting to this type of automatic banking service, some problems have arisen to which CC would like to draw the attention of banks. An upward trend in complaint cases concerning ATMs is recorded in recent years. There were 21 ATM-related complaint cases in 2005, 27 in 2006, 35 in 2007, and 8 in Jan-March 2008 (see Table 2).

10. It is worth noting that there have been more complaints by consumers about the accuracy and reliability of ATMs in recent years. Examples are, no money coming out of ATMs, or ATMs coming out with an amount smaller than requested (with records showing that the full amounts had been debited from bank accounts). In case of deposit-taking, there were complaints that the amount of deposits fed into the ATMs was bigger than shown in the transaction records. The amounts involved in these complaints ranged from \$500 - \$20,000. Some of these complaints were resolved with complainants getting refund from banks, while in some other cases banks ultimately refused to make any refund to the complainants.

11. In reviewing the relevant complaint cases, CC has the following concerns:

- Time for refund not specified: CC understands that banks require time to carry out investigation. However, one complaint case shows that the complainant had to wait for almost a month before getting back his \$500. Apart from inconvenience, it also involved time cost to the consumer concerned. If the amount involved is

much larger and consumers cannot get refund within a short time, the distress caused to consumers would be even more.

- Consumer in a passive position: In dealing with complaints against ATMs giving out or recording wrong amounts, if banks ultimately find that their ATMs were functioning normally at the relevant time, they see no obligation in making refunds. In such circumstances, consumers who had suffered loss could do nothing.

12. CC is of the view that whilst actively promoting shift to the use of ATM service, banks should at the same time enhance protection to consumers to boost the public's trust and support in the use of ATMs. In this regard, CC urges the banking sector to enhance the accuracy and reliability of the ATM system, and periodically disclose ATM-related complaint statistics and data on ATM accuracy and reliability for public information. Further, CC suggests that the HKMA and the banking sector discuss the formulation of a reasonable timeframe for investigation so that consumers will know the length of time to wait for a reply and to get their refund as soon as possible.

Conclusion

13. The bank branch information and consumer experiences on the use of ATMs given above may serve as useful reference for the Administration and the banking sector in developing future policy/strategy. CC looks forwards to seeing results to the initiatives taken to minimize the impact of branch closure to consumers which should eventually benefit consumers.

14. CC trusts that HKMA and HKAB as regulator and industry association will keep the matter in view in order to ensure basic banking service is available to all.

Table 1 : Change in Number of Bank Branches

Bank	Number of Bank Branches*		Comparing number of branches during the period			
	As at July 2006	As at Jan 2008	Relocation [^]	Opened	Closed	Difference
Bank of China (HK)	208	206	3	1	3	-2
Bank of Communications	40	42	0	2	0	2
Bank of East Asia	87	91	4	5	1	4
China Construction Bank (Asia)	14	20	0	6	0	6
Chiyu Banking Corp	23	23	2	0	0	0
Chong Hing Bank	38	48	1	10	0	10
Citibank	17	22 [•]	0	5	0	5
CITIC Ka Wah Bank	32	29	2	0	3	-3
Dah Sing Bank / MEVAS Bank	46	48	2	2	0	2
DBS Bank	56	54	1	0	2	-2
Fubon Bank	22	22	0	0	0	0
Hang Seng Bank	79	77	2	1	3	-2
HSBC	85	85	3	0	0	0
Industrial and Commercial Bank of China (Asia)	38	41	0	4	1	3
Nanyang Commercial Bank	42	42	2	0	0	0
Shanghai Commercial Bank	42	43	0	1	0	1
Standard Chartered Bank	59	66	6	7	0	7
Wing Hang Bank	38	40	2	2	0	2
Wing Lung Bank	33	35	0	2	0	2
Total:	999	1034	30	48	13	35

Source: Bank branch data downloaded from the individual retail banks' websites and compiled by CC and have been verified by the relevant banks.

Note: * Figures refer to the number of branches which provide general deposit and withdrawal services but exclude automatic banking centers, or stand-alone branches for selected banking customers only.

[^] Figures refer to the number of bank branches opened and closed within the same district as a result of relocation.

- The bank only provided March 2008 data for verification.

Table 2: Consumer complaints related to ATMs

Nature of complaints	2005	2006	2007	1-3/2008
- Withdrawal: no money came out or short in amount	5	14	15	4
- Deposit: short in amount on transaction records	2	4	3	1
- Others - Usage (e.g. font not clear, took too long to get card back from bank, unable to feed in particular bank's notes, not satisfied with the level of the minimum ATM withdrawal amount, machine breakdown during deposit-taking.) - Fees (e.g. card annual fee too costly) - Service quality (e.g. bank staff and hot-line services not helpful)	14	9	17	3
Total:	21	27	35	8

Source: Consumer Council