

Business as usual at CBA as it maintains stellar profitability

The Commonwealth Bank today published a half-yearly profit of \$4.8 billion. While slightly down from its all-time record set in the same period last year. The significant profits still underscore the dominant position of Australia's Big Four banks.

The Commonwealth Bank also reported that consumer arrears have increased in the last few months, citing higher interest rates and cost of living pressures.

Last week, former ACCC Chairman Professor Allan Fels AO published his report on "Price gouging and unfair pricing strategies," commissioned by the ACTU. The banking sector came under scrutiny for pricing practices that are not in the interest of consumers. Referencing an ACCC report from 2023, he highlighted that the strategic pricing strategies of banks lead to greater complexity for consumers and some poorer outcomes.

One example is the use of bonus interest rates to headline interest rates that consumers can receive, despite the actual interest rates received by many consumers being lower. The Commission notes that in the first half of 2023, seventy-one percent of bonus interest accounts did not receive the bonus interest rate on average each month.

The Fels report also notes that Australia's banking system is one of the most concentrated among advanced economies and has concentrated dramatically since the 1990s. Commonwealth Bank were the first to withdraw from aggressive campaigns to win home loans last year, showing it barely has to compete to maintain profitability and market share.

During the pandemic, the Big Four banks recorded profits that were higher on average than in the previous 15 years. This trend continued after 2022 when the banks raised their profit margins after the RBA began hiking the cash rate.

Quotes attributable to ACTU Assistant Secretary Joseph Mitchell:

"Commonwealth Bank is still making record profits at a time when the rest of the economy is getting squeezed.

"What Professor Fels' report showed is banks have so many tools at their disposal to extract more out of customers, through loyalty taxes, dodgy bonus interest rate schemes, and failing to increase interest rates on deposits while rocketing up lending rates.

"Commonwealth Banks' resilient and high profit highlights the lack of competition and extreme market power of the big four banks. We have one of the most concentrated banking systems in the world and this creates the opportunity for banks to extract more than their fair share out of their customers.

"Insurance and financial services have been a major contributor to inflation. We need continuous pressure on the banks to lower their prices and stop using dodgy price practices to rip off customers."

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