



## MEDIA RELEASE

### Super funds have switchers in stranglehold

**20 February 2006** – The big superannuation funds are deliberately making it hard for Australians to exercise their right to switch super providers, according to new research from Virgin Money.

Virgin Money's "Barriers to Switching Super" study was undertaken by Roy Morgan Research and investigates the experience of Australians who have looked into changing funds since 1 July 2005.

The study confirms that 6% of Australians with work-based super have successfully switched funds, with an additional 4% currently in the process of switching. However, a further 8% of Australians have looked into changing funds but have either been unable to switch or have given up due to the complexity involved.

Over a third of respondents told researchers that the big super funds are intentionally making it difficult for members to switch to another fund. Three in five of those who failed to complete the switching process accused the major funds of engaging in dirty tricks to stop members from leaving.

Virgin Money CEO, Rohan Gamble, said, "The process of switching super funds is an absolute shambles. Consumers are being misinformed by the major funds, shunted back and forth between funds to process simple changeover requests and, in some cases, flat-out denied their right to close their account.

"The big super funds have members in a stranglehold. They're throwing up every possible barrier they can to stop members from leaving, and many Australians are throwing in the towel in frustration. We intend to fight this on behalf of consumers."

Over a third of Australians attempting to change super funds were misinformed or blocked in their attempt to switch by their existing fund:

- 15% were asked to provide proof they had left their employment, even though this is not required under Choice of Fund legislation.
- 13% were told that the onus is on the new fund manager to arrange transfer of funds, when in fact it is up to the member's existing fund to action a rollover request.
- 9% were told by their existing fund that it was not yet capable of processing the changeover request.

11% of respondents were told they must provide 100 points of identification before their account could be closed, adding yet another hurdle to the switching process.

Consumers also slammed the amount of time and paperwork involved in switching super funds. 55% of those who gave up switching funds said it was too time consuming, and 46% complained of too much paperwork. 45% told researchers they didn't understand how the switching process works.

85% of Australians believe the Government should simplify the rollover process by introducing an industry standard rollover form. Two in three argue that the three months super providers currently have to action rollover requests is way too long.

Mr Gamble said, "Superannuation needs to be hauled into the 21<sup>st</sup> century. If you ask your bank to close your transaction account, you wouldn't expect to wait three months for it to be closed. Yet this is exactly what is happening in the super industry."

Virgin Money is calling on the Government to:

- Speed up the rollover process by reducing the three month window super funds have to transfer money to one month.
- Introduce an industry standard rollover form that all super funds must accept.
- Investigate straight-through electronic processing as a means of reducing the paperwork involved in switching funds and allowing funds to accept electronic requests from members to join the fund and rollover money.

#### Reasons Australians give up switching funds:

Too time consuming	55%
Too much paperwork involved	46%
I don't really understand how it works	45%
Too hard to track down old super funds	23%
I'm too lazy	19%
My company didn't want me to change	10%

#### Main difficulties experienced when switching super funds:

Too much paperwork	22%
Confusing and complex process	14%
Hard to track down previously held funds	9%
Too time consuming	8%
Existing super fund difficult to deal with	7%

#### Main reasons Australians are unable to switch funds:

Blocked by workplace agreement / government award	32%
Unable to change due to 100 point ID requirement	15%
Existing super fund unhelpful / unresponsive	9%

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#### Notes to Editors:

Virgin Money commissioned Roy Morgan Research to survey 3,596 Australians aged 18-64 who have work-based super which is not self-managed. Respondents who had exhibited switching behaviour were questioned in detail about their switching experience. The survey was conducted online with respondents from Roy Morgan Research's Access Panel. Data was post-weighted by age, sex, region and income.

#### About Virgin Money:

Virgin Money is the financial services arm of Sir Richard Branson's Virgin Group. Virgin Money entered the Australian market in May 2003 with the launch of the award-winning Virgin Credit Card. Virgin Money launched Virgin Super and Virgin Super for Business in mid-2005, and plans to become a broad-based provider of retail financial services in Australia. There's no funny stuff, just money stuff.  
<http://virginmoney.com.au>