

*Mr CONROY: It is a small community outside RAAF Williamstown, the premier jet base in Australia. They have suffered from a groundwater contamination due to the firefighting foams that the RAAF used. Over decades they have seen their water supply rendered undrinkable; they have seen their local fisheries rendered inoperable to use; they have seen their agriculture impacted and they have seen a massive writedown in their businesses and in their ability to sell their homes. One of the Salt Ash residents has informed me that when he rang the Commonwealth Bank to discuss with them post the last interest rate reduction about the ability to reduce his minimum repayment, as many customers do when they receive an interest rate reduction, that he was told, in fact, that he and people like him would not be receiving an interest rate reduction because they are seen as being in a high-risk area, because of the impact on land values from this groundwater contamination.*

*Mr Narev: Sorry-I did not get that. Was it as a result of the overall reduction applying, there was an exception made because of the area that the change in the standard variable rate was not passed on?*

*Mr CONROY: Yes.*

*Mr Narev: I would need to check that. That would be a very surprising outcome. I would need to check it.*

*[...]*

*Mr Cohen: Mr Conroy, outside the forum, if we could have the customer's name, that would help a lot.*

ANSWER

The recent home loan interest rate reduction was applied for customers in Salt Ash in the same way as for other customers.

When Commonwealth Bank issues a home loan interest rate reduction it applies to all loans within that variable rate product. Our variable rate home loans are priced off a 'reference rate' in our systems. We implement a rate reduction by changing this reference rate, and that is then applied to all customers who have a home loan linked to it, irrespective of customer location.

The change does not result in an automatic reduction of the customers' repayment amounts. If a customer wishes to reduce their principle and interest loan repayment amounts due to the interest rate changes, they can do this either at their nearest branch or over the phone with a lender in our customer contact centre.

For the customer in question it is not clear precisely what was communicated to him about home loans in Salt Ash, or how this might have been interpreted as Mr Conroy has described. Nevertheless, it appears that other aspects of the customer experience were poor and we have apologised to this customer.