

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION ACT 2001

**UNDERTAKING TO THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION
GIVEN FOR THE PURPOSES OF SECTION 93AA**

By St George Bank Limited ABN 92 055 513 070



1. Background

1.1 St George Bank Limited ("St George") is an Australian authorised deposit-taking institution within the meaning of the *Banking Act 1959*.

1.2 As part of its banking business, St George offers to its customers a product known as the Starts Low Stays Low MasterCard ("**SLSL MasterCard**").

1.3 Since August 2000, St George has conducted a promotional campaign for the SLSL MasterCard that included direct mail to customers, the production and distribution of pamphlets and flyers, placement of print media advertisements, and the placement of posters ("**the promotional campaign**").

1.4 The key message of the promotional campaign was that the interest rate applicable to the SLSL MasterCard would start out low, and was guaranteed to stay low. For example, one of the brochures used in the promotional campaign contained the following statement.

"10.99% p.a. Starts Low. Guaranteed to stay low."

1.5 However, there is no reference to any guarantee about interest rates staying low in St George's credit card offer document or the credit card conditions of use. In fact, the credit card conditions of use included the following term:

"17. Annual percentage rate

.....
: We may change the annual percentage rate at any time.
...."

1.6 In April 2003, ASIC raised with St George the following concerns in relation to the promotional campaign:

(a) The key message of the promotional campaign for the SLSL MasterCard was that there was a guarantee that the interest rate applicable to the SLSL MasterCard would stay low. The credit card offer document and conditions of use contained no such guarantee but contained a term allowing St George to unilaterally raise the interest rate at any time.

(b) In these circumstances, the reference to a guarantee that the interest rate would stay low in the promotional campaign may have been misleading and deceptive.

St George acknowledges ASIC's concerns, but asserts that notwithstanding the offer document and conditions of use, it considers it has honoured the guarantee and it always intended to honour the guarantee referred to in the promotional material and has offered, and ASIC has accepted, the commitments in this enforceable undertaking to formalise this intent.

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2. Undertakings

St George undertakes the following for the purposes of section 93AA of the *ASIC Act*:

- 2.1 St George will amend the standard form SLSL MasterCard offer document to include a specific condition that the interest rate applicable to the SLSL Mastercard will stay low. The precise terms of the condition are set out in Appendix A. The amendment will be made as soon as practicable after the date of this undertaking, if it has not been made already at that date.
- 2.2 Up until the time at which the amended SLSL MasterCard offer document is ready for use, whenever St George supplies an SLSL MasterCard offer document to a customer, it will also supply a notice specifically setting out the terms of a guarantee that the interest rate applicable to the SLSL Mastercard will stay low. The exact terms of this notice are set out in Appendix B.
- 2.3 All current SLSL MasterCard customers will be sent, with their account statement in either of the May or June statement cycle or both of them, a notice specifically informing them that the interest rate applicable to the SLSL Mastercard will stay low. The exact terms of this notice are set out in Appendix C.
- 2.4 Within 5 days of the date of this undertaking, St George will place on its website a notice in the terms set out in Appendix D. Attention will be drawn to the notice by the following statement under the heading "News" on the homepage:

"Important information about Starts Low, Stays Low guarantee

We agreed with the Australian Securities and Investment Commission (ASIC) to notify you of details relating to the Starts Low, Stays Low guarantee *more.*"

The statement on the homepage will include a flag to the notice. The notice will remain on the website for a period of 3 months.

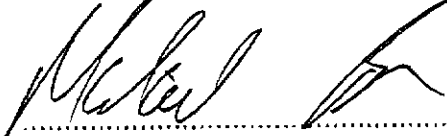
- 2.5 St George will appoint its General Counsel to monitor the implementation of these undertakings and to report to ASIC in accordance with an agreed timetable.

3. Acknowledgements

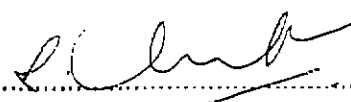
- 3.1 St George acknowledges that ASIC:
 - (a) may from time to time publicly refer to this undertaking;
 - (b) may issue a media release on execution of this undertaking referring to its terms and concerns of ASIC which led to its execution; and
 - (c) will place a copy of the executed undertaking on a Public Register.
- 3.2 St George acknowledges that ASIC's acceptance of this undertaking does not affect ASIC's power to investigate a contravention arising from future conduct.
- 3.3 St George acknowledges that this undertaking in no way derogates from the rights and remedies available to any other person or entity arising from any conduct described in this undertaking.
- 3.4 St George acknowledges that this undertaking has no operative force until accepted by ASIC.

EXECUTED on 3rd July
June 2003

Signed for and on behalf of **ST. GEORGE**)
BANK LIMITED ACN 055 513 070 by its)
Attorneys under power of attorney dated 25)
October 1999 Registered No. 702 Book 4257)



ATTORNEY **MHS Bowan**
Print Name: **General Counsel & Secretary**
Position Held:

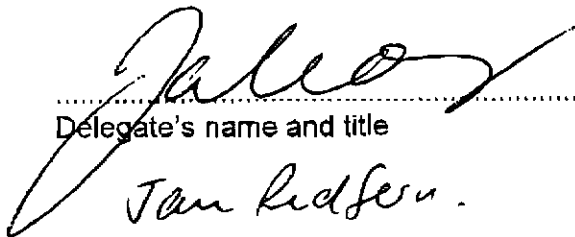


ATTORNEY **R Lee Quan**
Print Name: **Deputy General Counsel**
Position Held:



WITNESS
Print Name: **PATRICIA NONKWELO**

ACCEPTED BY THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION
PURSUANT TO SECTION 93AA OF THE ASIC ACT BY ITS DULY AUTHORISED
DELEGATE:



Delegate's name and title

Ian Ridder
Deputy Executive Director
Enforcement

"A"

This is Appendix A to an enforceable undertaking given by St.George Bank Ltd ABN 92 055 513 070 (St.George) to the Australian Securities and Investment Commission on June 2003.

"On the first business day of each month, we guarantee that the interest rate on your Starts Low, Stays Low MasterCard account will be in the lowest quarter of all ongoing (not introductory) rates offered that day in the Australian market for unsecured credit card accounts as presented on the "selected credit cards" survey screen at www.cannex.com.au. Despite any other condition on your Starts Low, Stays Low MasterCard account, we promise to give you at least 3 months direct notice in writing before we withdraw or reduce our guarantee."



"B"

This is Appendix B to an enforceable undertaking given by St.George Bank Ltd ABN 92 055 513 070 (St.George) to the Australian Securities and Investment Commission on June 2003.

"OUR GUARANTEE TO YOU

From its launch in August 2000, we have guaranteed that our Starts Low, Stays Low MasterCard interest rate would start and stay low. We have always met our promise. We want to spell out our guarantee to you, so you can be sure that we are standing by our promise.

Our guarantee is:

On the first business day of each month, we guarantee that the interest rate on your Starts Low, Stays Low MasterCard will be in the lowest quarter of all ongoing (not introductory) rates offered that day in the Australian market for unsecured credit card accounts as presented on the "selected credit cards" survey screen at www.cannex.com.au.

Despite any other condition on your Starts Low, Stays Low MasterCard account, we promise to give you at least 3 months direct notice in writing before we withdraw or reduce our guarantee."



"C"

This is Appendix C to an enforceable undertaking given by St.George Bank Ltd ABN 92 055 513 070 (St.George) to the Australian Securities and Investment Commission on June 2003.

"OUR GUARANTEE TO YOU

From its launch in August 2000, we have guaranteed that our Starts Low, Stays Low MasterCard interest rate would start and stay low. We have always met our promise. We want to spell out our guarantee to you, so you can be sure that we are standing by our promise.

Our guarantee is:

On the first business day of each month, we guarantee that the interest rate on your Starts Low, Stays Low MasterCard will be in the lowest quarter of all ongoing (not introductory) rates offered that day in the Australian market for unsecured credit card accounts as presented on the "selected credit cards" survey screen at www.cannex.com.au.

Despite any other condition on your Starts Low, Stays Low MasterCard account, we promise to give you at least 3 months direct notice in writing before we withdraw or reduce our guarantee."

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"D"

This is Appendix D to an enforceable undertaking given by St. George Bank Ltd ABN 92 055 513 070 (St. George) to the Australian Securities and Investment Commission on June 2003.

Consumer clarification – Starts Low Stays Low MasterCard

One of the products St George offers its customers is the Starts Low Stays Low MasterCard (SLSL MasterCard).

Since August 2000, St George has run a promotional campaign for the SLSL MasterCard that included direct mail to customers, the production and distribution of pamphlets and flyers, placement of print media advertisements, and the placement of posters ("the promotional campaign").

The key message of the promotional campaign was that the interest rate applicable to the SLSL MasterCard would start out low, and was guaranteed to stay low. For example, one of the brochures used in the promotional campaign contained the following statement.

"10.99% p.a. Starts Low. Guaranteed to stay low."

However, prior to ASIC raising the issues set out below, there was no reference to any guarantee about interest rates staying low in St George's Credit Card Offer Document or the Credit Card Conditions of Use, the documents we give to a customer when they apply for a MasterCard. In fact, the Conditions of Use specifically allow St George to change the interest rate at any time.

The Australian Securities and Investment Commission (ASIC) has raised with St George the following concerns about the promotional campaign for SLSL MasterCard:

- (a) The key message of the promotional campaign for the SLSL MasterCard was that there was a guarantee that the interest rate applicable to the SLSL MasterCard would stay low. The credit card offer document and conditions of use contained no such guarantee. In fact the conditions of use contained a term allowing St George to unilaterally raise the interest rate at any time.
- (b) In these circumstances, the reference to a guarantee that the interest rate would stay low in the promotional campaign may have been misleading and deceptive.

St. George acknowledges ASIC's concerns, but asserts that, notwithstanding the offer document and the conditions of use, it considers it has honoured the guarantee and always intended to honour the guarantee referred to in the promotional material. St George nevertheless acknowledges ASIC's concerns and has amended its Credit Card Offer Document to include the following term:

"On the first business day of each month, we guarantee that the interest rate on your Starts Low, Stays Low MasterCard account will be in the lowest quarter of all ongoing (not introductory) rates offered that day in the Australian market for unsecured credit card accounts as presented on the "selected credit cards" survey screen at www.cannex.com.au. Despite any other condition on your Starts Low, Stays Low MasterCard account, we promise to give you at least 3 months direct notice in writing before we withdraw or reduce our guarantee."

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