



**Submission to the
Discussion Paper:
*Options for improving the
Unclaimed Bank Account
and Life Insurance Money
Provisions***

July 2014

National Seniors

Australia

About National Seniors Australia

National Seniors Australia is a not-for-profit organisation that gives voice to issues that affect Australians aged 50 years and over. It is the largest membership organisation of its type in Australia with more than 200,000 members and is the fourth largest in the world.

We give our members a voice – we listen and represent our members' views to governments, business and the community on the issues of concern to the over 50s.

We keep our members informed – by providing news and information to our members through our Australia-wide branch network, comprehensive website, forums and meetings, bi-monthly lifestyle magazine and weekly e-newsletter.

We provide a world of opportunity – we offer members the chance to use their expertise, skills and life experience to make a difference by volunteering and making a difference to the lives of others.

We help our members save – we offer member rewards with discounts from thousands of businesses across Australia. We also offer exclusive travel discounts and more tours designed for the over 50s and provide our members with affordable, quality insurance to suit their needs.

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Recommendations

Extending the required period of inactivity

1. Return to a period of inactivity of seven years.

Balancing privacy with efficient return of funds

2. Revise Subsection 69(4) and 69(9) of the *Banking Act 1959* to amend the level of personal detail published about an individual with unclaimed money.
3. Establish a phone line through MoneySmart to support enquiries on unclaimed money or life insurance for older Australians who are not online.
4. Implement a log-in system similar to that available for locating lost superannuation, available through the Australian Tax Office, to recover unclaimed accounts and life insurance.

Executive Summary

National Seniors welcomes the opportunity to provide a response to the discussion paper titled 'Options for improving the Unclaimed Bank Account and Life Insurance Money Provisions'. National Seniors has previously presented concerns related to privacy and the change in timeframe for when accounts are deemed to be inactive under the *Treasury Legislation Amendment (Unclaimed Money and Other Measures) Bill 2012* to the former Labor governments and to the current Coalition government's Minister for Finance.

In 2013 National Seniors received numerous emails from members regarding the changes to the timeframe after which accounts are deemed to be inactive. Grave concerns for the vulnerable elderly residing in aged care facilities and for those with neurological degenerative diseases were expressed.

"Why has it [unclaimed money legislation] changed from 7 years to 3 years? What accounts are affected? How much interest is paid by ASIC when you go to reclaim your money? Why are banks not legislated to inform customers that their money is about to be taken by ASIC? How many people will be adversely affected by this? I have just found out about this and am quite concerned about it, not so much for me but for people like my mother who is quite distressed to find out about it on a radio talk back show and is now worried about her money disappearing from her account".

- National Seniors member

This email demonstrates the lack of awareness and uncertainty amongst the population of the laws that govern unclaimed money.

In addition, the motivation behind the long term accumulation of financial capital varies from person to person. As individual needs and lifestyles change, so too do reasons for accessing financial resources. While some people may be saving for their first home or overseas travel, others are preparing to safeguard their retirement against unexpected health and everyday living costs.

Extending the required period of inactivity

Recommendation 1: Return to a period of inactivity of seven years.

National Seniors supports a reversal of the timeframe after which accounts held by authorised deposit-taking institutions (ADI) and life insurance companies are deemed to be inactive from 3 years back to 7 years. The *Treasury Legislation Amendment (Unclaimed Money and Other Measures) Bill 2012* (the Unclaimed Monies Bill) was rushed through parliament by the Labor government in 2012-2013 without the support of the Coalition.

National Seniors notes that the percentage of unclaimed monies returned to the account holder has significantly declined between 2009-2010 and 2012-2013, a difference of 49.5%. According to the

Australian Investment and Security Commission's (ASIC) Annual reports¹, the percentage of monies returned for each financial year is as follows:

Financial Year	Percentage of Monies Returned	Difference
2009-2010	60.8%	
2010-2011	68%	+7.2%
2011-2012	52%	-16%
2012-2013	11.3%*	-40.7%*
Difference of unclaimed monies returned to the account holder between 2009-2010 to 2012-2013		-49.5%*

* This large decrease in monies returned follows the reduction to the timeframe within which accounts are deemed to be inactive from 7 years down to 3 years.

Furthermore, between 2011-2012 and 2012-2013 there was a 493% increase in the amount of unclaimed money received by ASIC, followed by only a 29% increase in the amount of unclaimed money returned to customers in the same period.

	2011-12	2012-13	\$ Increase	% Increase
Unclaimed money transferred to ASIC (\$M)	\$108	\$641	\$533	493%
Money paid out in claims (\$M)	\$56	\$72.6	\$16.6	29%

Or an increase of just under five times the pre-law change amount claimed.

Clearly, the decrease in amount of monies returned as a result of the time change does not align with the objective of the Act which is to reunite people with their money.

Balancing privacy with efficient return of funds

Recommendation 2: *Revise Subsection 69(4) and 69(9) of the Banking Act 1959 to amend the level of personal detail published about an individual with unclaimed money.*

Recommendation 3: *Establish a phone line through MoneySmart to support enquiries on unclaimed money or life insurance for older Australians who are not online.*

Recommendation 4: *Implement a log-in system similar to that available for locating lost superannuation, available through the Australian Tax Office, to recover unclaimed accounts and life insurance.*

¹ Australian Security and Investments Commission Annual Reports available at <http://www.asic.gov.au/annualreport>

National Seniors wrote to the previous government raising concerns regarding the publication of sensitive information relating to the owners of unclaimed money on the MoneySmart website controlled by the Australian Securities and Investments Commission (ASIC).

National Seniors specifically raised concerns over Subsection 69(4) and 69(9) of the *Banking Act 1959 (Banking Act)* which state:

(4)

The statement shall set out:

- (a) the name, and the last-known address, of each shareholder, depositor or creditor; and*
- (b) the amount required to be paid under subsection (5); and*
- (c) in the case of moneys to the credit of an account--the office or branch of the ADI at which the account was kept.*

(9)

The Treasurer shall cause particulars of every sum shown in a statement delivered under this section to be:

- (a) published in the Gazette; or*
- (b) made available to the public (whether or not on the payment of a fee) in such other manner as the Treasurer determines.*

These provisions therefore grant ASIC the authority to publish personal details relating to the owner of unclaimed money, including a person's full name, last known home address, the full amount of funds transferred to ASIC and the financial institution where the account was held.

National Seniors understands that the objective of the Bill is to reunite people with their money, sooner. However, we do not believe that an individual's right to privacy is currently balanced with the objective of the Bill. A simple name search for unclaimed money via the MoneySmart website reveals individuals who have considerable amounts of money being held by ASIC. National Seniors has observed that the home addresses of individuals with \$15,000 or more in unclaimed accounts have been published on the MoneySmart website.

Naturally, this raises issues of consumer protection and violations of privacy. We have significant concerns regarding the public availability of personal and highly sensitive information online and are troubled by the potential impacts this may have on the security, safety and wellbeing of older Australians.

The level of information on MoneySmart creates opportunities for unnecessary approaches from groups offering to charge a fee to assist with retrieval of unclaimed funds or worse, for criminal activity. This is especially concerning as older Australians are more vulnerable to victimisation and consumer fraud and more likely to respond to scams that are offering financial advice². It is therefore more likely that older Australians will respond to fraudulent third parties who make approaches with detailed and specific information on unclaimed money. This is particularly the case where older people are not familiar with the internet and therefore have no way of seeing the

² Ross, S. & Smith, R.G. 2011. *Trends and Issues in Crimes and Criminal Justice: Risk factors for advance fee fraud victimisation*. Australian Institute of Criminology (AIC): Canberra.

information on the MoneySmart website for themselves. National Seniors recommends that a phone line be established to enable those older Australians who are not online, or not familiar with the information available on MoneySmart, to enquire about unclaimed money or life insurance.

We support a review of Subsection 69(4) and 69(9) of the *Banking Act 1959* to amend the level of detail published on unclaimed money. We recommend that last known home addresses be removed along with the details of the ADI which the money was received from. Removing these finer details whilst still allowing a public search of unclaimed money will not impact greatly on the level of money that remains unclaimed. This public online search should be treated as the first step of the enquiry process for an individual with regard to locating unclaimed accounts.

Additionally, a log in system similar to the system used to search for unclaimed superannuation could be applied to unclaimed accounts and life insurance to enhance privacy. Authorised deposit-taking institutions must also continue to contact account owners by alternative means for those who do not have access or do not use the internet.

Conclusion

We are aware that banking institutions have indicated that changes to the timeframe where accounts are deemed to be inactive are both onerous and rushed. The changes also increase regulation on both the banking sector and the account holders, increase red tape and increase the number of accounts transferred which are not 'genuinely' unclaimed³.

National Seniors remains opposed to the decrease of seven to three year period within which bank accounts are deemed to be inactive and unclaimed. We call for this policy to be restored to a seven year period before bank accounts are deemed inactive.

Actions on the issues raised within this submission are urgently required to minimise risks to older vulnerable Australians and to prevent fraudulent activities from occurring.

³ Australian Bankers Association and Association of Building Societies and Credit Unions submission to Inquiry into *Treasury Legislation Amendment (Unclaimed Money and Other Measures) Bill 2012* (the *Unclaimed Monies Bill*).