



CIRCULAR TO BANKING INSTITUTIONS No. 01- 2008/BSD: “EXCESSIVE BANK CHARGES”

Introduction

1. The Reserve Bank has noted with great concern the astronomical and unjustifiable increases in bank charges by banking institutions over the past few months. Admittedly banks need to cover their operational costs. The charges levied by some banking institutions on their various products and services, however, demonstrate unacceptable predatory practices.
2. At current levels, charges levied by banking institutions are way above salaries earned by the majority of banking institutions' customers, a phenomenon which is detrimental to banks' core mandate of financial intermediation.

Advice Long Gone Unheeded

3. As Monetary Authorities, we have warned banking institutions against the ribald exploitation of the banking public. The Governor's inaugural Monetary Policy Statement of **December**

2003¹ called upon banking institutions to balance the privilege of holding a banking licence and the goal of financial inclusion. To this end banks were directed to adopt specified minimum account opening balances as well as adopt reasonable bank charges.

4. In the **October 2004** Monetary Policy Statement² the Reserve Bank once again exhorted banking institutions to “put on a human face” and desist from levying extortionist bank charges on the defenceless customers. The Bank reiterated in no uncertain terms the need for **self correction** in the industry, failing which the Reserve Bank would be compelled to prescribe benchmarks for bank charges. A Supplement³ to the **January 2007** Monetary Policy Review Statement also cited exorbitant bank charges as one of the impediments to the attainment of financial inclusion.
5. A survey⁴ conducted by the Reserve Bank in May 2005 established that banking institutions, especially commercial banks, were (and are still) paying very low deposit rates whilst at the same time charging very high lending rates. Such practises are not supportive of savings mobilisation. Further, the low cost of funding is not reflected in the exorbitant charges levied on bank products and services.
6. Notwithstanding the Reserve Bank’s periodic appeals for the banking sector to exercise restraint, our moral suasion has gone unheeded as demonstrated hereunder.

¹ Monetary Policy Statement, December 2003, pp53-4

² Monetary Policy Statement: Third Quarter to 30 September 2004, p38

³ Rural Banking, Financial Inclusion and Empowerment of Small to Medium Enterprises, 31 January 2007.

⁴ Report on the Interest rates Paid on Deposits and lending Rates Charged by Banking Institutions as at 27 May 2005

Current Bank Charges

7. The table below shows the range of bank charges being levied by banking institutions on some products.

Bank Charges for Individuals as at 1 October 2008

Product / Service Charge	Agribank	Barclays	CBZ Bank	CFX Bank	FBC Bank	Kingdom	MBCA	METRO	NMB BANK	STANBIC	STANCH ART	ZABG	ZB BANK
Ledger fees	4,000.00	N/A	0.5% of debit, min \$5,000, max \$25,000	100.00	5,000.00	1% of value min \$1,200 max \$2,300	40,000.00	1,000.00	Min \$51,000, Max \$60,000	10,000.00	100.00	63,000.00	0.1% on value, min \$1,000, max \$5,000
Statement request (per page)	5,500.00	5,000.00	3,500.00	1,000.00	5,000.00	2,000.00	1,000.00	5,000.00	25,000.00	1,000.00	250.00	4,250.00	5,000.00
Certificate of balance	5,500.00	250,000.00	10,000.00	20,000.00	1,000.00	2,000.00	25,000.00	10,000.00	5,000.00	30,000.00	1,000.00	8,500.00	50,000.00
Monthly admin fee	-	40,000.00	50.00	2,000.00	-	N/A	0.5% of value, min \$15,05 per transaction, max \$10,105	8,100.00	N/A	1,250.00	5,000.00	63,000.00	Covered under ledger fees
RTGS	6,000.00	500.00	1% of value, min \$5,500; max \$100,000	500.00	1,000.00	50.00	500.00	1,000.00	500.00	500.00	5,100.00	500.00	500.00
Inter-account transfer	10,000.00	1% of value, min 2000	10,000.00	10,000.00	100.00	1.2% of value, min \$1,200; max \$2,300	1% of value, min \$25,000	10,000.00	10,000.00	10,000.00	2,500.00	10,000.00	20,000.00
ATM withdrawal	1,000.00	1,000.00	5% of withdrawal limit	75.00	-	1% of value, min \$1,000; max \$1,500	-	100.00	N/A	500.00	100.00	750.00	500.00
Cheque book (100 pages)	875,200.00	300,000.00	200,000.00	1,000,000.00	650.00	2,245.00	770,000.00	300,000.00	750,000.00	293,664.00	166,000.00	750,000.00	745,200.00
Bank cheque	2.5% of value, min \$10,000, max \$30,000	1% of value, min 2000	1% of value, min \$5,000; max \$100,000	10% of value, min \$5,000; max \$500,000	15,000.00	25,000.00	5% of value, min \$25,000	5,000.00	50,000.00	51,520.00	1% of value, min \$25,000; max \$100,000	25,000.00	50,000.00

Counter cheque	2% of value, min \$500, max \$1,000	20,000.00	N/A	10,000.00	2,000.00	1% of value min \$1,000 max \$1,500	35,000.00	5,000.00	5,000.00	N/A	5,000.00	15,000.00	50,000.00
Unpaid cheque (RD)	1% of value, min \$15,000	100,000.00	50,000.00	10% of value, min \$5,000; max \$500,000	10,000.00	15,100.00	5% of value, min 100000	10,000.00	30,000.00	50,000.00	10,000.00	50,000.00	50,000.00
Unpaid cheque (technical irregularities)	1% of value, min \$10,000	50,000.00	15,000.00	20,000.00	5,000.00	5,000.00	50,000.00	10,000.00	5,000.00	20,000.00	5,000.00	10,000.00	50,000.00
Unpaid cheque (Effects not cleared)	1% of value, min \$10,000	50,000.00	30,000.00	10% of value, min \$50,000; max \$500,000	10,000.00	7,500.00	20,000.00	10,000.00	25,000.00	50,000.00	10,000.00	50,000.00	50,000.00
Cheque guarantee	1,000.00	5% of value	5% of limit	suspended	1,000.00	suspended	75,000.00	1,000.00	6,000.00	5% of value	3,000.00	100,000.00	50,000.00
Stop payment	1% of value, min \$5,000	1% of value, min \$13,000; max \$50,000	5,000.00	5,000.00	5,000.00	5,000.00	2% of value, min \$20,000	5,000.00	5,000.00	\$.10,000 normal, \$50,000 lack of funds	1,000.00	20,000.00	50,000.00
Post dated cheque	1% of value, min \$10,000	25,000.00	30,000.00	20,000.00	5,000.00	N/A	50,000.00	10,000.00	5,000.00	20,000.00	5,000.00	25,000.00	50,000.00
Deposit book	Cost + 35% margin	\$100,000 duplicate, \$150,000 triplicate	\$200,000 duplicate, \$300,000 triplicate	30,000.00	1,500.00	\$1,798 duplicate; \$3,690 triplicate	\$390,000 duplicate; \$700,000 triplicate	100.00	Min \$45,000, max \$500,000	5,715.00	306,000.00	480,000.00	430,000.00
Stop orders	5,500.00	setting \$25,000; amending \$40,000	15,000.00	2,000.00	2,500.00	2,270.00	-	500.00	10,000.00	N/A	1,000.00	12,500.00	50,000.00
Reactivation of dormant account	5,500.00	25,000.00	N/A	50,000.00	-	N/A	50,000.00	N/A	N/A	-	-	5,000.00	50,000.00
Service fees (e.g. safe custody)	5,500.00	25,000.00	\$10,000 + \$10,000 per visit	20,000.00	5,000.00	2,000.00	-	10,000.00	5,000.00	5,000.00	1,000.00	63,000.00	50,000.00
Postal charges	N/A	Zimpost charges	\$500 local; \$600 SADC, \$1,500 International	N/A	N/A	760.00	Zimpost charges	N/A	200,000.00	\$700 local, \$2,380 Africa, \$3,360 International	230.00	200.00	Covered under ledger fees

POSB / Building Societies Charges for Individuals as at 1 October 2008

Product / Service Charge	POSB	CABS	CBZ BS	FBC BS	ZB BS
Ledger fees	N/A	N/A	N/A	945.00	N/A
Statement request (per page)	4,500.00	\$223.80 per statement	50.00	1,500.00	2,000.00
Certificate of balance	N/A	N/A	-	3,000.00	2,000.00
Monthly admin fee	N/A	111.64	250.00	N/A	N/A
RTGS	500.00	1,059.32	250.00	500.00	15,000.00
Inter-account transfer	5,000.00	78.12	250.00	1,500.00	30,000.00
ATM withdrawal	100.00	55.80	50.00	42.00	800.00
Bank cheque	2,500.00	N/A	1,000.00	5,000.00	-
Counter cheque	N/A	1,000.00	N/A	N/A	20,000.00
Unpaid cheque (RD)	N/A	559.32	1,000.00	5,000.00	50,000.00
Unpaid cheque (technical irregularities)	N/A	559.32	1,000.00	5,000.00	50,000.00
Unpaid cheque (Effects not cleared)	N/A	559.32	1,000.00	5,000.00	50,000.00
Cheque guarantee	N/A	N/A	N/A	N/A	N/A
Stop payment	N/A	223.80	1,000.00	5,000.00	5,000.00
Post dated cheque	N/A	N/A	N/A	N/A	N/A
Deposit book	N/A	N/A	N/A	N/A	N/A
Stop orders	N/A	223.80	Internal \$50, external \$100	N/A	N/A
Reactivation of dormant account	N/A	N/A	-	N/A	-
Service fees (e.g. safe custody)	50,000.00	12,690.00	N/A	N/A	5,000.00
Postal charges	N/A	N/A	-	N/A	-

Analysis of Current Bank Charges

8. A detailed analysis of current bank charges depicts that there is an urgent need to restore sanity in the banking sector. The banking public has been subjected to a plethora of exorbitant bank charges reflective of the whims and caprices of the institutions concerned rather than economic fundamentals.
9. For instance, there are glaring disparities in ledger, statement request and certificate of balance fees charged by financial institutions.
10. As depicted in the table below, ledger fees ranged from \$100 to \$63 000 (i.e. \$630 trillion old currency) for individuals.

Ledger, Statement Request and Certificate of Balance Fees

Individuals	30 September 2008		1 October 2008	
Charge Item	Most Expensive	Least expensive	Most Expensive	Least expensive
Ledger Fees	<ul style="list-style-type: none"> • ZABG \$63,000 • CBZ \$25,000 • Stanbic \$10,000 • NMB \$6,600 • FBC Bank \$5,000 	<ul style="list-style-type: none"> • CFX \$100 • Stanchart \$80 • FBC BS \$33.69 • Metro \$2 	<ul style="list-style-type: none"> • ZABG \$63,000 • NMB \$60,000 • CBZ \$25,000 • Stanbic \$10,000 • FBC Bank \$5,000 	<ul style="list-style-type: none"> • FBC BS \$945 • Stanchart \$100 • CFX \$100
Statement Request Fee	<ul style="list-style-type: none"> • Agribank \$ 5,500 • Barclays \$5,000 • FBC Bank \$5,000 • ZABG \$4,250 • CBZ \$3,500 	<ul style="list-style-type: none"> • CABS \$223.80 • FBC BS \$30 • Stanchart \$14 	<ul style="list-style-type: none"> • NMB \$25,000 • Agribank \$5,500 • Barclays \$5,000 • FBC Bank \$5,000 • Metro \$5,000 • ZB Bank \$5,000 	<ul style="list-style-type: none"> • FBC BS \$1,500 • Stanbic \$1,000 • CFX \$1,000 • Stanchart \$250 • CABS \$223.80
Certificate of Balance	<ul style="list-style-type: none"> • Barclays \$250,000 • Stanbic \$30,000 • CBZ \$10,000 • ZABG \$8,500 • Agribank \$5,500 	<ul style="list-style-type: none"> • ZB BS \$500 • Metro \$200 • FBC BS \$60 • Stanchart \$14 	<ul style="list-style-type: none"> • Barclays \$250,000 • ZB Bank \$50,000 • Stanbic \$30,000 • CFX \$20,000 • Metro \$10,000 • CBZ \$10,000 	<ul style="list-style-type: none"> • Kingdom \$2,000 • ZB BS \$2,000 • FBC Bank \$1,000

11. The table below shows the bank charges applicable on RTGS, Internal Transfers and ATM withdrawals transactions as at 30 September 2008 and 1 October 2008.

Internal Transfers, RTGS and ATM withdrawals

Charge Item	30 September 2008		1 October 2008	
	Most Expensive	Least expensive	Most Expensive	Least expensive
RTGS	<ul style="list-style-type: none"> • CBZ \$100,000 • FBC Bank \$6,000 • Agribank \$ 6,000 • Stanchart \$1,600 	<ul style="list-style-type: none"> • Metro \$300 • FBC BS \$500 • Kingdom \$500 	<ul style="list-style-type: none"> • CBZ \$100,000 max • ZB BS \$15,000 • Agribank \$6,000 • Stanchart \$5,100 	<ul style="list-style-type: none"> • Stanbic \$500 • FBC BS \$500 • Kingdom \$500
Internal Transfers	<ul style="list-style-type: none"> • CBZ \$15,000 • Agribank \$10,000 • Stanbic \$10,000 • ZABG \$10,000 	<ul style="list-style-type: none"> • ZB BS \$300 • FBC Bank \$100 • CABS \$78.12 • FBC BS \$16.25 	<ul style="list-style-type: none"> • ZB BS \$30,000 • ZB Bank \$20,000 • CBZ \$15,000 • CFX \$10,000 • Metro \$10,000 	<ul style="list-style-type: none"> • Stanchart \$2,500 • FBC BS \$1,500 • FBC Bank \$100 • CABS \$78.12
ATM Withdrawals	<ul style="list-style-type: none"> • Agribank \$1,000 • Barclays \$1,000 • Kingdom \$1,000 • ZABG \$750 	<ul style="list-style-type: none"> • ZB BS \$20 • ZB Bank \$15 • FBC BS \$14.42 • Stanchart \$10 	<ul style="list-style-type: none"> • Agribank \$1,000 • Barclays \$1,000 • Kingdom \$1,000 • ZABG \$750 	<ul style="list-style-type: none"> • Metro \$100 • Stanchart \$100 • CFX \$75 • FBC BS \$42

12. The shocking disparities in the charges levied by players in the same industry reflect arbitrarily pricing practices devoid of any economic justification. For instance charges for internal transfers ranged from \$100 to \$30 000 (i.e. \$300 trillion in old currency).

13. Likewise the table below depicts that the cost of a cheque book, bank cheque and counter cheque was no longer affordable to the banking public.

Bank cheque, Counter cheque and Cheque books

Individuals	30 September 2008		1 October 2008	
Charge Item	Most Expensive	Least expensive	Most Expensive	Least expensive
Cheque Book	<ul style="list-style-type: none"> • STANBIC \$11.4 m • Agribank \$ 875,000 • ZABG \$750,000 • Barclays \$300,000 • ZB Bank \$86,000 	<ul style="list-style-type: none"> • Stanchart \$23,160 • Kingdom \$2,245 • Metro \$1,500 • FBC Bank \$650 	<ul style="list-style-type: none"> • STANBIC \$11.4 m • CFX \$1,000,000 • Agribank \$875,200 • NMB \$750,000 • ZABG \$750,000 	<ul style="list-style-type: none"> • Kingdom \$2,245 • FBC Bank \$650
Bank Cheque	<ul style="list-style-type: none"> • CBZ \$100,000 • STANBIC \$51,520 • CFX \$50,000 • Agribank \$ 30,000 • ZABG \$25,000 	<ul style="list-style-type: none"> • NMB \$7,500 • ZB Bank \$5,000 • Metro \$500 • FBC BS \$40 	<ul style="list-style-type: none"> • CFX \$500,000 • Stanchart \$100,000 • CBZ \$100,000 • Stanbic \$51,520 • ZB Bank \$50,000 	<ul style="list-style-type: none"> • FBC Bank \$15,000 • Metro \$5,000 • FBC BS \$5,000
Counter Cheque	<ul style="list-style-type: none"> • Barclays \$20,000 • ZABG \$15,000 • ZB Bank \$5,000 • FBC Bank \$2,000 • Kingdom \$1,500 	<ul style="list-style-type: none"> • Stanchart \$1,000 • NMB \$750 • Metro \$300 	<ul style="list-style-type: none"> • ZB Bank \$50,000 • ZB BS \$20,000 • Barclays \$20,000 • ZABG \$15,000 • CFX \$10,000 	<ul style="list-style-type: none"> • FBC Bank \$2,000 • Kingdom \$1,500 • CABS \$1,000 •

14. It is incomprehensible that cheque books made of the same quality of paper and sourced from the same supplier end up being priced from \$650 to \$11.4 million (i.e. \$114 quadrillion old currency).

15. Rapid increases in the charges for counter cheques and bank cheques were increasingly putting these products beyond the reach of many. At some institutions a bank cheque, for example, now costs \$500 000 (i.e. \$5 quadrillion old currency).

16. The charges for dishonoured cheques ranged from \$100 to \$50000 as illustrated in the table below:

Dishonoured cheques

Individuals	30 September 2008		1 October 2008	
Charge Item	Most Expensive	Least expensive	Most Expensive	Least expensive
Unpaid Cheque (RD)	<ul style="list-style-type: none"> • Barclays \$100,000 • CBZ \$50,000 • Stanbic \$50,000 • ZABG \$50,000 	<ul style="list-style-type: none"> • CABS \$559.32 • Stanchart \$500 • Metro \$500 • FBC BS \$100 	<ul style="list-style-type: none"> • CFX \$500,000 • Barclays \$100,000 • CBZ \$50,000 • ZB Bank \$50,000 • ZB BS \$50,000 	<ul style="list-style-type: none"> • FBC Bank \$10,000 • Stanchart \$10,000 • FBC BS \$5,000 • CABS \$559.32
Unpaid Cheque (Technical)	<ul style="list-style-type: none"> • Barclays \$50,000 • Stanbic \$20,000 • CBZ \$15,000 • ZABG \$10,000 	<ul style="list-style-type: none"> • CABS \$559.32 • Metro \$450 • Stanchart \$250 • FBC BS \$100 	<ul style="list-style-type: none"> • Barclays \$50,000 • ZB Bank \$50,000 • ZB BS \$50,000 • CFX \$20,000 • Stanbic \$20,000 	<ul style="list-style-type: none"> • Kingdom \$5,000 • FBC Bank \$5,000 • Stanchart \$5,000 • FBC BS \$5,000 • CABS \$559.32
Unpaid Cheque (Effects not Cleared)	<ul style="list-style-type: none"> • Barclays \$50,000 • Stanbic \$50,000 • ZABG \$50,000 • CBZ \$30,000 • CFX \$20,000 	<ul style="list-style-type: none"> • CABS \$559.32 • Stanchart \$500 • Metro \$450 • FBC BS \$100 	<ul style="list-style-type: none"> • CFX \$500,000 • Barclays \$50,000 • Stanbic \$50,000 • ZABG \$50,000 • ZB Bank \$50,000 	<ul style="list-style-type: none"> • Kingdom \$7,500 • FBC BS \$5,000 • CABS \$559.32

17. While we note that charges on dishonoured cheques were also punitive at some banks, the Reserve Bank accepts that reckless issuance of cheques is detrimental to maintenance of confidence in the banking system.

18. As such, there is need for appropriate deterrence in the form of high charges against unscrupulous fraudsters and irresponsible behaviour bent on undermining the integrity of the payment and settlement system.

Monetary Policy Intervention

19. As Monetary Authorities, we have a statutory obligation to safeguard financial stability. At current levels, bank charges are increasingly eroding confidence in the banking system, which development is detrimental to financial stability and economic development. Accordingly, we cannot continue to watch the wanton abuse of the banking public via undesirable methods of conducting business.
20. With immediate effect, all banking institutions are **hereby directed to review and reduce charges** levied on their banking products and services in line with the directed maximum charges outlined in the schedule below.

Directed Maximum Bank Charges

Product / Service Charge	Range of Current Charges		Directed Maximum Charges	
	Individuals	Corporates	Individuals	Corporates
Ledger fees	100 – 63 000	200 – 500 000	1 000	25 000
Statement request (maximum 2 pages)	250 – 25 000	1 000 – 10 000	250	5 000
Certificate of balance	1 000 – 250 000	1 000 – 250 000	250	5 000
Monthly admin fee	50 – 40 000	1 000 – 300 000	100	1 000
RTGS (Suspended)	500 – 100 500	500 – 100 500	500	500
Inter-account transfer (Suspended)	100 – 30 000	2 000 – 30 000	1 000	5 000
ATM withdrawals	100 – 1 500	100 – 1 500	50	15 000
Cheque book (50 leaf)	166 000 – 11 400 000	300 000 – 11 400 000	1 000	1 000 000
Bank cheque	5 000 – 500 000	5 000 – 500 000	2 000	50 000
Counter cheque	1 000 – 50 000	1 000 – 50 000	2 000	15 000
Unpaid cheque (Refer to drawer)	5 000 – 500 000	5 000 – 500 000	1 000 000	10 000 000
Unpaid cheque (technical irregularities)	5 000 – 50 000	5 000 – 50 000	10 000	1 000 000
Unpaid cheque (Effects not cleared)	5 000 – 500 000	5 000 – 500 000	10 000	1 000 000

Stop payment	1 000 – 50 000	1 000 – 50 000	100 000	1 000 000
Post dated cheque	5 000 – 50 000	5 000 – 50 000	20 000	1 000 000
Stop orders	500 – 50 000	500 – 50 000	1 000	50 000
Reactivation of dormant a/c	5 000 – 50 000	5 000 – 50 000	20 000	15 000 000
Service fees (e.g. safe custody)	1 000 – 50 000	1 000 – 50 000	5 000	10 000
POS Charges			1 000	1 000

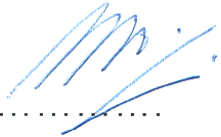
21. Failure to adhere to the above directed charges shall result in the prescription of bank charges in terms of section **16 of the Bank Use Promotion and Suppression of Money Laundering Act, [Chapter 24:24]**.
22. The Reserve Bank shall also institute **appropriate corrective measures**, including cancellation of a banking licence, on institutions that are determined to be engaging in undesirable methods of conducting business.
23. Henceforth, **no increases** in bank charges beyond the maximum charges herein directed shall be implemented without the Reserve Bank's approval.
24. Every banking institution is directed to **reimburse all customers** who were, from 1 September 2008 to 4 October 2008, charged amounts in excess of the directed limits contained herein, by no later than 15 October 2008.
25. For avoidance of doubt, the Reserve Bank Public Notice on Real Time Gross Settlement (**RTGS**) System of 2 October 2008 remains in force.

Thus, the use of the RTGS system for customer payments remains suspended, as outlined in the said public notice, until further notice.

26. With immediate effect, **internal inter-account transfers** have also been suspended until further notice. The suspension of **internal transfers** is applicable to all transactions whether they involve the same party and/or third parties.

27. It follows that, until further notice, **multiple account holders** shall transact on each of their numerous accounts on a stand alone basis with no movement of funds between or among the various accounts.

Be guided accordingly.



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DR. G. GONO
GOVERNOR
RESERVE BANK OF ZIMBABWE

4 OCTOBER 2008