

**Consumer Council**  
**Submission to Lego Panel on Financial Affairs on**  
**'Impact of Branch Closures and Fee Increases of Banks on the Public'**  
**(2 April 2007)**

**Introduction**

1. After the meeting of the Legislative Council's (LegCo) Panel on Financial Affairs on 3 July 2006, the Consumer Council (CC) conducted a follow-up study on the impact of branch closures and fee increases of banks on disadvantaged consumers. The report was publicly released on 29 March 2007, and can be downloaded at CC's website: [www.consumer.org.hk](http://www.consumer.org.hk). This paper summarizes the study findings and recommendations made.

2. CC's study focused on the impact of branch closures and fee increases of banks on disadvantaged consumers in Sham Shui Po, Kwun Tong and Tin Shui Wai. The districts were selected on the criteria of low household income level. Focus groups and field visits were conducted, to look into the accessibility of bank branch services to senior citizens, low-income groups and disabled persons in these districts.

**Findings & Recommendations from the Study**

3. A lot of participants in the focus groups expressed that a bank branch remained the chief means through which they were comfortably able to manage their money. Access to bank branch services serves a critical need in the daily life of disadvantaged consumers in the community. In relation to branch closure and increase in bank fees, their concern was centred around access, affordability, service quality and convenience.

**(A) Access to bank branch services**

4. Respondents noted a reduction in branch services where they live and where they bank. Some respondents said they experienced a reduction of branch services to the extent that they are now virtually without access to their banks in their community compared to before. As an example, people living 5-10 minutes (walking distance for an average person) from the nearest branch in the past, now have to take 30-45 minutes (for an average person) to walk or take transportation to a specific bank branch from their housing estates; as in the case of Lam Tin.

5. It was generally the case that either no branch or only one branch (but no more than 2 branches) was available in the housing estates studied. As a comparison between different areas in Hong Kong, four large scale housing estates only have one bank branch despite a population of more than 45,000, whereas there is roughly one bank per 1,400 persons in an affluent area such as Wanchai.

6. To improve access to bank branches for consumers who rely on counter services, CC recommends

- Exploring the feasibility of introducing mobile branches in underprivileged areas that do not have a bank branch or an ATM, or in communities with a high proportion of aged population.
- Making special provisions to attract banks to open up branches in public housing estates where there are few or no bank branches.
- Maintaining a concern with accessibility of bank branch service in underprivileged areas to ensure access to basic banking services for disadvantaged consumers.

## **(B) Use of ATMs**

7. CC's study also found that the use of ATMs, on-line banking services, or withdrawal of cash from chain store retailers, had not been commonly used by the respondents as alternatives to conventional bank branch service. The primary reasons were the lack of knowledge on the procedures for using the relevant facilities, and implications of using the services, such as the costs involved. Many elderly consumers were not aware that cash withdrawals at supermarket chains were currently available.

8. Nevertheless, CC welcomes banking sector initiatives in introducing a simplified version of ATMs for the use of elderly persons and in launching a community-wide ATM education campaign.

9. JETCO<sup>1</sup> and ATM<sup>2</sup> are not interconnected at present. Therefore, where only one ATM service is available nearby, those consumers who are not able to use it have no choice but to either switch banks, or travel a considerable distance from

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<sup>1</sup> JETCO refers to Joint Electronic Teller Services Limited.

<sup>2</sup> ATM refers to HSBC's Group (HSBC and HSB) ATM.

home in order to have access. Respondents said they encountered this problem.

10. The use of ATMs incurs a cost<sup>3</sup>. While this might seem affordable, it can be prohibitive for less privileged customers.

11. To promote the use of ATMs and other automatic banking facilities, CC recommends

- The launching of continuous community-wide promotion activities and working with social services organizations to reach out to people with special needs, and to give talks and demonstrations on the use of ATMs and alternative services or facilities.
- While there may be technical difficulties involved and the concern that combination of the two ATM networks may lead to streamlining to minimize overlap, the banking sector should seriously consider interconnecting the two ATM networks to enhance accessibility.
- ATM service should be provided cost free to disadvantaged consumers.

### **(C) Cost of banking**

12. Many elderly, disabled and low-income people cannot afford to travel a long way to a bank branch to have access to their money. As noted above, after bank branch closure, some people living in the studied areas have had to use a branch that is far away from their home. Some need to rely on transportation to reach a branch of their bank, which involved substantial transport and time costs.

13. The decline in number of bank branches and the change to alternative services (e.g. the use of ATMs) in low-income areas mean that those communities very much in need of manned service pay more for basic banking services, because the use of ATMs incurs a cost. CC recommends

- Exploring avenues for micro-payment to consumers with no strings attached, for example, consumers may obtain cash from a retail check out point without having to buy something at the same time.

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<sup>3</sup> From CC's survey of 23 banks in May 2006, of 21 banks that provided ATM service, 6 provided it for free, 1 charged an annual fee of \$30 while the remaining 14 all charged \$50 for it.

- Studying the need for introducing a standard basic bank account to consumers, similar to that available in other countries.

#### **(D) Complex switching procedures**

14. Respondents were concerned with the barriers to switching to another bank after their branch closes. For example, complications involved in changing from one bank to another due to the number and nature of identification documents needed to confirm benefit recipient status; having to notify the Social Welfare Department and the time taken to effect the change which might create gaps impacting on the benefit payments; the time delay in switching banks and the adverse effect on automatic payment of utility bills; the administrative charge for setting up a new auto-payment account; and the general lack of knowledge on the procedures involved.

15. In order to reduce barriers to switching banks, CC recommends

- Engaging with the banking sector to streamline procedures for switching between banks by offering a one stop service that will facilitate the switching of accounts for their customers; particularly for Comprehensive Social Security Assistance Scheme and Disability Allowance recipients, to facilitate 'portability' of bank accounts for welfare benefit recipients.
- Exploring the means to minimize the time difference for consumers in receiving benefit payments from different banks, so that benefit recipients' choice of banks, and therefore access to the closest possible branch, will not be unduly limited. CC understands that the Social Welfare Department has lately initiated arrangement for benefit recipients to receive social security benefits on the same pay date, irrespective of the recipients' choice of banks. However, the latest feedback CC collected from some banks and social security field units as at end of March is that there may still a difference in the time benefit payment recipients get paid from different banks.

#### **(E) Fee Waiver Policies**

16. Bank fees and charges were regarded as particular concerns because "money is tight". Many respondents felt that they did not have any choice but to pay, as almost all banks imposed fees and charges, waiver accounts exempted.

Although fee waivers are available from some banks, which were appreciated, many respondents were not aware that fee waivers were currently available to them. CC recommends:

- Improving the transparency of bank fee waiver policy, for example, by posting information and brochures in every branch, and passing on such information to elderly homes, disabled groups and social service centres.
- Expanding the scope of fee-free accounts by making free limited number of transactions made at branch counters.
- Providing automatic fee waiver to qualified consumers, i.e. Comprehensive Social Security Assistance Scheme and Social Security Allowance Scheme recipients.

#### **(F) Quality of banking service**

17. Some respondents commented that “service quality of banking staff is better than before”, but others felt “banking services in general are going backwards in view of the increasing bank fees and the sharp reduction in bank branches.” Broadly, the latter view prevailed when considering quality of service; one reason being that remaining branches to which respondents had to turn were not felt to be adequately resourced to cope with increased numbers of customers.

18. Some bank branches were not considered to be adequately set up for disabled persons. For example, some banks had recently moved frequently used counter services to upper floors or basements, whereas privilege banking services were moved to the more easily accessible ground floor location. Some bank branches have not yet provided access for physically disabled persons.

19. For improving quality of banking service, CC recommends

- Maintaining an appropriate level of resources in branches where nearby branches have been closed, in order to cope with increased customer numbers.
- Taking into account the needs of the less mobile elderly and disabled persons in the relocation of frequently used branch counter services, unless escalator or other access facilities is available.

- Providing a user-friendly environment in bank branches for the physically disabled.
- Making arrangement to shorten the waiting time for branch counter services for the elderly and disabled persons.