



Code Compliance Monitoring Committee

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Spotlight back on Financial Difficulty

The Code's provisions relating to customers in financial difficulty were recently discussed at a meeting organised by the Australian Bankers' Association. The meeting provided a valuable opportunity for active engagement between bank representatives and consumer advocates on relevant issues and was attended by Kirsten Trott, the Committee's Chief Executive Officer.

The Committee proposed at the meeting that banks make the contact details of their dedicated areas for assisting customers in financial difficulty available to financial counsellors. This was accepted by participants. Consistent with the Committee's findings in its recent Clause 29 Inquiry, the Committee expects that making their contact details available to financial counsellors will assist banks to comply more efficiently with their obligations under Clauses 25.2 and 29 of the Code.

The Committee also suggested at the meeting that banks share their practices and approaches relating to customers in financial difficulty with each other. This suggestion was based on the Committee's observations that:

- A number of banks had recently introduced new procedures relating to customers in financial difficulty as noted in the Committee's Inquiry into compliance with Clause 29 of the Code;
- A number of banks have had systemic issues relating to their compliance with Clause 25.2 identified by the Banking and Financial Services Ombudsman and referred to the Committee in the past six months, and

- There are a number of stages in the process of complying with Clause 25.2 and, in the Committee's experience, the effectiveness of particular stages can impact on a banks overall compliance with Clause 25.2.

In light of the increasing financial pressures on Australian households, it is the Committee's view that subscribing banks should be especially mindful of obligations under Clause 25.2 of the Code and that capacity to respond to reports of hardship keeps pace with increasing demand. The Committee suggests that the current economic climate is fertile ground for internal review of compliance with Clause 25.2.

Keeping the Committee up to date

The Committee would like to remind subscriber banks that it is helpful for the Committee to be advised of changes to compliance structures, programmes and any issues relevant to the Code, particularly where a subscribing bank has:

- acquired or merged with another business;
- outsourced relevant services to another provider;
- entered into an arrangement to jointly provide relevant services with another provider.

Updates or queries should be directed to the Committee's Chief Executive, Kirsten Trott.

Review of the Code of Banking Practice

The Committee has made a supplementary submission to the Review of the Code of Banking Practice. This submission along with the Committee's primary submission to the review can be found on the Committee's website www.bankcodecompliance.org and the Code Review website www.reviewbankcode2.com.au. The Committee has requested that its governance structure also be considered under the Code Review. As such, its submissions deal with governance issues and well as bank obligations under the Code.

The Committee is looking forward to the publication of the issues paper for the Code Review, which is scheduled to be released early next month.

Compliance statements

Subscribing banks will be aware that their annual compliance statements were due to be provided to the Committee on 15 May 2008. These will be reviewed by the Committee and the Case Manager, Michael Kane, will follow up with all banks in the coming months.

Compliance Inquiries

During its Inquiry into bank compliance with Clause 29 of the Code focusing on how banks deal with customer representatives, the Committee noted a lack of certainty on the part of some banks in regard to the interplay between their obligations under the 1999 Debt Collection Guideline and their obligations under the Uniform Consumer Credit Code.

The Committee considered this issue worthy of further investigation and clarification. It will be writing to all subscribing banks to clarify compliance requirements.

New starters

The Committee is pleased to welcome Ms Julie Abramson to the Committee as the Committee member with experience at a senior level in retail banking. Ms Abramson takes over from Mr Russell Rechner who now chairs the Australian Payments Clearing Association.

Julie is a lawyer with a background in public policy and financial regulation including as a Senior Adviser to Government, with the Australian Securities and Investments Commission and the National Australia Bank. Over a 4 ½ year period, Julie held a number of senior roles at the NAB including the implementation of FSR, Code related issues and regulatory compliance. In particular she has worked very closely with the retail bank across consumer issues. Julie has been having introductory meetings with bank representatives and hopes to have met all bank contacts soon.

Tara McInnes has also started in the Committee's secretariat this month as a part-time case officer. Tara, a solicitor from the UK, will assist Michael Kane in Case Management. Tara works Mondays and Tuesdays.

Next Bulletin

The next bulletin is due to be released in August 2008.

Enquiries

If you have any enquiries about this bulletin or the work of the Committee more generally, contact Kirsten Trott on 03 9613 7353 or ktrott@bankcodecompliance.org