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Banking reform package is a good start towards more competition and better consumer options

Reforms of the banking sector announced today by the Federal Government will go some way to encouraging more competition and options for consumers, say unions.

The ACTU has welcomed the reform package, which will support smaller financial institutions and allow consumers to shop around for the best deal.

But the government should also consider further regulatory changes to acknowledge that Australia's banks are public utilities which provide essential services to working Australians and their families.

ACTU Secretary Jeff Lawrence said the reform package would go some way towards addressing concerns about the big four banks' unbridled market power.

"Banks are an essential service, but Australia's major banks have been acting with contempt towards their customers and their employees," Mr Lawrence said.

"Backed by government guarantees, they have increased their market share since the Global Financial Crisis and have been ignoring their social responsibilities.

"The final straw was the way some of the big banks raised mortgage interest rates by well above the Reserve Bank last month.

"The injection of more competition into the finance sector through credit unions and building societies, along with government guarantees of small lenders, should force the big four to improve their behaviour.

"Equally important, today's reforms will make it easier and cheaper for consumers to switch banks if they are unhappy with the costs and service of their existing institution.

"Unions will be vigilant to ensure that banks don't increase other charges to compensate them for the loss of exit fees on home loans.

"We remain concerned at exorbitant executive pay in the banking sector, while the big banks continue to send jobs offshore and pursue risky growth strategies.

"Future reforms should consider regulating Australia's banks as public utilities, forbidding them from expanding into risky asset classes or offshore jurisdictions.

"The tax system can be used to control banks' behaviour, and portability of account numbers should be implemented to improve consumers' effective choice.

"But overall, today's announcement is a strong start towards reforming the banking sector."

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