



Media Release

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INQUIRY INTO HOW BANKS DEAL WITH CUSTOMER HARDSHIP

An independent inquiry into whether banks are meeting their obligations to customers in financial difficulties has found the banks understand their obligations and are making genuine and largely successful attempts to meet them.

The Code Compliance Monitoring Committee, established in April 2004 to monitor compliance with the Code of Banking Practice, conducted the inquiry.

A key provision of the Code requires banks to try to help customers who are experiencing financial difficulties with any credit facility they have with the bank.

In July 2005 the Committee started the Inquiry that reviewed five banks, representing a cross section of the banking industry.

Releasing the report into the Inquiry, Committee Chairman Tony Blunn, AO said it is very important that banks inform customers suffering financial difficulties that they may have a statutory right to make an application to vary their contract due to hardship.

“Banks must also inform those customers that if the application is declined, they may have recourse to the relevant credit tribunal in their State,” he said.

“The Code requires a bank to act fairly and reasonably, which includes giving genuine consideration to any reasonable repayment proposal put to it by a customer in financial difficulty.

“The Inquiry found that the reviewed banks generally had processes in place that allowed them to identify and assess the personal circumstances of customers suffering financial hardship. The Committee will be identifying what it regards as ‘Best Practice’ in this area.”

“The evidence of the reviewed banks showed that they had a good appreciation of the mutual benefit of customer and bank cooperating to understand the causes

of financial hardship, and working together to overcome them or to mitigate their effects.

This Inquiry has given the Committee a useful snapshot of bank compliance with the financial hardship provisions of the Code and individual issues raised by the Inquiry will be followed up with the banks concerned.

The Committee will continue to undertake Inquiries and to be informed by the complaints it receives.

Background to the Code Compliance Monitoring Committee

The Code Compliance Monitoring Committee was established in April 2004 to monitor compliance with the Code of Banking Practice and to investigate complaints about breaches of the Code.

The Code of Banking Practice is a voluntary Code that becomes contractually binding on any bank that adopts it. Under the Code, banks are required to cooperate and comply with the Committee as it carries out its monitoring and investigation functions.

The Committee consists of three Members:

1. Tony Blunn AO, the independent Chairman;
2. David Tennant, the consumer representative; and
3. Russ Rechner, the Member with senior retail banking experience.

If the Committee finds that a bank has breached the Code it can, for example, require the bank to give an undertaking as to future conduct or take remedial action. In some circumstances, the Committee can publicly name a bank for a breach or breaches of the Code.

Information about the Committee and its activities can be found on the CCMC website: bankcodecompliance.org. The website also includes a full list of banks that have adopted the Code.

Any media inquiries can be directed to Carol Stuart M 0418 552224.