

Big cuts by small lenders while Big 4 laugh all the way to the bank

- Bank Australia and Bank of Sydney to pass on full 25 basis point cut
- Big 4 withhold and delay interest rate relief pocketing \$1.6 billion

Wednesday 3 August, 2016: Challenger banks are leading the response to the RBA's second rate cut this year with Bank Australia and Bank of Sydney to pass on the full 25 basis point rate cut as the Big 4 hold back up to 15 basis points, says Mozo.com.au.

The financial comparison site says the big banks are also delaying interest rate relief to borrowers by up to 3 weeks, while Bank Australia's generous cut will be passed on this Friday.

"The Big 4 are set to pocket a whopping \$1.6 billion by denying loyal borrowers up to 15 basis points in rate relief and delaying passing on their miserly cuts by up to 20 days," says Mozo Director Kirsty Lamont.

"At the same time, we've already seen two challenger banks announce they will pass on the rate cut in full and Bank Australia's customers will get their rate relief a full week before the first big bank delivers on its stingy rate cut."

Mozo says the Big 4 are set to pocket an additional \$1.45 billion of interest earnings in the next year alone from failing to pass on the full cut, as well as \$132 million by delaying pass on the rate cut.

"The third rate cut in under 18 months is great news for Aussie home borrowers and we are hoping to see a race to rock-bottom rates by challenger banks eager to snatch business away from the big banks," says Lamont.

"Big bank customers need to pick up the phone and ask their bank to pony up and pass on a bigger cut. If the bank won't come to the party it's time to start shopping around, but it's worth waiting to see what rates other lenders come through with to make sure you're getting the best deal out there after the rate cut."

Borrowers can compare 478 home loans online using Mozo's Home Loan comparison tool at <https://mozo.com.au/home-loans>.

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Notes on calculations:

Total housing loans data of Big 4 banks taken from APRA Monthly Banking Statistics March 2016. Calculations based on additional interest earned at 25bp on these loans for the time period between the RBA cash rate effective date and each bank's effective date. Additional interest earned on housing loans over one year based on the difference between the full 25bp rate cut and the rate cut passed on to customers.

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