

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS (THIRD REPORT)

#### Commonwealth Bank of Australia

##### **CBA37QW:**

"In 2014, Chareese\* got a loan from the bank to buy a car. She lives in a rural area and is a single Mum. A car is very important for her. She also got Consumer Credit Insurance, for which she paid \$29 per month. Chareese ultimately lost her job. When she made a claim, the insurer declined it on the basis that she was working fewer than 20 hours per week when she lost her job. CommInsure told her Financial Counsellor that it did not deal with the sale of policies and that she would have to go into the branch to discuss. She reviewed her diary and realised she had in fact been working fewer than 20 hours per week when she took out the policy, meaning she was ineligible to claim.

Why is the Commonwealth Bank signing people up for insurance policies that are effectively useless?

The banks have indicated that they will adopt a deferred sales period for sale of CCI with credit cards sold over the phone or in branches. As this case study demonstrates, given there is similar consumer detriment with the sales of CCI with personal and other loans, will CBA commit to extending the deferred sales period to all CCI products no matter what the distribution channel?"

##### **Answer:**

Loan Protection Insurance provides an important safety net for customers taking out credit. In 2015 we introduced questions around our customers' employment status to our sales processes for all consumer credit insurance (CCI) products. Based on those answers, customers that do not meet the employment eligibility criteria are not offered the cover.

As announced by ASIC and the Australian Bankers' Association in August 2017, we are in the process of introducing a deferred sales process for in-branch and telephone sales of Credit Card Plus insurance.

In light of the improvements we made in the sales processes in 2015, we believe that a deferred sales process is not needed for other CCI products, such as personal loan

insurance. We remain open to engaging with consumer groups about possible further enhancements in this market.