



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

20 April 2018

Manager
Banking and Capital Markets Unit
GPO Box 89
SYDNEY NSW 2000

By email: bear@treasury.gov.au

PUBLIC CONSULTATION PAPER: BANKING EXECUTIVE ACCOUNTABILITY REGIME (BEAR)

Thank you for the opportunity for the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) to comment on the above. We welcome the regime to make the most senior executives and directors of our Australian Deposit Taking institutions (ADI's) accountable for meeting heightened standards of behaviour in line with community expectations.

As my inquiry into small business loan highlighted, since the GFC (2009 to 2016), 17 inquiries and reviews have been undertaken into practices in the financial services sector with no changes made by the industry. At our public hearings the representatives of National Australia bank recognised

... one of the biggest things that came through all the cases we had a look at was around communication and transparency. And the very biggest was different areas of the bank giving very mixed signals to the borrower. And I guess our talking to various borrowers about their expectation is that they assumed when they're talking to a representative of the bank, that what they're told is what the bank thinks.¹

It is the senior executives and directors that determine what the bank thinks. Yet the banks direction is obscured and misrepresented as it is translated into policies and procedures for the front line staff.

The banks recognised during Phil Khoury's review of the Code of Banking Practice that 'customers and the wider community expect banks to make sure they have the right culture, the right practices, and the right behaviours.'² Phil Khoury believes the 'Higher expectations of them are in part a function of their scale, profitability and dominance in the financial services sector in Australia...'

¹ Transcript of public hearings, NAB, 29 November 2016, p. 25.

² Final report from the Independent Review Code of Banking Practice, accessed 20 April 2018.



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

The review considers it is the way messages from the top are interpreted and passed down and the information that is communicated upwards by this layer of managers that speaks the loudest about 'real' culture and values. Recommendation 2 sums up P Khoury's view that the advent of the new Code should be used by signatory banks as an opportunity demonstrate and reinforce internal values and culture settings.

BEAR will demand that the senior executives of banks ensure operational staff deliver its services to the standards set by the board. BEAR will begin to change culture and bring banks back to their traditional business, serving customers.

I trust these comments assist you and I would be happy to discuss these matters further. Please feel free to contact either myself or Mrs Jill Lawrence on 02 6263 1558 or at jill.lawrence@asbfeo.gov.au.

Yours sincerely

Anne Scott

Principal Adviser

Australian Small Business and Family Enterprise Ombudsman