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Bank charges may be illegal: study

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Australian banks may be breaking the law by overcharging customers hundreds of millions of dollars in penalty fees, a study has found.

The Consumer Law Centre Victoria (CLCV) study found banks were charging penalties many times the actual cost of processing overdrawn accounts, late payments and dishonoured cheques and debit payments.

It found banks charged between 64 and 92 times more for a debit dishonour than it cost to process.

Victorian Consumer Law Centre executive director Chris Field said the excessive penalties netted banks hundreds of millions of dollars each year and could be a breach of common law and state laws in NSW and Victoria.

"What we find is that the fees they are actually charging probably are extravagant, exorbitant or out of all proportion to what it actually costs the bank to charge them and therefore could be unlawful," he said.

The CLCV looked at the penalty fees charged by the big four banks as well as by Bendigo Bank and St George.

Mr Field said the study found the National Australia Bank had some of the highest penalty fees of the major banks charging customers \$50 to cover its costs when processing a dishonoured cheque.

Mr Field called on the Reserve Bank of Australia to review banks' penalty fees.

He said if the RBA decided not to act the CLCV would consider taking banks to court over unfair penalty fees if there were enough consumers who wanted to pursue the matter.

Mr Field said banks saw the fees as a significant source of revenue generation but they were putting a heavy burden on those who could least afford it.

"They are falling unfairly on low income consumers," he said.

"They are the people who are least able to afford to avoid them because they don't have the money in their account to avoid a bounced cheque or a bounced direct debit."

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