

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates

4 – 6 June 2013

**Question: BET 13**

**Topic: Disclosure by Financial Institutions**

**Hansard Page: Tuesday 4 June 2013, Page 93-94**

**Senator XENOPHON asked:**

**Senator XENOPHON:** Did ASIC receive any complaints in relation to disclosure by smaller lenders, such as RAMS and the Bank of Melbourne, that they are in fact majority owned by one of the big four banks?

**Mr Kell:** Sorry?

**Senator XENOPHON:** There are some smaller financial institutions that promote themselves as being small and niche and almost independent, but in fact they are owned—

**Mr Kell:** I think I understand what you are asking but I would like to clarify. Are you asking whether we have received any complaints generally about their conduct? Or are you asking whether we have received complaints about the fact that people may not understand they are part of a bigger organisation?

**Senator XENOPHON:** Both.

**Mr Kell:** We would have to take on notice the question as to whether we have received, generally, complaints about the conduct of those smaller banks or financial institutions. As to complaints about whether they are adequately disclosing that they are part of a bigger entity, we have received a small number of complains about that from other financial institutions. But, again, I would have to take on notice the exact number.

**Senator XENOPHON:** Have those complaints been subject to investigation or has any dialogue taken place with some of these institutions to say, 'You need to be careful how you advertise yourself in the marketplace, because some people do not realise that you are part of the big four'?

**Mr Kell:** I have two responses. One is: to date, to my understanding, none of them have led to any formal action or investigation on our part. More broadly, we have very regular dialogue with the industry about its advertising, to ensure that it is not misleading and deceptive and that fine print does not hide issues that are important for consumers. So that broader message is something we send on a regular basis through our regulatory guides and otherwise.

**Senator XENOPHON:** So the larger financial institutions—the big four banks—would be aware of the concerns that have been raised by some of the smaller institutions?

**Mr Kell:** I think some of that concern has been quite public, yes.

**Senator XENOPHON:** No, but from ASIC as the regulator?

**Mr Kell:** I would have to take that on notice as to whether we have had any specific dialogue with the big banks on that issue recently.

**Senator XENOPHON:** I am just trying to understand whether, at any level, it has been raised with the larger institutions—which, I suppose, would reflect whether ASIC itself sees it as an issue, given the quite vociferous complaints from Abacus and others about this.

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**Answer:**

Since 1 July 2010, ASIC has received 134 complaints in relation to the subsidiaries of the major banks.

Only one matter explicitly referred to the issue of disclosure of ownership by a subsidiary of a major bank. A small number of matters made reference to ownership by a major bank, but did not raise the issue of disclosure as an area of concern.

In addition, in December 2012 ASIC received three letters from mutual ADIs, addressed to ASIC's Chairman that raised the issue of major banks operating sub-brands. We have responded to those letters, stating that we have not seen evidence of conduct that is misleading or deceptive or otherwise unlawful. We have stated publicly that this is an area that we have monitored, and will continue to monitor, closely.

ASIC has raised the matter of the existence and marketing of sub-brands of the major banks at liaison meetings with the Australian Bankers Association (ABA) in December 2012 and March 2013, particularly in light of the matter being raised by the mutual sector. ASIC noted that it was important that consumers were not misled, and that ASIC would closely monitor relevant advertising.

In addition, we wrote to one major bank in early 2013 regarding a specific advertisement by one of its subsidiaries, seeking feedback on the validity of claims made in the advertisement. The bank was able to justify the claims made, and we did not consider that further action was required. Nonetheless, ASIC continues to monitor advertising to ensure compliance with the law.