

'PROFITS AT ALL COSTS'

Banks are greedy monsters

— Gordhan

Sipho Khumalo and Suren Naidoo

DURBAN: Finance Minister Pravin Gordhan yesterday accused banks and financial institutions of being "greedy monsters" who seek to maximise profits at all costs, to the detriment of ordinary people.

Addressing a two-day conference on financial literacy in Pietermaritzburg, Gordhan urged South Africans to strive towards financial literacy so that they could make informed choices and be able to see when they were being hoodwinked by banks into unsustainable financial deals and products.

Gordhan gave an example of how the 2008 recession came about, saying banks played a role in the financial meltdown by offering mortgage loans to people who could not afford to

pay them. This resulted in SA losing millions of jobs – and R60 billion – and the country, he said, was still trying to recover from the crisis.

He also referred to Barclays Bank in London, which stands accused of manipulating "interest rates so that they could make more money for themselves...

"With the Barclays saga of the last few days, it illustrates brilliantly the fault lines in the banking sector. It illustrates dishonesty, manipulation of prices and information, profiteering at any cost and little regard to the ordinary people and the cost to them. People think they can play games and be the only ones who benefit," he said.

Gordhan said questions were being asked about the roles of the banks in the econ-

omy and their influence.

"Vulnerable South Africans can be exposed to unfair and manipulative sales and offered products that will strain their finances," he said.

Gordhan said measures were already being put in place in SA to protect vulnerable consumers.

"There is a policy document to strengthen financial regulation that national Treasury has come up with.

"This document aims... to strengthen the consumer protection, financial stability, combat financial crimes, to ensure that financial services are appropriate, accessible and affordable," he said.

The Ombudsman for Banking Services, Clive Pillay, who was at the conference, said he did not think Gordhan's

To Page 5

NEWS 5

Ombud banks on 'fair deal'

From page 1

comments were an attack on SA banks and the financial services sector.

"The minister was alluding to the Barclays incident in the UK. He was referring to... rogue elements in major global banks that were driven by greed, which led to the global financial crisis...

"In light of these unscrupulous dealings, he was reinforcing that consumers need to be protected by being more financially literate and aware of issues that affect their lives," he said.

Pillay said the Treasury's policy document, titled "A safer financial sector to serve South Africa better", was aimed at getting the financial sector to treat consumers more fairly.

"I think it is a good idea as the policy calls for a combination of protection, financial education and financial literacy. I think it will go some way in achieving a fairer outcome for financial consumers," he said.

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