

BUSINESS

Bank loyalty fading on fees as customers take accounts elsewhere

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Fed up with rising fees and nonstop product pitches, Patrick Lujan closed his accounts with JPMorgan Chase and Bank of America this summer.

The last straw for the Lakewood computer consultant was a \$10 fee Chase added to transfer money online between his accounts.

"It was a personal, economic and ethical decision," Lujan said. "I said, 'That is it. I am done.'"

He switched his business to Mutual of Omaha Bank and the Credit Union of Denver, where, he said, fees are minimal and service is more personal.

Banks say they are increasing fees in response to a new regulation that caps what they can charge on debit-card transactions at 21 cents, down from 44 cents.

With interest rates low and credit demand soft, they also are struggling to make profits on the spread between the rates on deposits and loans.

"The national figure is that the cap knocked off \$14 billion of income and a conservative estimate for Colorado banks is \$200 million," said Don Childears, president and chief executive of the Colorado Bankers Association.

Bankers warned that more fees would result if the government started tinkering with their profit model and that is exactly what is happening, Childears said.

Banks are experimenting with different kinds of fees and watching one another closely to see how consumers respond, he said.

Bank of America created an uproar Sept. 29 when it said it would start charging customers \$5 a month to use its debit cards.

Rival Citibank called the monthly debit-card fees an irritation to customers. But then Wednesday, it announced a \$20-a-month charge for midlevel checking account customers who don't maintain a minimum balance of \$15,000.

Wells Fargo, the largest bank in the state, said earlier this year it would test a \$3 a month debit-card fee in five states — but not Colorado — starting this month.

JPMorgan Chase and other large banks have also adjusted their fees or are studying new ones. "If you're a restaurant and you can't charge for the soda, you're going to charge more for the burger," Jamie Dimon, the bank's chief executive and chairman told analysts this summer.

But higher fees upset consumers like Lujan. And banks don't appreciate how such moves work against their own long-term interests, argues customer service advocate John Tschohl, president of the Service Quality Institute. He said banks are going down the path of "Netflix," which sharply raised subscription prices this summer, only to lose 1 million customers and 60 percent of its stock market value.

"They think people will do whatever they want," he said of the banks that are raising fees. "It is the arrogance of power. These guys are acting like a monopoly, and they don't listen to their customers."

Banks may be counting on customer inertia, Tschohl said. But consumers have multiple options when they reach the point of enough, he said.

Lakewood-based FirstBank, which got hit with the debit- card fee cap, is keeping its free checking product as a way to win customers, said president David Baker. "We understand why they would be raising fees," Baker said of competitors. "But we decided our best strategy was to maintain free checking and to try and gain market share with that."

FirstBank has launched an advertising campaign that includes an electronic billboard inviting people to text in and see whether a given bank offers free checking with no strings attached.

The strategy isn't unlike Southwest's Bags Fly Free approach.

If FirstBank can get the checking account, then it can gain the mortgages, credit cards and car loans. But it has to win over customers for the strategy to work, Baker said.

Of the 10 largest banks operating in the state, FirstBank is the only one to offer a truly free checking account, Baker said. The bank does charge an annual fee of \$10 on its debit cards.

Likewise, credit unions see rising bank fees as a marketing opportunity, said Terry Leis, president and chief executive of the Credit Union of Colorado. With a couple of exceptions, most credit unions have less than \$10 billion in assets, so they can charge more than the 21 cents per debit-card transaction that the big banks must adhere to under the federal law that went into effect this summer.

Nor are they under the same pressure to squeeze what they can out of customers, who are their owners. That said, they don't have the big branch networks the large banks have, but credit unions have developed large ATM networks.

"It comes down to the individual and what is important to the consumer," Leis said.

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