

Banks in RBA spotlight, leave variable rates steady

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Australia's big four banks say they will hold standard variable home loan rates steady after the central bank shone the spotlight on bank mortgage rates as a major reason for leaving the cash rate unchanged.

The Reserve Bank of Australia (RBA) left the official interest rate unchanged at 3.75 per cent on Tuesday, surprising most economists, who had predicted a 25 basis point hike to four per cent.

RBA governor Glenn Stevens noted in his first statement for 2010 that last year's out of cycle interest rate rises by some banks was a reason for leaving the cash rate steady in February.

"Lenders have generally raised rates a little more than the cash rate over recent months and most loan rates have risen by close to a percentage point," governor Glenn Stevens said.

"Since information about the early impact of those changes is still limited, the Board judged it appropriate to hold a steady setting of monetary policy for the time being."

But Mr Stevens said interest rates being paid by borrowers still remained lower than average even after the RBA raised the cash rate by 25 basis points three times in the December 2009 quarter.

Westpac suffered a blow to its reputation in December after lifting its variable mortgage rate by 45 basis points in December, 20 basis points higher than the RBA rate hike.

Commonwealth Bank (CBA) raised its variable rate by 37 basis points in December, while ANZ Banking Group increased its by 35 per cent and National Australia Bank (NAB) matched the RBA's 25 basis point rise.

But on Tuesday all four banks said they would leave interest rates steady.

"Our rates are always under review but (there is) no change at this stage," Commonwealth Bank spokeswoman Nichole Ismay said.

“(There will be) no change on rates based on today’s decision,” Westpac spokeswoman Jane Counsel said.

On Sunday, NAB said the bank would not increase its standard variable interest rate on home loans by more than any RBA rate hike announced on Tuesday.

NAB spokeswoman Luisa Ford said on Tuesday there would be no changes to interest rates on any bank product.

ANZ spokesman Stephen Ries said “we have no plans to make any changes to rates after the RBA’s decision today.”

Standard variable rates on mortgages at the big four banks currently stand at 6.49 per cent at NAB, 6.61 per cent at CBA, 6.66 per cent for ANZ, and 6.76 per cent at Westpac.