

Bank of Israel to Publish Banking Fee Comparisons, Push for Transparency

The Bank of Israel should supervise banking fees, while banks should be more transparent in their charges to allow customers to compare account fees, a special central bank committee recommended.

Bank of Israel Governor Stanley Fischer appointed the committee, which published its detailed report on Sunday, five months ago, after the three major banks simultaneously announced they were raising their fees to private customers.

The Supervisor of Banks should be empowered to publish figures on the average revenue from such fees, specifically naming the banks, to increase transparency, the committee proposes. Banks currently do not have to publish these figures.

The committee also proposes altering the banking fee schedule structure, dividing it into three categories: checking account management, credit cards and mortgages. The working assumption is that the current complex structure prevents private customers from making comparisons.

Defining a basic account, for which banks could charge a limited number of regulated fees, was another recommendation. These fees would cover deposits and cash withdrawals, making money transfers between accounts, cashing checks, paying bills, getting change, depositing checks and any computer printouts.

Accounts with other services would be subject to more flexible fees.

The recommendations will be used for proposing banking legislation.

The report also reveals that contrary to trends in the local banking sector, many countries have banks that do not charge any fees for checking accounts or electronic transactions. Likewise, the global trend is to reduce banking fees, thanks to greater efficiency in local banking systems.

More Than Average Fees

The average household pays NIS 430 a year in bank fees for regular accounts, according to another Bank of Israel report.

While the amount is similar — in nominal terms — to the world average, 78 euros in Israel compared to 76 euros around the world, in real terms bank charges are much higher here in Israel, because salaries are much lower here.

The report reveals that the reason for the high fees banks charge is the combination of high centralization along with lack of competition in the banking industry.

The concentration in the banking sector is higher in Israel than the world average, the report explains. However, it is similar to that in most countries similar to Israel with regard to size of the economy and population.

The true cause of the high fees is the low level of competition. It turns out that the Israeli banking industry is not at all competitive. In Holland, for example, which is also a small country with only three or four big banks, there are also 45 small banks — local and international — which compete with the big banks and raise the level of competition.

The result is that households in Holland pay the lowest amount of bank fees in the world: on average 25 euros a year.

There are no foreign banks in Israel that compete in the household market. Foreign banks prefer to avoid this market, since the big banks control it, and therefore house-

hold customers are a relatively captive market.

Competition Still Limited

Only 22% of those who responded to a recent poll said they had considered switching banks or had tried doing so, and only 9% had actually done so.

The poll, conducted by *The Marker* and the Geocartography Institute, found that of those who had considered switching but didn't, 25% responded that they were used to their bank; 37% did not switch their bank account due to a lack of time or because they were worried about the procedures it entailed; and 12% claimed that all the banks are the same.

It should be recalled that the overwhelming majority of respondents — 78% — did not even consider switching their accounts.

"The banks don't need to exert themselves and court their customers; they know that many of them will not even consider switching," says Gil Orly, the director of an investment club for households and an expert in domestic and family economics.

The banks are aware of the public's prevailing view that switching to another bank is an unbeneficial headache. This knowledge allows them to introduce new fees and tough interest rates because in any case, most customers will not leave.

When a bank customer whose patronage the bank desires

wants to leave, banks tend to use two tactics: Either the branch manager tries to convince him to remain and offers him better terms, sometimes even an offer matching the one he received from the rival bank. The second tactic focuses on imposing bureaucratic snags.

Most banks use both tactics simultaneously.

Zelekha: Bank System Still Sick

Accountant General Dr. Yaron Zelekha last week presented his plan for privatizing the Postal Bank as a solution for the over-centralization in Israel's banking sector.

"Only the Postal Bank, which is larger than all of the small banks combined, can compete against the large banks," he told the Knesset Economics Committee. "The Postal Bank has 700 branches nationwide, but does not exploit its infrastructure. There's no need for the government to set up a new big bank. The Postal Bank should be used, with its distribution infrastructure and contact with the public. This existing platform should be exploited."

He added that if his plan for the Postal Bank is implemented, Bank Hapoalim and Bank Leumi would no longer dominate the sector and overawe the other banks.

"The Postal Bank is better than another Mizrahi Tefahot Bank or First International Bank of Israel," he said.

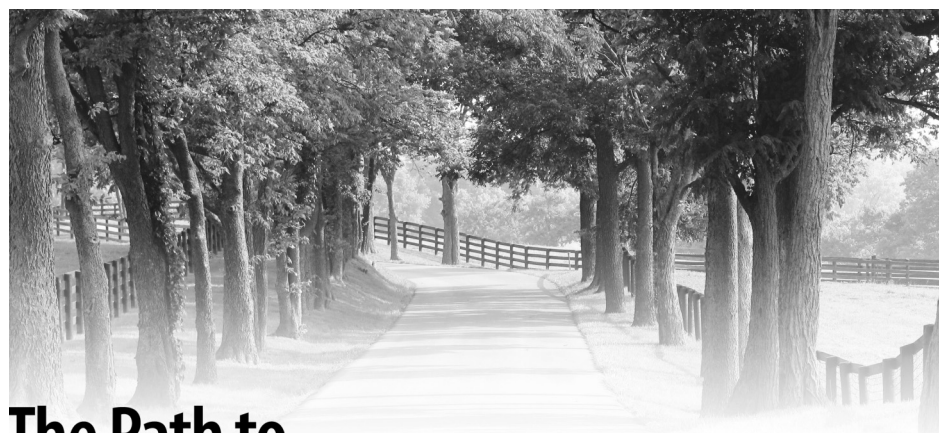
Zelekha said that retail banking in Israel suffered from massive over-concentration that was among the highest in the world. As a result, households paid much higher interest than the business sector, even though business credit was riskier.

"Bank Hapoalim and Bank Leumi have unchallenged domination of the market. Israel's banking system is sick. It has quite a few pathologies. I rate it a C." (Nofar Sinai and Nechemia Strassler/*Haaretz*, and news agencies)



Balancing the checkbook. Israelis pay relatively higher fees for household accounts than those in other Western countries.

(CHRISTINE BALDERAS)



The Path to STABILITY

Navigating Contemporary Financial Challenges

Ordinarily, my income is sufficient to cover my family's needs. But when Pesach approaches we experience a severe financial crunch, as the money just seems to fly out the window. There's extra cleaning help, babysitting or entertainment during all the days the children are off from school, and eating out on the days before the chag. Then there are the costs of matzah, wine, meat and other Pesach products. And, of course, let's not forget clothing and shoes for the whole family.

On top of all that, I lose a great deal of time from work during Nisan, so my income during that month is much lower. I cannot help but dread this time of year, since I know that I will end up with an overdrawn bank account and a credit card bill that will take me months to repay.

There are numerous organizations that distribute money, matzah and even clothing and shoes before Pesach. Some offer their assistance to anyone, not only to "charity cases." I am strongly considering approaching these organizations for assistance this year, but I wanted to hear Mesila's view on the matter.

When making Pesach, it is critical to maintain a clear perspective of what this time of year is all about. Pesach is a time of the collective rebirth of the Jewish people, and it is a time of spiritual rejuvenation and renewal for every individual as well.

If we view Pesach as a burden — financial or otherwise — then this season of freedom turns into the season of bondage. It's true that Pesach involves a great deal of work and expense, but there are things we can do to prevent becoming overwhelmed.

You say that you dread the Pesach season. Do you dread paying income tax? If you are an employee, your income tax is probably deducted from your monthly paycheck, without your ever having to take the money out of your pocket. So when tax season rolls around, you should have nothing to fear.

If you approach Pesach expenses in the same way, you will not need to dread Pesach.

You know when Pesach is coming. You know that your income is less during Nisan and that your expenses are high. Don't just sit back passively and "dread" the terrible financial crunch. Be proactive!

Make a yearly budget that includes your Pesach expenses, the same way it includes your tuition and medical insurance. Then put aside money every month for Nisan. This way, when Nisan rolls around, you will not have to panic. You may be able to make Pesach without going into debt.

Some pre-Pesach expenses are avoidable. By keeping a record from year to year of the actual quantities you use during Pesach, you can ensure that you do not buy too much very expensive *shemurah matzah* or get stuck with boxes of macaroons that no one will touch after the *chag*. By preparing a comprehensive shopping list for the supermarket, you can save yourself the time and expense of multiple trips to the corner grocery.

And by taking inventory of everything in your freezer and pantry a few weeks before Pesach, you can plan meals that will use up many items that you might otherwise have to burn on *erev Pesach*, and at the same time reduce the need for expensive meals out.

One of the keys to keeping Yom Tov costs to a minimum is ensuring that everyone in the family maintains their peace of mind. When people are frazzled, they tend to make impulse purchases and spend much more money than they would if they were not under stress.

If, despite your best efforts, you still cannot cover your Pesach expenditures, then you have two options.

The first and much preferred option is to simply scale back your Yom Tov. Making a more modest Yom Tov does not require you or your family to have a miserable Yom Tov. It does, however, require you to do without some of the things you would have liked to have.

If you are working with limited means, you should discuss with your Rav exactly how to fulfill the mitzvah of *simchas Yom Tov*. Then, together with your wife and perhaps your children, you should create a Pesach budget and establish a list of priorities. What is more important to your wife — extra cleaning help or a new dress? Would the children prefer to get *afikoman* presents or go on a family *chol hamo'ed* outing? And so on.

The second option is to accept the assistance of the *tzedakah* organizations you mentioned. Before you decide to do this, you have to ask yourself, and your Rav, if you qualify to be receiving *tzedakah*. And make no mistake about it — *any* distribution of money, food or clothing is *tzedakah*. Even if the distributors claim that they are offering their assistance to anyone, they are saying this to protect the dignity of their recipients.

When deciding whether to approach organizations for assistance, take into account that there is a limited amount of assistance available, and if you accept such assistance, another needy person may be denied it.

That does not mean that you should not take the help, if you need it — all it means is that the decision to accept charity funds is not one that should be taken lightly. Note, however, that it is better to accept *tzedakah* than to borrow money that you have no way of repaying.

We at Mesila believe that encouraging people who could manage on their own to take contributions and rely on others is not true *chesed*. Mesila's goal is to give people the tools to support themselves without having to resort to charity or loans. In this way, they can release themselves from the vicious cycle of poverty and debt and achieve financial stability.

May we all be *zocheh* to enjoy Pesach in the true spirit of freedom.



Mesila is a non-profit organization dedicated to helping families and businesses in Israel achieve financial stability and independence. With over 25 chapters across Israel, Mesila is rescuing hundreds of families and businesses from the cycle of poverty and debt through its three-pronged approach of education, counseling and financial assistance. Readers are invited to submit questions and feedback to hamodia@mesila.org, or by fax to (02) 500-0478.