

Bank fees—here today?

If you have been following the news lately, you have heard that Bank of America was planning to impose a \$5 monthly fee for customers using their debit cards. The fee has now been scrapped. The public commentary has been that the “people” won in this debacle against the big bank. True, but I am not sure that is the reason why BofA decided to stop the fees.

Here are my thoughts:

1) Bank of America was not the only bank to think about imposing these fees. Other banks, including SunTrust, had ALREADY imposed debit card fees. The media covered BofA because it is a very large bank, and had been involved in the bank bailout. The negative publicity was in fact **media-driven** more so than people-driven.

2) NOT having debit card fees quickly became an advertising selling point for smaller banks. Here in the DC area, the local Cardinal Bank put out several ads touting its fee-free debit card. **The bigger banks hated giving the smaller banks a great USP.**

3) Having fees on debit card transactions was a bad idea because it would REDUCE the amount of debit transactions people engaged in. Banks still get a small percentage every time a customer uses a debit card. The new banking rules simply reduced the amount (did not eliminate it). If people stop using debit cards, there is no fee for the bank and NO PERCENTAGE FROM TRANSACTIONS AT ALL.

4) The negative publicity was likely not the main factor in getting the banks to reverse course. After all, baggage fees are still alive and kicking in spite of very negative reactions by the flying public.

What are your thoughts?