

RESEARCH REPORT

Solidarity Bank Charges Report 2015

A comparative analysis of the cost of a selection
of personal transactional accounts
at five banks in South Africa

November 2015



**Solidarity
Movement**

Compiled by the Solidarity Research Institute

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I. Introduction

The Solidarity Bank Charges Report is being released in an abbreviated form for 2015 as part of a change to release the report during the first half of each calendar year rather than during the second half of each year. This change will make the Bank Charges Report useful to clients of banks for a longer period of time each year, as most of the large banks in South Africa implement fee changes at the start of the calendar year.

The 2015 Bank Charges Report, being an interim release, is not as comprehensive as the preceding five reports. A comprehensive report will again be released in the first half of 2016. This year's interim Bank Charges Report only covers the accounts which the largest five banks market to people with low income and the bundle accounts that are marketed to the middle income segment of the market. This year's report does cover these 12 accounts or account options comprehensively.

This interim report will still be of interest and use to the majority of clients of banks in South Africa in making their decision on which bank account will cost them the least for their specific needs.

For more detailed information on specific subjects like penalty ("dishonour") fees (a topic which remains problematic), cost of ATM withdrawals at other banks' ATMs, pay-as-you-transact (PAYT) accounts versus bundle accounts, cost of cash and cheque deposits, see the Solidarity Bank Charges Report of 2014. These sections will be updated with the latest information in the comprehensive report for 2016.



2. Method of comparison and transaction profiles

The transaction profiles used in the 2015 Solidarity Bank Charges Report are the same as those used in the 2013 and 2014 reports.

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	12 transactions	17 transactions	24 transactions	29 transactions
Monthly admin fee	1	1	1	1
Card purchase (swipe)	2	3	5	6
Withdraw cash at point of sale	2	2	2	2
Withdraw at own ATM (R500)	0	1	1	1
Withdraw at own ATM (R1 000)	0	0	1	2
Own ATM balance enquiry	1	1	1	1
SMS update subscription	1	1	1	1
SMS update notifications	12	17	24	29
Internet banking subscription	1	1	1	1
Internet banking payment	2	3	5	6
Beneficiary SMS notification	2	3	5	6
Scheduled payment (internal)	1	1	1	1
Scheduled payment (external)	1	1	1	1
Debit order (internal)	2	3	4	5
Debit order (external)	2	3	4	5

The user profiles are not defined according to income level, but rather by the number of transactions on each profile. Almost no fees, except cash withdrawals and deposits at some of the banks, vary according to the amount involved. Therefore, it is more appropriate to use the number of transactions rather than the income of the account holder as the main guide. Broadly, though, the number of transactions done by clients does increase as income increases.

As in the past, the transactional profiles have been drawn up according to guidelines that are consistent with the guidelines the banks provide on their websites and in their promotional material. These guidelines include:

- few cash withdrawals and no cash deposits or no use of cheques;

- little contact with ATMs;
- no physical visits to a branch – Internet banking services instead;
- the use of SMS notifications concerning activity on the bank account;
- no provision for an overdrawn account; and
- no international transactions.

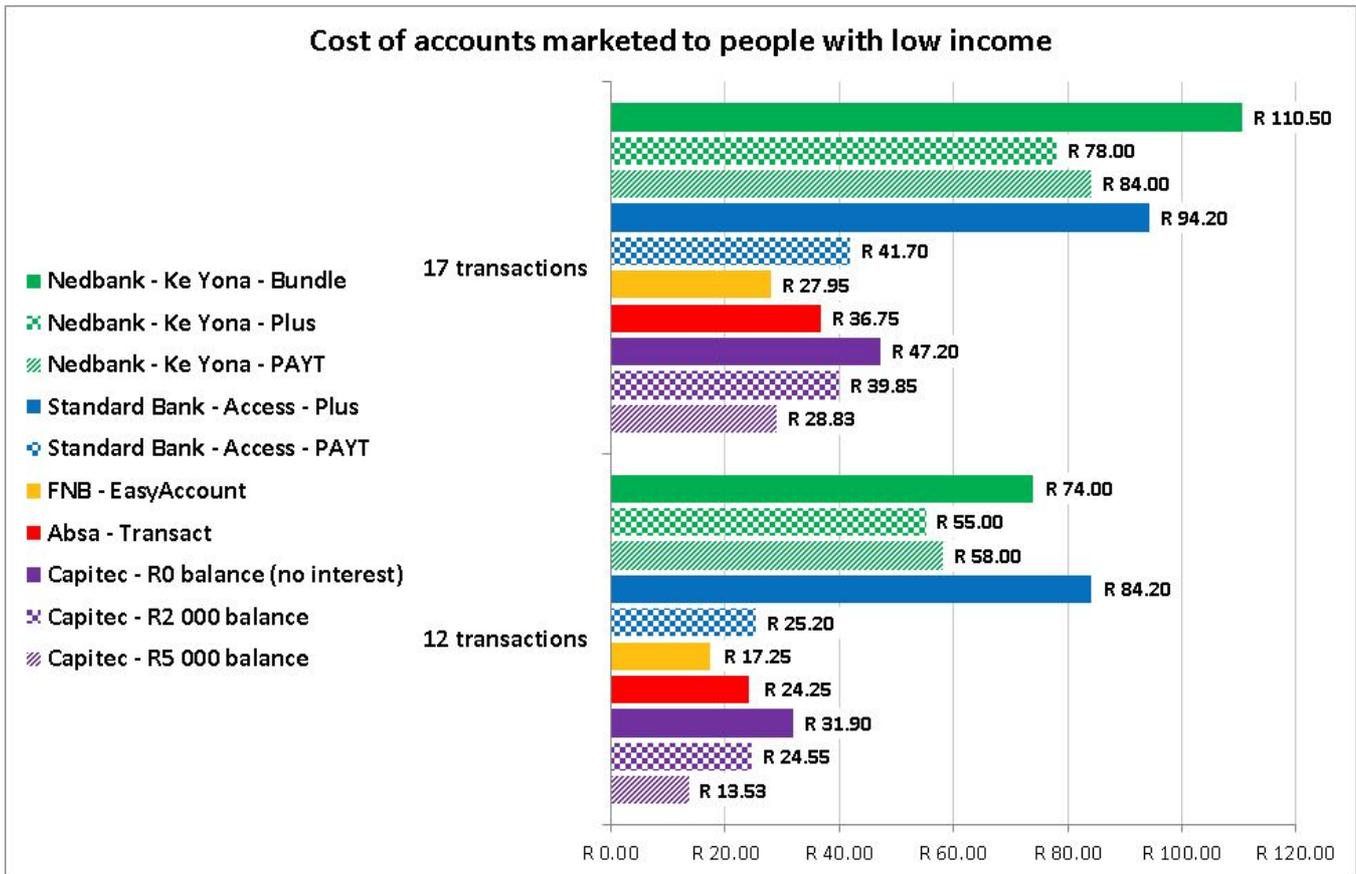
Moreover, the report only deals with the bank charges of personal transactional accounts. Therefore, the cost of credit products such as credit cards, overdraft facilities, vehicle financing, home loans and personal loans is not dealt with in this report. There are too many different products of this nature and too many possible combinations of and variations on them to be able to draw comparisons that are relevant to a large number of consumers.

3. Accounts marketed to people with low income

None of the five banks made very big changes to the structure of their accounts marketed to people with low income from 2014 to 2015. When it came to the levels of fees levied on these accounts, some significant changes did take place. From FNB's EasyAccount and Standard Bank's AccessAccounts, more aggressive competition with Capitec's Global One account was evident, while Absa's Transact account also remains competitive even though fees

increased slightly. Nedbank did reduce some fees on its Ke Yona accounts, but not nearly enough to put it in real competition with the other four banks at this level of the market.

Capitec itself increased fees for withdrawing cash slightly during 2015, but its practice of paying interest on any balance in its clients' accounts still ensures that its total costs remain competitive.



On the transaction profile which includes only 12 transactions, if the effect of interest on a balance held in a Capitec account is disregarded, it is FNB's EasyAccount which emerges as the cheapest, with a cost of only R17,25 per month. This is followed by Absa's Transact account with a cost of R24,25 and Standard Bank's AccessAccount on the PAYT option with R25,20. Capitec comes in fourth with R31,90, distantly followed by Nedbank's Ke Yona account.

However, a Capitec client with an average balance of R5 000 throughout the month would receive R18,37 interest at a rate of 4,5%, bringing Capitec into the lead with a net cost of R13,53 per month on this transaction profile.

On the transaction profile with 17 transactions per month the order is similar, but Capitec drops back to second place (behind FNB) even if R18,37 interest on an average balance of R5 000 is factored in.

On the EasyAccount, FNB made two key changes which enabled it to compete much more effectively with Capitec in terms of cost. The fee for an internal debit order was lowered from R1,50 to zero, while the fee for an internet payment (EFT) was lowered from R3,20 to R1,50. Certain other fees were increased by FNB, like the fees for ATM withdrawals and external debit orders, but not by enough to erode the benefits of the other fees that were lowered when measured using these transaction profiles.¹

¹ FNB offers a "savings pocket" on its EasyAccount, where interest is earned at a rate of 4,75% (much higher than the rates on FNB's other accounts' "savings pockets") on balances below R20 000. Rates fall precipitously to 1,25% to 2,25% when more than R20 000 is put into the "savings pocket". This "savings pocket" approach does not compete well with Capitec's interest offering at all, as clients with low income are very unlikely to move significant amounts of their money into the "savings pocket". In contrast, a Capitec client earns interest on any amount which is in the normal account – nothing has to be transferred to a "pocket". The "savings pocket" from FNB seems more like a cynical marketing exercise than a genuine measure to compete with Capitec – a way to advertise interest being offered while knowing full well that few clients will actually earn this interest. For this reason FNB's "savings pocket" on the EasyAccount is disregarded in this comparison.

Important to note is that FNB does not charge fixed fees for ATM withdrawals like Capitec and Absa's Transact account. FNB's cash withdrawal fees escalate quickly as the amount that is withdrawn escalates. This could easily cause an unwary client's bank charges to increase significantly.

Absa did not make significant changes to its Transact account – merely increased most of the fees slightly, but not by so much as to make the account uncompetitive in cost terms.

Some of the accounts, such as Standard Bank's AccessAccount on the Plus option and all three options on Nedbank's Ke Yona account, were not competitive in terms of cost at all.

Standard Bank's AccessAccount on the Plus option requires an up-front fee of R59 per month in return for only eight free transactions from a specified list, making it a typical example of an account which

would lead to unexpectedly high bank charges in some months. The AccessAccount on the pay-as-you-transact option, however, this year competes much better as a result of fees on cash withdrawals at points of sale (at a till), fees for internet payments (EFT), and internal debit and stop orders all being scrapped. It is still not the cheapest among these accounts, but the convenience of Standard Bank's thousands of AccessPoints all over the country may offset this slight excess cost for many clients.

Not much can be said about Nedbank's Ke Yona account in terms of cost except that while it is the account with the most options (three in total), none of these options are competitive in terms of cost at all. The PAYT option's subscription fees for SMS updates and internet banking have been removed, but even so there does not appear to be any reason why someone interested in saving on bank charges would choose any Ke Yona account over an account from the four competitors.

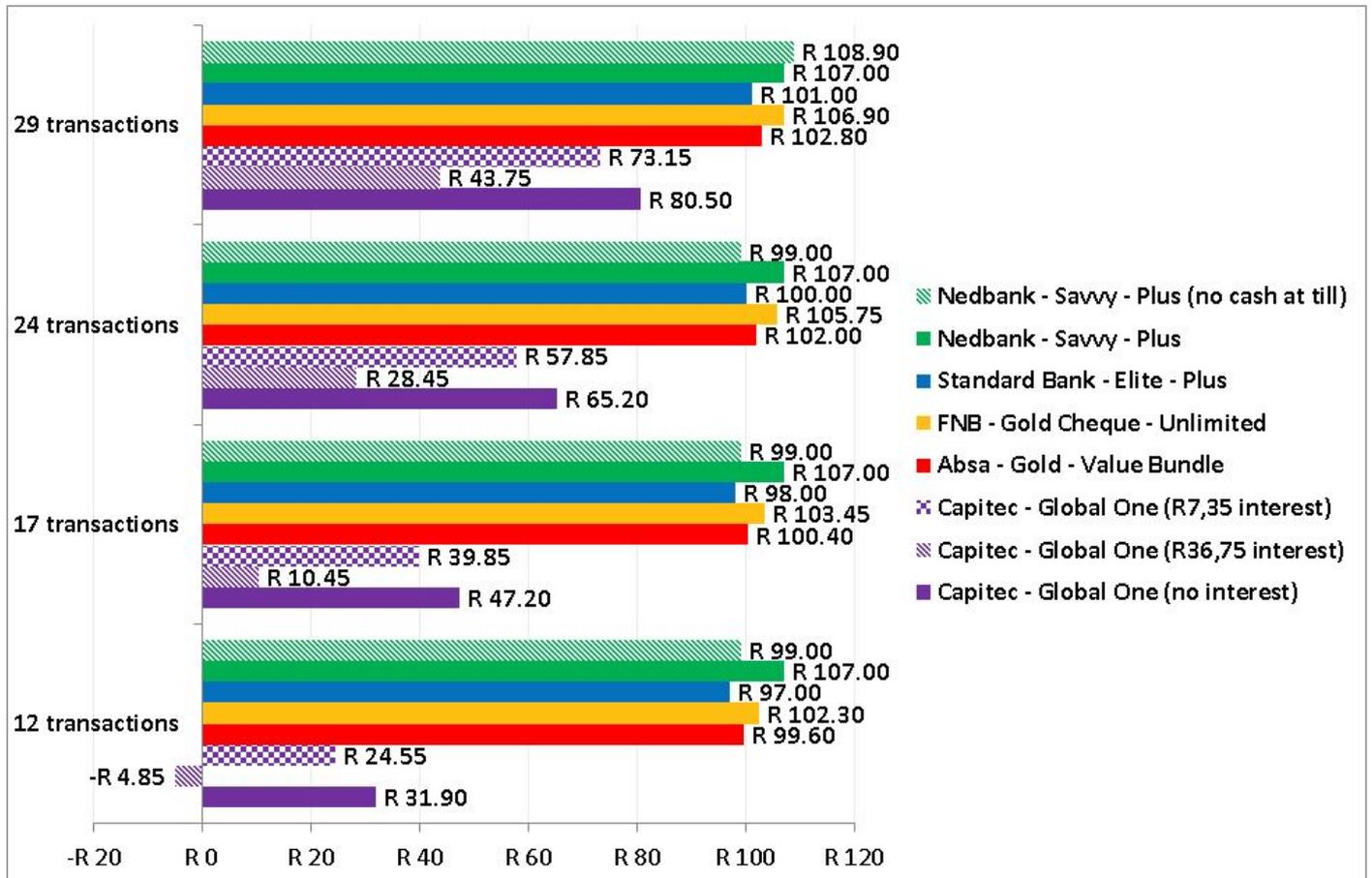
4. Accounts marketed to the middle income market

In previous Bank Charges Reports the demise of pay-as-you-transact (PAYT) accounts at the middle income market level was discussed. This trend has continued into 2015, with FNB even dropping the pay-as-you-transact option on its Gold account altogether.

On the middle income market accounts from Absa, Standard Bank and Nedbank, it does not make financial sense to pick the PAYT account over the equivalent bundle account. Even on the basic transaction profile with only 12 transactions, the PAYT Gold

account from Absa and the PAYT Savvy account from Nedbank are more expensive than their bundle counterparts, while the PAYT Elite account from Standard Bank is only marginally cheaper than its bundle equivalent. On all three other transaction profiles, the middle income market PAYT accounts from all three of these banks are significantly more expensive than their equivalent bundle accounts.

Comparing the bundle accounts marketed at the middle income market, as well as Capitec's account, reveals the following:



Capitec's Global One account is by far the cheapest among these accounts, even if no interest is considered. A light user with 12 transactions per month will pay just R31,90 per month. If earning R36,75 interest on an average balance of R10 000, such a user would in effect pay no fees. As the number of transactions increase, the fees on the pay-as-you-transact Capitec Global One account do increase, but even at 29 transactions per month (cost of R80,50, before any interest) remain lower than the competing accounts in this category.

Among the other four banks the fees are much alike, with the monthly bundle fee ranging from R95 for Standard Bank's Elite Plus account to R100 for FNB's Gold Cheque Unlimited account, with Absa's Gold Value Bundle at R98 and Nedbank's Savvy Plus account at R99. With only a R5 difference between the headline monthly fees for these accounts, a consumer's decision between them will mainly be influenced by what is included and what is

excluded from the bundle as well as any beneficial "extras" like rewards programmes. A full analysis of rewards programmes falls outside the scope of this report, though a brief note is included below.

While various kinds of transactions fall outside the bundles for these accounts, in the transaction profiles used in the Solidarity Bank Charges Report, the only regular fees that serve to increase the costs of these accounts above the nominal monthly fees are the fees for transaction notifications to third parties. Specifically the fee for notifying the beneficiary of an electronic funds transfer (EFT) by SMS that the payment has taken place. For Absa this fee is 80c, FNB's is R1,15 and Standard Bank charges R1,00. Nedbank does not charge for this service on the Savvy Plus account.

Nedbank does, however, charge R4 per cash withdrawal at a point of sale (at a till), while the other three all include this for free.

Nedbank does include four free cash withdrawals per month at its own ATMs on the Savvy Plus account (Absa offers five, FNB four and Standard Bank six). For this reason an alternative profile, where the two cash withdrawals at a point of sale per month are substituted for two withdrawals at a Nedbank ATM, has been included. This alternative transaction profile results in Nedbank's Savvy Plus account having a fixed monthly cost of R99 on the first three transaction profiles, unlike the transaction profile with 29

transactions which includes five cash withdrawals, where the fifth withdrawal of R500 attracts a fee of R9,90, resulting in a total cost of R108,90 per month.

In any case, there is not much in it, apart from Capitec, which is still by far the cheapest in this segment. The ranking for the other four banks on the various transaction profiles (using the alternative profile for Nedbank) is as follows:

	1 st place	2 nd place	3 rd place	4 th place	5 th place
12 transactions	Capitec R31,90	Standard Bank R97,00	Nedbank R99,00	Absa R99,60	FNB R102,30
17 transactions	Capitec R47,20	Standard Bank R98,00	Nedbank R99,00	Absa R100,40	FNB R103,75
24 transactions	Capitec R65,20	Nedbank R99,00	Standard Bank R100,00	Absa R102,00	FNB R105,75
29 transactions	Capitec R80,50	Standard Bank R101,00	Absa R102,80	FNB R106,90	Nedbank R108,90

In the middle income segment of the market, Standard Bank with its Elite Plus account takes the second place (behind Capitec) in three of the four transaction profiles, only beaten with R1 by Nedbank's Savvy Plus account on the transaction profile with 24 transactions.

Nedbank's Savvy Plus account is itself only narrowly beaten by Standard Bank on the lowest two transaction profiles, but it comes in as most expensive on the last transaction profile because the fifth cash withdrawal per month attracts a fee.

Absa's Gold Value Bundle account takes fourth place in three of the transaction profiles and third place on the last transaction profile, in every instance followed by FNB's Gold Unlimited account, which is in last place except for the last transaction profile, where Nedbank is slightly more expensive.

4.1 Value from extras?

With the cost differences between the middle income market bundle accounts from these four banks being so small, other factors will likely sway clients in their choice of bank. Among these factors will be something as simple as the location of branches or the friendliness of staff at a specific branch, but as electronic banking has increasingly become the norm, these physical factors have been losing their importance.

Another set of factors that the banks use to attract clients are synergies between products that result in lower fees. For example, Absa, on its Value Bundle accounts, offers reduced fees to an account holder who also holds an Absa credit card, home loan or vehicle finance, as well as discounts on a spouse's bank fees. Standard Bank also offers a discounted account for an Elite Plus account holder's spouse, for example.

A further differentiator that the banks in this report (apart from Capitec) use is the so-called rewards programmes. Absa has Absa Rewards, FNB has eBucks, Standard Bank has UCount and Nedbank has Greenbacks. These rewards programmes are arguably more important marketing tools than cost differences that amount to single digit rand figures.

On the middle income market bundle accounts, FNB includes access to its eBucks rewards programme for free, while Absa charges R21 per month for access to Absa Rewards, Standard Bank charges R20 for access to UCount and Nedbank charges R17 for access to Greenbacks. The prerequisites for earning "rewards" on these various programmes differ considerably, as do the ways to redeem that which has been earned. Clients who are interested in these rewards programmes have to do their homework properly before deciding which bank to patronise. They also have to be aware of the fact that the terms and conditions of these programmes can and do change often without notice.

5. Summary and conclusion

In this abbreviated 2015 Bank Charges Report, some significant changes are pointed out. Among the accounts marketed to people with low income, Capitec's Global One account is no longer the clear front-runner based on fees alone, though it lags by marginal amounts. FNB's EasyAccount and Absa's Transact account are competing very well with Capitec now in terms of total cost, with Standard Bank's AccessAccount on the pay-as-you-transact option not far behind. Nedbank's Ke Yona account in any of its three permutations is not competitive in terms of fees or features at all.

In the middle income segment of the market, Capitec's Global One account is still much cheaper than any account the other banks offer at this level, even for clients who do a large volume of transactions per month. When the effect of interest earned on balances in a Capitec account is factored in, the gap grows further.

Among the middle income market bundle accounts of the remaining four banks the differences in terms of costs are minimal, in the range of R10 or less. Standard Bank's Elite Plus account, last year the most expensive account in this segment, this year emerges as generally the cheapest after Capitec in this segment of the market, followed by Nedbank's Savvy Plus account, last year's second placed account. While the fees for Absa's Gold Value Bundle and FNB's Gold Unlimited account have changed only marginally, due to Standard Bank's move to lower fees on the Elite Plus account slightly, they are now in second to last and last place, respectively.

It is clear that competition in the transactional banking sphere in South Africa is still intensifying, with the cost of accounts marketed at people with low income continuing to fall, while costs for middle income market accounts remain hovering around the R100 mark for the past three years after falling significantly from 2010 to 2012.

As always it must be emphasised that bank clients need to be proactive in making sure that they are paying the lowest possible fees for the service they require. All of the banks in this Bank Charges Report have multiple accounts, apart from Capitec. Just because a specific account from one bank is the cheapest on one transaction profile does not mean that other accounts from that bank will also be cheap. Clients should be very aware of which specific account and account option they have, or risk paying much more than they have to in bank charges.

An updated Bank Charges Report will be released during the first half of 2016, which will once again comprehensively evaluate a greater range of transactional accounts offered by the five largest banks, including various issues like penalty ("dishonour") fees and transactions like cash deposits and the like.

