



HIGHLIGHTS OF COMMERCIAL BANKS' CUSTOMER SATISFACTION SURVEY¹ (2018)

EXECUTIVE SUMMARY

BACKGROUND

This report summarises results of the Central Bank of The Bahamas' survey on commercial bank fees and customer satisfaction feedback in relation to certain banking services. It is intended to provide a benchmark for more regular tracking of customer sentiment and to provide context to consumer education on bank fees. The analysis below provides high-level views of the results only. More complex review is also possible given the cross-section of demographic data collected and range of questions posed.

Following input on the survey design from the Clearing Banks Association (CBA) the Central Bank engaged external support to have the survey administered randomly to 1,007 respondents.

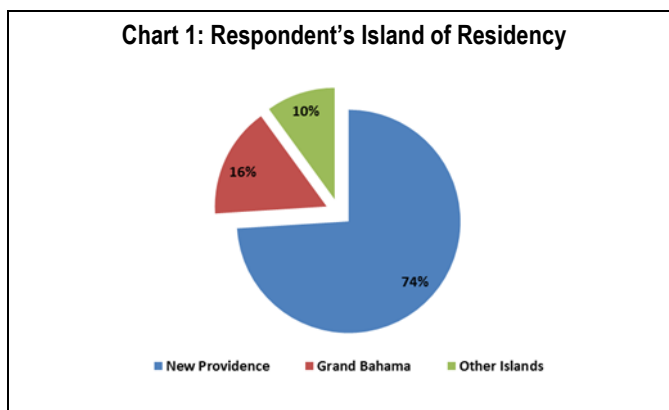
From a financial access point of view, this survey reveals that less than 5% of those in the surveyed population do not have access to any form of banking service.² At a high-level, most users of financial products expressed some understanding for why fees exist. However the ability to distinguish between direct government taxes and the institutions' own charges is only possible for an estimated 42% of the banking public. In the meantime, the view is pervasive that, fees are too high, with the most common products singled out being those related to payments services (ATM use, check cashing, and deposits of cash & checks). Customer mobility or the perceived ease of switching between service providers is also considered to be unreasonably constraining for 8% of the banking population, given documentation requirement for services. Viewed alternatively, it is estimated that over 90% of the population has access to banking services and around 71% of respondents indicate some ease in switching between service providers.

¹ This survey was conducted in January 2018, in Nassau, Bahamas, by Public Domain LLC.

² Due to the methodology used-- random telephone survey--it likely that this is not a comprehensive measure of inclusion, as undocumented persons would not have been captured in this survey.

The summary profile of respondents is shown in Charts 1-4 below. The respondents reflected the following:

- A predominance of residents from New Providence (74%) and Grand Bahama (16%).
- High school education was the highest attainment for approximately 40% of respondents.
- Nearly a third were fully employed and 15% disclosed as self employed³



- Some 49% disclosed belonging to a couple/married relationship
- Most own their own homes (66%).
- Half belong to households earning between \$30,000 annum or less.⁴

BANKING PRACTICES

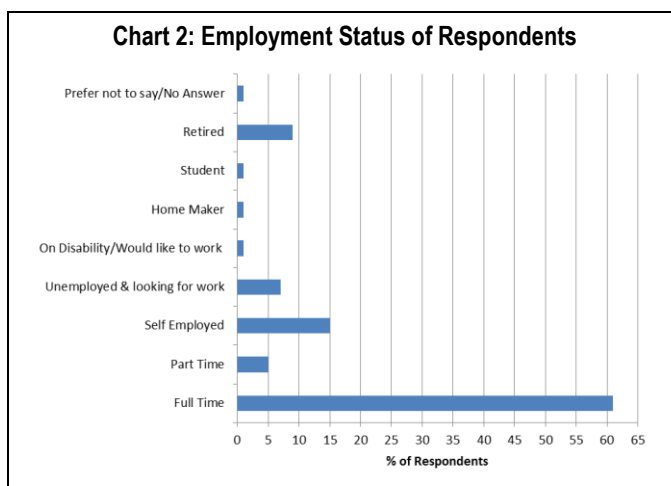
Surveyed banking clients have few accounts spread across a limited number of banking products. Most respondents (over 90% of those surveyed) indicated use of 4 or less accounts, with the most common being savings accounts (85% of respondents), followed by chequing accounts (27%), personal loans (22%) and credit cards (21%). While this conforms to the dominance of savings accounts from other data published in the Central Bank's other reports, the survey's results also underscore the transactional utility of savings accounts when combined with frequent use of debit cards.

Online access appears to be a method of contact for banking activity for the majority of respondents. Fifty-one percent of persons surveyed revealed access to online banking. The frequency of use for online services *to check balances* ranges from mostly 1-3 times per week (25.8%) to 1-3 times monthly (22.1%). Meanwhile, the use of online facilities *to conduct transactions* is less frequent, "mostly never done" for more than a third of respondent (38%). For the subset of persons that mostly avoid online banking, some 16% indicate that they prefer to go on premises to conduct transactions; others felt that online banking was not secure (13%) and some declared that they did not understand how to use the online services (12%).

³ When adjusted for the working age population (excluding students and retired persons), and those who are who are actively seeking employment, the employment rate was closer to 90% and the representative unemployment rate statistically closer to the rate estimated by the Department of Statistics.

⁴ This is adjusted for the 1/5 of respondents who either did not know or refused to disclose their incomes.

Younger respondents in the 18 to 34-year-old category were the most fluid in describing recent changes in their banking behaviour. This age grouping had the largest single share of persons (22%) to have switched banks in the last three years. While the process of switching banks was assessed as being easy by 71% of those surveyed, a higher 74% of the 18 to 34-year-old made this assessment. These



These younger clients were also more likely (84%) to view the new bank's request for documentation as being reasonable, compared to an estimated 80% of all survey participants. Additionally, 84% of participants indicated that it was easy to obtain the documents requested by the bank, compared to 89% of those in 18 to 34-year-old grouping. While the ensuing costs to open the accounts were also deemed to be reasonable by 67% of respondents, it was considered more favourably by 77% of 18 to 34-year-olds.

While this data contrasts the anecdotal information on the burden of documentation required for the account opening process, it suggests that between 15% to 20% of customers view the process of changing banks as being too cumbersome. This, therefore impacts the mobility of customers across the banking system.

When individuals disclosed use of more than a single bank, the services revealed as being received most often from the user's non-primary bank appear to be credit (other than mortgages) such as chequing cashing and credit cards, loans. In such cases, the majority of respondents indicated that the process of getting such services was easy and that the concerned bank was reasonable in its request for documents.

ATTITUDES TOWARDS COSTS & SERVICES

Sentiments around interest rates, fees, service delivery and access to credit for instance, are relatively balanced between men and women across age groups and income categories. The rating of the importance placed on these areas is averaged at about 7.3 out of 10 (extremely important) for respondents, indicating that consumers do take these aspects of banking into consideration when selecting a service provider. Consumers appeared less concerned, although slightly, about banks offering niche products (6.1/10). When deciding to open an account, important factors included (i) the interest rates paid on deposits, (ii) the speed of service, and (iii) the amount of fees charged.

Most respondents revealed that they were largely satisfied (about 60% of the total) with their experiences at their primary bank. For the 33% of respondents disclosing overall dissatisfaction, the top reasons chosen included (i) unsatisfactory customer service, (ii) high service fees and (iii) long wait time in branches. Another source of dissatisfaction is the difficulty experienced in obtaining credit, although only as highlighted by 8% of respondents. Despite satisfaction with their primary bank, respondents were middle of the road (6/10, with 10 being highly likely to recommend) on whether they would recommend their primary bank to friends and colleagues. The reasons most often selected remained consistent with (i) poor service, (ii) high fees and (iii) slow customer service.

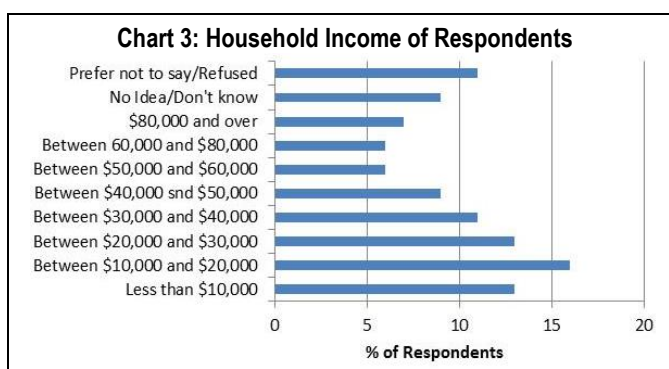
BANK FEES

Based on survey feedback, respondents most commonly gauged bank fees being experienced at between \$5-\$19 per month, although in some cases the estimated amount was higher. Roughly 21 percent of respondents estimated paying account fees between \$5-\$9 per month, with 20 percent of people paying fees of \$10-\$19 per month and 13 percent paying \$20-\$29 monthly, respectively. When fees are disaggregated, 58% of people are unable to distinguish between the representations of government taxes versus bank charges in the totals.

Perceived value for service appears to be polarised. Thirty-two percent of respondents agree that they receive value for money, while 29 percent strongly disagree that they receive value for money. Similar disparities exist when the data is analysed on the consumers' admitted understanding of why banks charge fees. Forty-six percent understand why they are charged vis-à-vis 40 percent that do not understand at all. In the middle ground 14% of respondents only partially understood why fees were charged.

As to the reasonableness of charges, bank fees are considered to be too high, although the views do not fully align on the direction in which fees should be adjusted.

Forty-nine percent of respondents opined that bank fees are too high, while another 29% percent felt that fees were somewhat high. Although



multiple products could be identified, ATM withdrawals was the most commonly viewed as service as costly (21%), followed by the monthly fees for checking account (9%) and savings accounts (8%). Disagreement with the level of fees charged most concentrated for ATM withdrawals (41%), check cashing services (23%) and cash and cheque depositing (19%). On average, about 49% of those surveyed expressed a

preference for bank fees to be adjusted downward versus 31% that indicated no adjustment was necessary. Although the practice of comparing fees across banks is not widespread, the public also maintains a perception (62%) that fees are too high in The Bahamas compared to banks elsewhere in the Caribbean region.

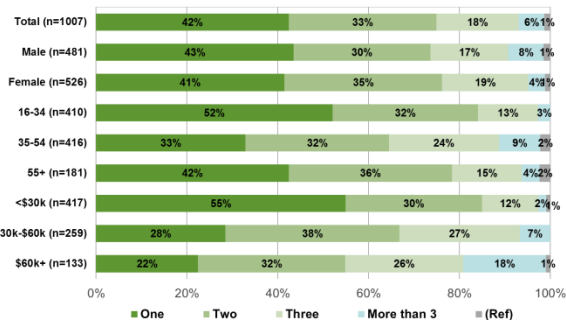
By law, banks are required to give advance notice of fee changes on products, although awareness of when such change occurred, or whether such notifications were practiced was limited. Of persons surveyed, 43% percent acknowledged that their bank did give notice of fee changes, while a separate 42% indicated that they were not notified of fee changes. These outcomes could reflect how such notices are being made. Notably, respondents with experience of the process cited postal letters (29%) and email notices (29%) as the two most common communication channels, versus 8% that indicated being notified through the respective provider's website. Other clients (24%) indicated that they learn about fee changes inside the branch.

CONCLUSION

This survey provides a strong basis for interventions to improve consumer education around bank fee structure in The Bahamas. It also underscores scope for more effective practices around notification of fee changes and stronger mechanisms to allow consumers to compare fee across institutions. Scope also exists to reduce constraints, perceived or otherwise, on the ease of switching between financial institutions for products and services. Also concerns around the level of fees concentrated most on payments and transactional facilities where average costs require legitimate redress. The planned acceleration of the Central bank's payments system modernisation initiative should begin to address these particular concerns. As the survey responses indicate, some portion of the public are still not within access to the banking services, notwithstanding. The rate of financial exclusion, however, is likely understated since undocumented persons are not well represented in the survey. Not discussed in detail above, but also evident from the survey results, the demographic divide between income and age groups also has to be factored in policy approaches to financial literacy and inclusion, with vulnerability evident in some cases for older customers of financial institutions, and in other cases more so for lower income households.

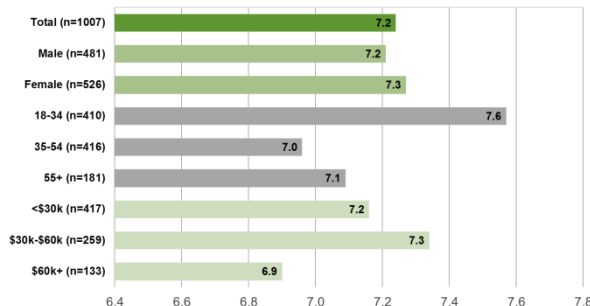
APPENDIX (Selected results)

Number of banks used for personal services



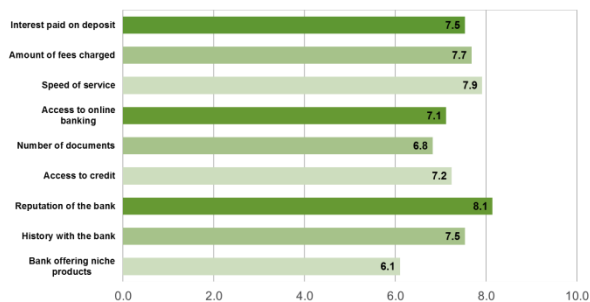
Q5. With how many banks do you maintain accounts or do business with on a personal basis?

Importance of access to credit in choice of bank



Q6. On a scale of 1 to 10, with 1 meaning not at all important and 10 meaning extremely important, please tell me the importance of each of the following factors in helping you to decide whether to open an account or place a deposit with any bank.

Important factors considered when deciding to open an account

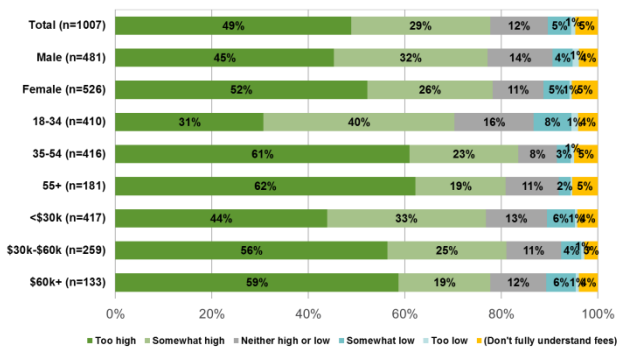


Q6. On a scale of 1 to 10, with 1 meaning not at all important and 10 meaning extremely important, please tell me the importance of each of the following factors in helping you to decide whether to open an account or place a deposit with any bank.

Estimated combined service fees paid in a given month.

Q16. Thinking only of your primary bank, please estimate the combined amount of service fees that you pay in a given month. Would you say...	Total (n=1007)	Male (n=481)	Female (n=526)	18-34 (n=410)	35-54 (n=416)	55+ (n=181)	<\$30k (n=417)	\$30k-\$60k (n=259)	\$60k+ (n=133)
Nothing / No fees	3%	4%	2%	4%	1%	5%	3%	2%	0%
Under \$5	9%	8%	10%	14%	5%	9%	10%	9%	8%
\$5 - \$9	21%	21%	20%	26%	17%	15%	23%	19%	14%
\$10 - \$19	20%	17%	23%	21%	22%	15%	21%	22%	17%
\$20 - \$29	13%	15%	11%	11%	17%	8%	11%	17%	22%
\$30 - \$50	7%	6%	9%	5%	9%	10%	6%	9%	10%
Over \$50	10%	12%	9%	8%	10%	14%	12%	10%	15%
(Don't know)	17%	16%	17%	11%	18%	25%	14%	12%	14%

Are bank fees - high or low?



Q25. With your understanding of why your primary bank charges fees, do you think the fees are...?

Banking services for which the most fees paid

Q26. No matter which bank your deal with, which banking services do you pay the most fees? (Check All That Apply) % based on Total Responses	Total (n=1007)	Male (n=481)	Female (n=526)	18-34 (n=410)	35-54 (n=416)	55+ (n=181)	<\$30k (n=417)	\$30k-\$60k (n=259)	\$60k+ (n=133)
ATM withdrawals	21%	21%	21%	25%	20%	16%	23%	26%	13%
Checking account (monthly fee)	9%	10%	8%	6%	11%	11%	7%	5%	23%
Savings Account	8%	9%	7%	10%	8%	5%	8%	11%	6%
Loan fees (e.g. mortgages, personal loans)	6%	6%	6%	4%	8%	5%	5%	5%	8%
Check Cashing	4%	4%	4%	4%	5%	5%	4%	3%	3%
Annual credit card membership	3%	3%	4%	1%	5%	5%	2%	4%	8%
Minimum balance charge	2%	1%	2%	2%	1%	4%	2%	1%	2%
Overdraft charge	2%	2%	2%	3%	1%	2%	2%	2%	5%
Deposits of cash and checks	2%	2%	2%	3%	2%	2%	2%	2%	3%
Foreign exchange transactions	1%	1%	1%	1%	1%	2%	0%	2%	2%
Account inactivity fee	1%	1%	1%	0%	1%	1%	1%	1%	2%