

Small banks level the field with surcharge-free ATM network

They say that breaking up with your bank is hard to do.

They're wrong about that. One of the biggest reasons to remain a customer of a big bank was pretty well eliminated in a low-key news announcement earlier this month. No longer do you have to sacrifice the convenience of a huge ATM network if you deal with a credit union or smaller bank.

For years, there's been an ATM network called the Exchange available to smaller players in the banking business. Customers of participating banks and credit unions could use Exchange-linked ATMs without paying surcharges that can range from \$2 to \$3 for a simple withdrawal.

The Exchange is now on its way to growing in size from medium to extra-large. Manulife Bank, a member of the network, is in the process of adding 830 ATMs to convenience stores in nine provinces by the end of September. This gives the Exchange a total of 3,300 or so bank machines, second to the 4,000 operated by Royal Bank of Canada.

"There has generally been a perception that if you deal with a small bank or credit union, you had to give up a level of convenience or access to facilities," said Andrew Obee, president and CEO of Ficanex Services, which manages the Exchange in Canada (there is a U.S. arm of the network as well). "The reality is that this isn't true."

Manulife Bank's expansion doesn't just give the 184 members of the Exchange network more ATM muscle than five of the Big Six banks. It also suggests we could be entering a golden age of competition for your banking business.

Manulife Bank's plan to fight harder for market share is in part based on building its public profile through the ATMs being added to Couche-Tard, Mac's and Circle K convenience stores. The bank previously had 12 bank machines – Manulife Bank CEO Rick Lunny jokes that "at least half of them were probably located in Manulife office buildings."

Mr. Lunny said the bank is also developing products, services and technologies to build its competitive position. For example, it recently introduced a combined chequing and savings product called the Advantage Account that provides unlimited, no-fee withdrawals and 1.25-per-cent interest for customers who keep a balance of \$5,000 or more. "What we're putting our money into on the technology front is mobile banking," he said. "I'm kind of convinced that the future of banking is in mobile."

The big banks are all over mobile banking, but their biggest competitive asset is their branch network. These days, banks are shifting the emphasis in branches from basic teller transactions to selling mortgages, credit lines, mutual funds and other profitable products. Banks like to say they're providing advice, but they're primarily selling stuff.

The level of competitiveness in online banking seems to be on the rise as well. Long-time incumbents Tangerine and President's Choice Financial are being challenged by a new player called Zag, which is backed by Quebec's Desjardins Group.

And then there are the credit unions that dominate the Exchange's membership list. More of them are getting into no-fee chequing as a way of capitalizing on their images of more customer-focused banking. Some credit unions also compete hard on mortgage rates, and on rates paid to savers.

The increased size of the Exchange makes using an alternative financial institution as convenient as a big bank from an ATM point of view. Many years ago, my wife and I had an account with Citizens Bank of Canada, a no-fee online bank and Exchange member that was eventually closed by its parent, Vancouver City Savings Credit Union. At my office in Ottawa, I had the choice of using ATMs operated by National Bank of Canada or HSBC Bank Canada, both less than a block away. While travelling in Prince Edward Island one summer, we used a local credit union's ATM. In each case, there was no surcharge because the institutions providing the ATM were Exchange members.

It's great to see alternatives like this becoming available because banks have a proven strategy for maintaining profitability in the kind of economic uncertainty we're seeing these days. They charge customers more and become more dictatorial about rules and terms. If your bank tries anything, break up. It's a great time to start a new relationship.

The Exchange in profile:

What it is: A network of ATMs that clients of 184 smaller banks and credit unions can use without incurring the usual surcharges that apply when you use a bank machine that isn't part of your bank's own network.

Who's in: Bank members include Canadian Western Bank, HSBC Bank Canada, Manulife Bank and National Bank of Canada; credit union members range from big players like Vancity in British Columbia to Malpeque Bay Credit Union in Prince Edward Island.

What you can do at Exchange ATMs: Withdraw money and, in some cases, deposit money and change your PIN.

U.S. access: Clients of banks and credit unions that are Exchange members can withdraw money from U.S. ATMs with the Accel logo – surcharges may or may not apply; it's also possible to use point-of-sale terminals with the Accel name.

History: The Exchange began as a U.S. network of ATMs and expanded into Canada in 1983.