

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS (SECOND REPORT)

Westpac

Westpac52QW: In January 2017, the Code Compliance Monitoring Committee (CCMC) released its findings from an own motion inquiry into the provision of credit by the banks. It identified a number of responsible lending issues, including banks not collecting and verifying enough information about customers when processing credit card limit increases and not properly assessing customers' ability to repay their credit card balances. What are the banks doing about the issues identified by CCMC?

Answer: In 2016, the Code Compliance Monitoring Committee (CCMC) conducted an Own Motion Inquiry (OMI) into subscribing banks' compliance with clause 27 of the Code of Banking Practice (COBP). This clause requires banks to exercise the care and skill of a diligent and prudent banker in selecting and applying credit assessment methods and in forming an opinion about an applicant's ability to repay the credit facility before offering, providing or increasing an existing, credit facility. The CCMC specifically focused on unsecured credit facilities and sought information from 13 banking groups to understand current practice in their review of this clause.

Following their review, the CCMC made nine recommendations to support compliance with the COBP. The CCMC highlighted that most of these recommendations are consistent with the current or proposed practices of one or more Code-subscribing banks. Accordingly, how banks respond to these recommendations will differ according to their current and proposed practices.

Westpac takes its responsible lending obligations seriously. We are constantly reviewing and refining our practices, including to reflect new guidance from our regulators, customer feedback, technological advances, and industry best practice and the CCMC's recommendations are an important input into this work. In terms of the specific recommendations regarding the collection and verification of information and the assessment of a customer's ability to repay a credit facility, Westpac's current or proposed practice aligns to these recommendations.