

Comments from Big 4 Banks in recent appearances (4 and 11 September 2020) before the HoR Standing Committee on Economics:

Shayne Elliot (ANZ)

CHAIR: He made a particular point around responsible lending, and Mr Falinski will no doubt ask further questions about that today. In the context of responsible lending laws and whether they create barriers to lending, the RBA governor's reflection, if I can paraphrase him, was that it was more about guidance notes that were issued rather than the structure of the law. Do you share that view? Are there some issues around the guidance notes provided that make it more difficult for ANZ to loan?

Mr Elliott: I do broadly share the views. I don't think there's a fundamental issue with the law as it stands. No-one wants to be irresponsible. It's not in our interest either. Like everything, I think the devil is in the detail, and it always comes down to interpretations of phrases, terminology et cetera. That's where the guidance notes, particularly from ASIC and APRA, are very helpful to clarify how some of these are intended to be interpreted. The recent RG 209 from ASIC was a step forward and provided greater clarity. I want to assure the committee that ANZ does not sit here today bemoaning the responsible lending laws and in some way implying that they are restricting our ability to go about doing our job well and prudently in supporting customers. Of course, there are always going to be technical issues that we need to work through, and we work through those with the regulators appropriately, but I don't see it as a barrier to us supporting the economy, in terms of what this committee would be interested in, and making sure that we're out there and able to lend to the right segments of the economy.

Matt Comyn (CBA)

Mr FALINSKI: You have provided a lot of clarity in the last few minutes, so thank you for that. The other thing is responsible lending obligations. I do apologise for doing this, but I'm afraid we have to ask the question. From what you have said to us today, it would appear that responsible lending obligations have become, through no fault of your own, a capacity for current providers of credit in the market to ensure that they have an advantage over people trying to enter the market. You have both data and systems in place to be able to do those processes very quickly, whereas new entrants to the market wouldn't have any of those leads. Is that an unfair statement?

Mr Comyn: I wouldn't characterise it in that way, simply because I don't think it's a distinction between existing or new entrants. I think it is simply a case of the process having changed over time around responsible lending, particularly as it relates to housing. For any company—and some of the bigger companies are having more difficulties than the smaller companies—if you haven't been able to actually operationalise those processes with large numbers of people or investments in technology to try to automate those processes, it's possible that the time that it's taking to turn around or approve a home loan has increased. I think that—

Mr FALINSKI: It's more expensive as well if you can't operationalise it or automate it as you've suggested.

Mr Comyn: Yes, that's right. As is the case for any process, when you provide more and more specificity, particularly in a couple of areas, financial institutions—and this is not a criticism of the regulators; this is specifically something that was examined in the royal commission. Questions were asked about why banks weren't doing more. The regulators provided guidance. All institutions are now interpreting it and have tried to operationalise that guidance. We've been able to operate successfully through that period, but there's no question that lending standards have evolved. The question is: is it appropriate? Given that for many customers it's the most significant financial decision or loan that they will take on, I think you can make that case. But banks, in and of themselves, are less able to rely on the information that customers provide us. There is more required to verify the information than there was in the past. Some may believe that that's gone—

Peter King (Westpac)

Mr FALINSKI: Responsible lending obligations: the chair's already asked you this question but are you aware of instances where you have been unable to offer credit to people that you otherwise would have under normal circumstances but you felt that you couldn't comply with the law as interpreted by the regulators?

Mr King: Not specifically. The areas we are working on internally are those that aren't specifically covered or that need judgement. People are cautious at the moment because of the environment. So the exercise of judgement, which is a responsibility for the bank, is where we see customer complaints.

...

Ms HAMMOND: Moving on to responsible lending laws—my questions are going to go all over the place; I apologise in advance. Do you find that the responsible lending laws are helping or hindering customers?

Mr King: Responsible lending laws are there for the banks to check about requirements, objectives and the ability to service loans, so that's a good intent. There's always judgement in these things. That's the bit we're working on. But the biggest question mark in that area was the court case between Westpac and ASIC, and that's now been resolved, so we can move forward.

Ms HAMMOND: That was the Wagyu beef case, wasn't it?

Mr King: Some have reported it under that name.

Ms HAMMOND: Has the laws caused loan approvals to take longer?

Mr King: The more you check—it does add incrementally to the processes, so at the margin it would have.

Ms HAMMOND: You haven't done any analysis to see how?

Mr King: The biggest issue on processing times for us has been redirecting our people to help on the package deferrals, so redirecting resources, and then we had an issue with some of our

offshore providers and COVID. We've made a decision to bring a thousand roles back, including for our mortgage processes. So that will help out over time.

Ross McEwan and Sean Dooley (NAB)

Finally—and I'm sure Mr Falinski will go to this in his line of questioning—the RBA governor appeared before this committee a couple of weeks ago and said that he didn't see that there was any issue with responsible lending laws in Australia, though he raised the subject of the guidance notes issued around the laws' application and said that's where the error and the problems were which were limiting the capacity for financing. Could you tell us what you think about his remarks.

Mr McEwan: Yes. I think this came up when Mr Chronican was in front of the committee in November last year—

CHAIR: Yes.

Mr McEwan: and there were some issues that he raised at that point. Since then, we've had a number of clarifying points on that, and also the case at Westpac that's been ruled on. I don't think there's any issue between us and ASIC on responsible lending and our obligations and what we need to do about them. I've taken on board all of these rulings, and our view is that we have enough information to make the decisions that are needed to look after customers.

CHAIR: So you don't believe there's any need to address issues around the guidance notes?

Mr McEwan: We've had the guidance notes and we're reasonably comfortable with them.

Mr Dooley: Yes, ASIC updated their guidance notes last year, and we found those very helpful, actually, in terms of the clarity that they provided. Part of our role is to continue to ensure that all of our people understand those and to provide them with both clarity and education. We think that ASIC have worked well with us, as the other regulators have, to ensure that the perception of credit is not being impacted in any negative way.