



Australian  
Banking  
Association

**NSW Farm Writers' Lunch**

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**Australian Banking Association**





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# Re-earning trust: the long road ahead

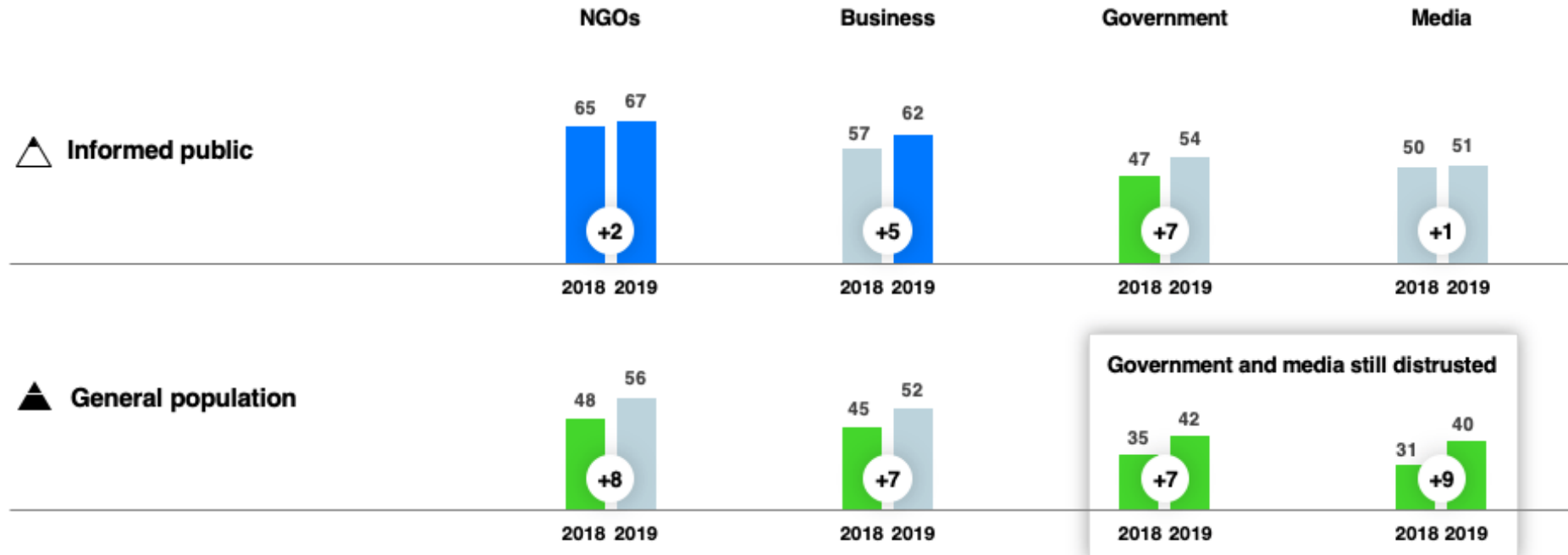
*“Trust arrives on foot and leaves on horseback” – unknown*



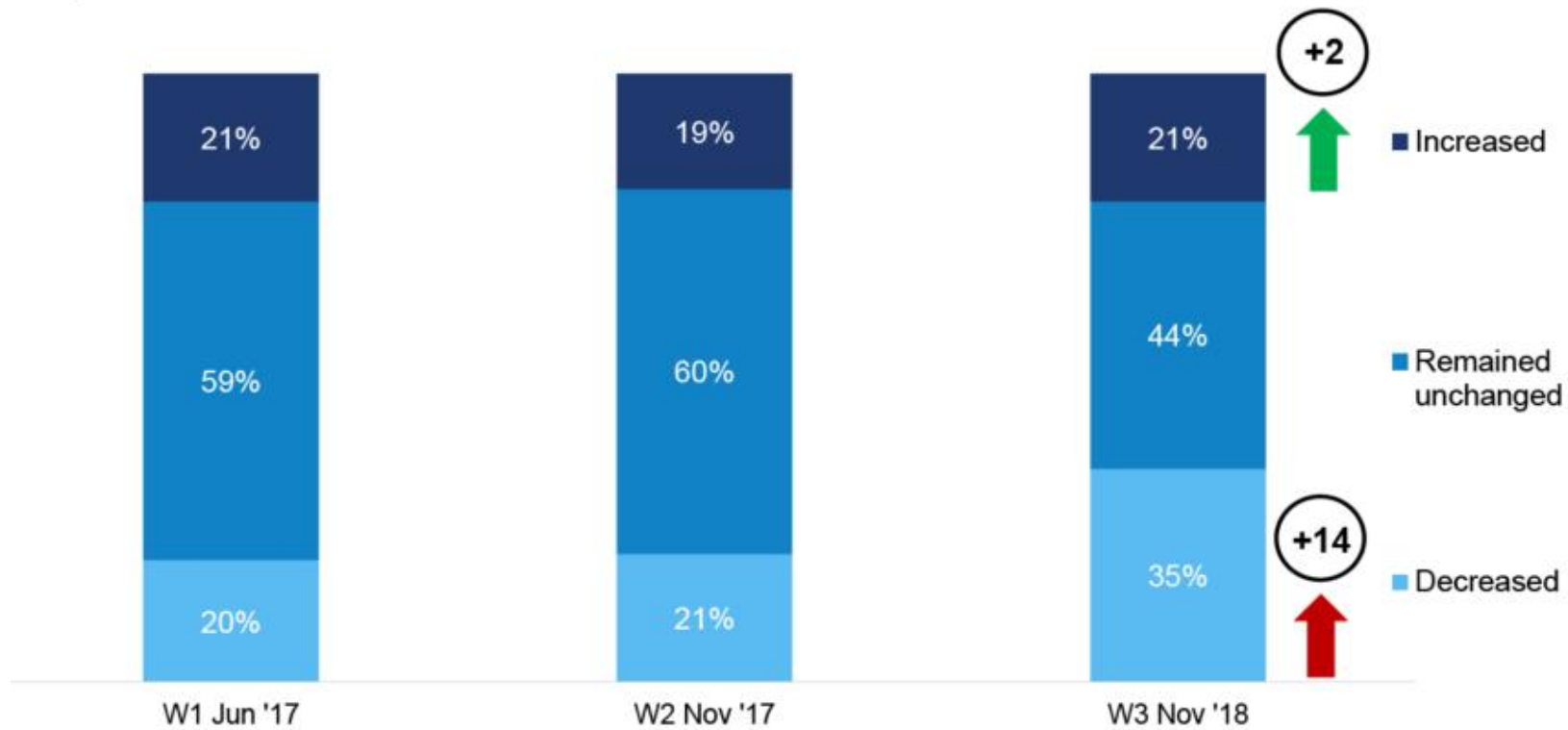
# We have a trust problem

## NO INSTITUTION IN TRUSTOR TERRITORY FOR GENERAL POPULATION

Percent trust



# Trust in banks has decreased





# What is our community telling us?

- There needs to be consequences for actions
- Re-earning trust is about being trustworthy
- Actions speak louder than words



# What do they want from their bank?

- They want the bank to work with them when times get tough
- To be a trusted partner
- They want their bank to behave responsibly and be trustworthy
- And they want them to put the customer first and mean it



# We're listening and acting

- Re-earning trust amongst regional Australia is a key priority of the industry
- We hit the road to talk to customers, staff, financial counsellors and key stakeholders
- From Dubbo to Bendigo to Roma – with more to come





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# **The Royal Commission: Catalyst for change**





# Royal Commission - Our Roadmap for Change

- Seven rounds of public hearings over 68 days
- More than 130 witnesses
- Reviewed over 10,000 public submissions.
- 76 recommendations (29 for banking, 5 relating to agricultural lending)



# Recommendations relating to agri-lending

1. A nationally consistent Farm Debt Mediation scheme
2. Greater assistance for farmers in distress
3. Ending default interest on distressed agricultural loans
4. Change to the definition of a small business
5. Enforceability of the code



# Farm Debt Mediation

## 1.11 Farm debt mediation

*A national scheme of farm debt mediation should be enacted.*

- Banks have long supported a national, or nationally consistent farm debt mediation scheme.
- The industry support NSW the model as the one that should be adopted across the country



# Greater assistance for farmers in distress

## 1.14 Distressed agricultural loans

*Banks should:*

- *ensure that those loans are managed by experienced agricultural bankers;*
- *offer farm debt mediation as soon as a loan is classified as distressed;*
- *manage every distressed loan on the footing that working out will be the best outcome for bank and borrower, and enforcement the worst;*
- *recognise that appointment of receivers or any other form of external administrator is a remedy of last resort; and*
- *cease charging default interest when there is no realistic prospect of recovering the amount charged.*





# Default interest on distressed loans

## 1.13 Charging default interest

*The ABA should amend the Banking Code to provide that, while a declaration remains in force, banks will not charge default interest on loans secured by agricultural land in an area declared to be affected by drought or other natural disaster.*



# The definition of a small business

## 1.10 Definition of 'Small Business'

*The ABA should amend the definition of 'small business' in the Banking Code so that the Code applies to any business or group employing fewer than 100 full time equivalent employees, where the loan applied for is less than \$5 million.*



# Enforcing the Code

## 1.16 – Enforcing 2019 Banking Code

*In respect of the Banking Code that ASIC approved in 2018, the ABA and ASIC should take all necessary steps to have the provisions that govern the terms of the contract made or to be made between the bank and the customer or guarantor designated as ‘enforceable code provisions’.*

- Note – the code is already enforceable by the courts and the Australian Financial Complaints Authority as it forms part of a contract



# Judge us by our actions

- End fees for no service
- Support removing legislative provisions for grandfathered payments in financial advice
- Improve the way we manage deceased estates





# Where to from here?

- A long hard road to being trusted again
- The industry needs to reconnect with its core business





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**Let's not forget – disaster assistance**







# Don't tough it out on your own.

If you're a Queenslanders counting the cost of the floods, get your bank to help.

They have a hardship team ready to advise and assist you with your financial arrangements, depending on your circumstances.

This assistance could include deferred loan payments, waiving

fees and charges, assisting with debt consolidation, and finance to help cover cash flow shortages.

If you're experiencing hardship, go to the website below to find more information and contact details for the help team at your bank.



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[www.ausbanking.org.au/doingittough](http://www.ausbanking.org.au/doingittough)

# Natural disaster assistance

What help banks have on offer:

- A deferral of scheduled loan repayments
- Waiving fees and charges, including break costs on early redemption of Farm Management Deposits
- Debt consolidation to help make repayments more manageable





# Natural disaster assistance (cont.)

- Restructuring existing loans free of the usual establishment fees
- Deferring interest payments on a case-by-case basis
- Offering additional finance to help cover cash flow shortages
- Deferring upcoming credit card payments
- Increasing emergency credit card limits
- Waiving early termination fees for customers who wish to access their term deposits.
- Concessional Loans (most recently announced by NAB and CBA)



# Questions





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For more information:  
[www.ausbanking.org.au](http://www.ausbanking.org.au)

### **About the ABA**

With the active participation of 24 member banks in Australia, the ABA provides analysis, advice and advocacy for the banking industry and contributes to the development of public policy on banking and other financial services.

The ABA works with government, regulators and other stakeholders to improve public awareness and understanding of the industry's contribution to the economy and to ensure Australia's banking customers continue to benefit from a stable, competitive and accessible banking industry.