

Introduction

Background

- 1.1 On 4 August 2016 the Prime Minister and the Treasurer, in a joint statement, announced that the House Economics Committee (the committee) would conduct ongoing scrutiny and review of the four major banks for the life of the 45th Parliament.
- 1.2 The inquiry is one of the most important reviews undertaken by the committee. The four major banks have been involved in an unacceptably high number of failures in their treatment of customers.
- 1.3 At the same time, consumers are rightly sceptical of the level of competition in the market, and the adequacy of executive accountability.
- 1.4 The committee conducted its first round of public hearings with the four major banks in October 2016. In November 2016 the committee released its first report designed to improve the banking system for Australian consumers.
- 1.5 The second round of public hearings was conducted in March 2017.
- 1.6 This report focuses on the banks' responses during the hearings to the committee's first report, and reaffirms the committee's support for its original recommendations.

Conduct of the inquiry

- 1.7 The committee held three-hour public hearings with each of the major banks on 3, 7 and 8 March 2017.
- 1.8 The proceedings of the hearings were webcast over the internet, through the Parliament's website, allowing interested parties to view or listen to

the proceedings as they occurred. The transcripts of each of the public hearings are available on the committee's website.

- 1.9 Following these hearings, the committee sent letters to each of the major banks' Chief Executive Officers (CEOs) seeking responses to questions on notice as well as a range of additional information on specific issues of concern to the committee
- 1.10 The banks' responses to these additional requests, excluding information that was reported to be commercial in confidence, are available on the committee's website.

Reader guide and structure of the report

- 1.11 The March 2017 public hearings provided the committee with an opportunity to scrutinise the banks over their response to the committee recommendations and the recommendations of the Carnell Report into banking practices. In line with this, Chapter 2 lists each of the committee's recommendations detailed in the first report. It details the response of the banks to these recommendations and the committee's view on their responses.
- 1.12 Chapter 3 deals with non-monetary default clauses in small business loans. As part of the hearings in March 2017, the committee scrutinised the banks over their use of non-monetary default clauses in small business loans. This matter was examined by the Australian Small Business and Family Enterprise Ombudsman, Ms Kate Carnell, as part of her inquiry into small business loans.
- 1.13 Appendices 1 to 8 reproduce in full the Recommendations and discussion in the committee's first report. This provides readers with a readily accessible list and discussion of the committee's original Recommendations.