

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS (SECOND REPORT)

Commonwealth Bank of Australia

CBA84QW:

Talia took out a loan for \$18,350 from the CBA in order to refinance her existing car loan, and to pay for a rental bond and car registration. Talia was 19 years old and had only had one previous loan for 7 months. Talia applied for the CBA loan online and did not receive any independent advice about the loan.

CBA simply accepted the information provided during the online application process about Talia's expenses, even though her expenses were listed as only \$118.90 per week. The CBA were provided with pay slips which demonstrated that her was income \$431.48 per week (after tax). It is difficult to see how Talia could afford to live on just \$118.90 per week, especially given that Talia told us she was paying \$100 per week for rent at the time.

What is the CBA doing to ensure that their customers can afford to pay their loans without substantial hardship?

Answer:

The Commonwealth Bank does not have sufficient information to comment on the circumstances of this individual customer's case.

We are conscious of our responsibility to ensure our customers can afford the credit we provide them and to ensure that their loan is not unsuitable.

As part of our online application process for personal loans, we ask customers about their income and their expenses, as well as the purpose of their loan to ensure customers can service their loan.

We also take reasonable steps to appropriately verify the information we are provided. This includes using the higher of the declared living expenses and income-based industry benchmarks.

Where a customer suffers financial difficulty there are a number of options available to them, including access to hardship assistance.

As part of ongoing industry reforms, we have appointed a customer advocate to proactively identify customers who might be in difficulty or at risk of hardship. We are investing to ensure we have a better understanding of our customers' needs and are able to contribute to their financial wellbeing.