

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS (SECOND REPORT)

Westpac

Westpac24QW: Please advise the number of times that you have made formal use of non-monetary default clauses, of any kind, for loans of less than \$5M, and \$3M, in 2014/15 and 2015/16.

Answer: In 2016, Westpac undertook a review of its small business loans (under \$3 million TCE) and agribusiness loans. This review indicates that 100% of recovery action has been based on monetary default.

It is important to note that a customer default (including monetary and non-monetary default) does not automatically lead to enforcement of security and recovery action.

Rather we issue a default notice and allow a period for the default to be remedied, for example, 30 or 60 days depending on the complexity of the business lending arrangements.

Our preference is to work with our small business customers to resolve any breaches or defaults before moving to enforcement.

When it is clear that a customer is in default without the possibility of the customer's financial position and risk profile being rectified then the Westpac Group would move to recover the outstanding amount it is owed through enforcement of security.

Where we enforce our security, we prefer to work with the business owner and agree an orderly realisation of security and sale of assets, rather than forcible eviction.

We have a strong track record of working with our customers to restore financial viability, for example:

- Agribusiness - We have over 30,400 customers and have commenced recovery action against 9 properties in the last 2 years (0 forced evictions)
- Small business – We have over 750,000 customers - Westpac Assist Team has directly repossessed 13 residential homes in last 12 months.