

For immediate release
5 May, 2016

Banks slow to pass on rate cuts: set to pocket \$21 million

- ➔ Combined, the big four banks will earn an estimated \$21 million of extra profit by withholding rate cuts from consumers
- ➔ 13 lenders have so far announced rate cuts to their variable home loans but not effective for up to 20 days
- ➔ Borrowers urged to compare home loan providers to avoid delayed rate cuts

5 May, 2016, Sydney, Australia – Banks will make \$21 million of extra profit in the coming weeks as they delay passing on the rate cut, according to finder.com.au, one of Australia's biggest comparison websites¹.

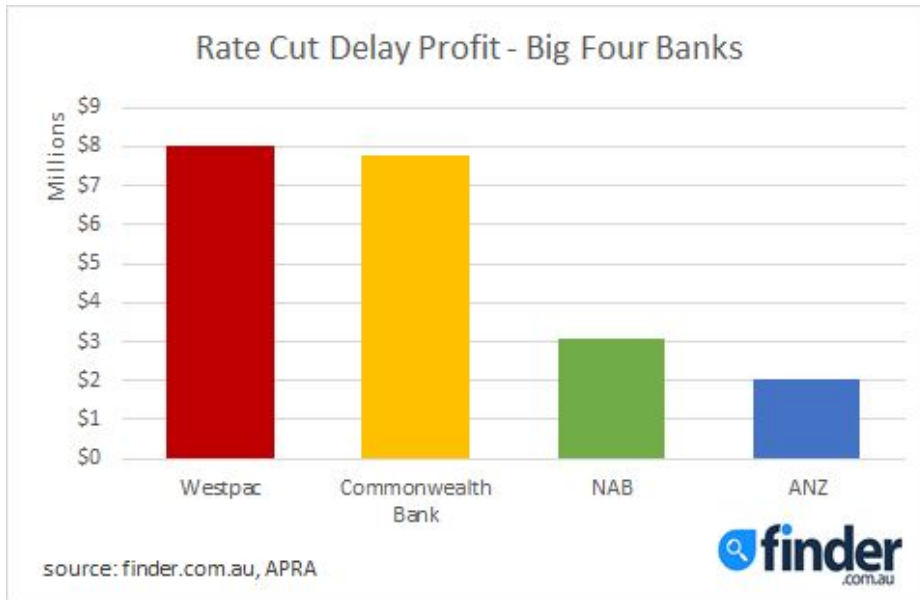
Nearly two days after the [Reserve Bank cut the official cash rate](#) to accommodate the slowing economy, 13 lenders – including all four majors – have announced interest rate reductions to their standard variable home loan rates.

Westpac has announced they will pass on the full Reserve Bank cut of 0.25%, but only from 23 May – earning at least \$8 million in the next fortnight. This is an entire week longer than it will take NAB to pass on the full rate cut on 16 May, which is equivalent to \$3 million in repayments.

Commonwealth Bank's new rate also factors in the full rate cut but will be effective from 20 May, netting an extra \$7.7 million.

ANZ is rolling out the change the fastest of all lenders (13 May 2016), but isn't passing on the full 0.25% – so will take in an extra \$2 million in payments.

¹ Experian Hitwise since 2013



Combined, the big four will earn an estimated \$1.25 million each day they withhold their rate cuts from consumers, raising the ire of customers who look forward to extra cash in their pockets, with some accusing lenders of ‘profiteering’.

Bank profits from rate cut delay

Bank	Delay	Cost to customer	# of customers	Profit
ANZ	10 days	\$13.71	148,494	\$2,036,284.57
NAB	13 days	\$23.47	131,223	\$3,079,422.84
Commonwealth Bank	17 days	\$30.69	253,781	\$7,787,960.93
Westpac	20 days	\$36.25	221,867	\$8,043,020.48

Source: finder.com.au



Bessie Hassan, Money Expert at finder.com.au says more than 750,000 home loan customers with the big four banks will miss out on \$26 on average until they pass on the cut.

“The longer a bank holds on passing on a rate cut, the more money they'll squeeze from Aussie pockets before finally adjusting their rates. So it's no surprise we're seeing them

taking more time to pass on discounts,” she says.

“Interestingly, it’s often a different story when rates are heading north.”

Ms Hassan warns borrowers to keep an eye on their [home loan interest rates](#).

“We urge customers to be checking if their lender has passed on the rate cut as some could be taking advantage of the situation.”

Ms Hassan says it’s the responsibility of the borrower to keep track of movements and then try to negotiate a better deal with their lender.

“If you’re still not happy with what’s on offer, it’s time to start shopping around.”

Out of 74 providers on the finder.com.au home loan database, 13 have so far announced rate cuts following Tuesday’s announcement – this represents just 18% of the market. Keep updated on which lenders are passing on rate cuts at:

<http://www.finder.com.au/home-loan-interest-rate-cuts-rba-may-2016#banks>

Lenders who have announced cuts

Bank	Change	New rate	Effective date
ANZ	-0.19%	5.37%	13 May 2016
Bank of Queensland	-0.25%	5.61%	18 May 2016
Bank of Melbourne	-0.25%	5.35%	23 May 2016
bankSA	-0.25%	5.42%	23 May 2016
CBA	-0.25%	5.35%	20 May 2016
Greater	-0.25%	4.75%	16 May 2016
ING Direct	-0.25%	4.22%	16 May 2016
NAB	-0.25%	5.35%	16 May 2016
Newcastle Permanent	-0.25%	5.05%	19 May 2016
RAMS	-0.25%	5.30%	23 May 2016

St George	-0.25%	5.44%	23 May 2016
Westpac	-0.25%	5.43%	23 May 2016
Ubank	-0.25%	4.17%	16 May 2016

Source: finder.com.au



****Methodology:** Those estimates are conservative, and are based on the repayments for an average Australian home loan of \$357,200. We used finder's [home loan calculator](#) to work out what the repayments would be for a standard owner-occupied variable rate loan under the old and new rates. (For Westpac, we used the rate from its Bank of Melbourne subsidiary, which is the lowest of its main divisions, so it's likely to be an underestimate.) We calculated the per-day difference between those rates, and multiplied that by the number of days between the RBA announcement and the cut coming into place, to work out the total level of extra repayment for an individual loan. Finally, we sourced the number of owner-occupied home loans for each of the banks in March 2016 from APRA, and multiplied that by the extra repayment number.**

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