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BCCC Submission – Inquiry into bank closures in regional Australia

Introduction

The Banking Code Compliance Committee (BCCC) welcomes the opportunity to contribute to the inquiry by the Senate Standing Committees on Rural and Regional Affairs and Transport into the bank closures in regional Australia.

The BCCC is the independent body responsible for monitoring code-subscribing banks' compliance with the industry's [Banking Code of Practice](#) (the Code). The BCCC's purpose is to monitor banks' compliance with their obligations under the Code and drive best practice that leads to better outcomes for customers.

The work of the BCCC is supported by the Code Compliance and Monitoring Group, which is a separately funded and operated business unit of the Australian Financial Complaints Authority (AFCA).

The Code has a number of obligations relevant to branch closures that provide important protections to customers, particularly those who are experiencing vulnerability or live in remote communities, including remote Indigenous communities.

Our submission draws on the insights and learnings from our monitoring work on current challenges and impacts of branch closures on customers in remote, rural and regional communities.

Key points

The key points in our submission are:

- The Australian Banking Association's (ABA) [Branch Closure Protocol](#) (the Protocol) should be retained as an enforceable obligation in the Code, as part of the ABA's current review of the Code.

- The Protocol's applicability is limited which creates a gap where important safeguards in the Protocol do not apply in certain locations or circumstances.
- When considering the provision of alternative banking channels, banks should adequately consult with the community to understand the community's individual context and, in turn, consider the needs of customers currently using the branch. This should inform the suitability of alternative banking channels to meet those needs.
- Each alternative banking channel should be as accessible as possible.
- Banks must ensure they have adequate oversight, systems and processes to comply with the Code for banking services offered by alternative providers, including Bank@Post.

Branch closure process

Chapter 7 of the Code requires that banks comply with the Protocol when closing a branch. The Protocol outlines banks' commitment to provide customers in remote, rural, and regional areas with ongoing face-to-face banking services when a branch closes. It details the processes banks will go through including the notification period and requirements, waiving fees, and providing information to customers.

Limited applicability of the Protocol

As noted in our [submission to the Regional Banking Taskforce](#), we consider the Protocol's applicability is limited because it does not apply to closure of branches in major cities, and does not apply in any location where there is a branch of the same brand within 20 kilometres by road. This creates a gap where important safeguards in the Protocol, including notice period and support to adjust to alternative banking channels, do not apply. This may disproportionately disadvantage those customers experiencing vulnerability or with accessibility needs.

Alternative banking channels

The Protocol itself does not contemplate the suitability of alternative banking channels. We are concerned that banks are not meeting community expectations of alternative banking channels, which highlights the importance of understanding the community context.

We firmly believe that when considering the provision of alternative banking channels, banks should adequately consult with the community to understand the community's individual context and, in turn, consider the needs of the customers currently using the branch. This should inform the suitability of alternative banking channels to meet those needs.

Banks should consider their specific obligations under Part 4 of the Code, which commits banks to provide inclusive and accessible services, when making a decision to close a branch.

One major bank told us they take a multi-channel approach to accessibility of their banking services. For example, if one channel is not accessible, another is likely to be. We recognise that multiple service channels give customers choices in the way they engage with their bank. However, we strongly advocate that each channel should be as accessible as possible. Banks should be proactive and progressive in meeting their promise in the Code,

which commonly align with banks' commitment in their own Environment, Social and Governance Framework (ESG), to provide inclusive and accessible banking services.

Maintaining oversight of compliance

The recent Regional Banking Taskforce's [Final Report](#) published in September 2022 shared some consumer experiences that indicated banks do not always get it right and there is room to improve their practice in line with the Protocol. The feedback from consumers included that:

- the Protocol may not have been consistently followed
- there was a lack of engagement, consultation and communication in the lead up to the closures
- customers did not feel that they were adequately supported to transition to alternatives
- community groups felt abandoned and left without reasonable access to services, such as cash floats and deposit facilities
- the closures were not effectively communicated to community leaders
- regional communities felt the impact on their community was not properly considered when a decision to close a branch was made.

The BCCC's independent oversight of compliance with the Protocol is critical to driving improved practice. The ABA is currently reviewing the Code. We consider it is crucial that the Protocol remains an enforceable obligation under the Code as part of this review, in consideration of the key protections it provides and the ability of the BCCC to monitor banks' compliance.

There is also a consensus on the need to strengthen the Protocol to ensure the thresholds and relevant considerations and expectations when closing a branch remain appropriate. The ABA committed, in its response to the [2021 Independent Review of the Banking Code Final Report](#), to review the Protocol. We understand this work is underway and look forward to stakeholder consultation.

When reviewing the Protocol, the United Kingdom Financial Conduct Authority's publication on [Branch and ATM closures or conversions; good practice and areas for improvement](#) lists some practices for assessing customer needs and providing alternatives that we consider useful.

Impacts of branch closures on customers and regional communities

We know disruptions to face-to-face banking options are likely to disproportionately impact customers experiencing vulnerability, which may include elderly customers, those who do not speak English as a first language, Indigenous customers and customers with disabilities.

Part 4 of the Code sets out key commitments with respect to inclusivity, accessibility and vulnerability. In our report on [Inquiry into Banks' compliance with Part 4 of the Banking Code](#), we highlighted the important role and benefits that branches provide to local communities:

- branch staff work with the banks' diverse customer base, elderly customers and people with additional needs every day and they play a key role in detecting and preventing the risk of customer harm or poor outcomes
- several banks have dedicated resources to specialist care or vulnerability teams who can provide specialist support complex customer matters
- bank staff have guidance about how to practically escalate an issue internally, whether in a branch or a contact centre
- several banks have systems that alert and prevent likely scam payments digitally and in branch allowing staff to ask customers scam specific questions
- banks provided guidelines to staff to support understanding and approach to numerous areas including inclusivity, accessibility, domestic and family violence, scams and fraud, elder financial abuse, financial vulnerability, hardship and wellbeing.

In this report, we also raised concern that Indigenous customers living in remote communities are being asked by banks to travel hundreds of kilometres to the nearest branch for identification purposes.

We are seeing an increase in concerns raised with us about branch closures. One concern related to a branch closure in a remote community with a large number of Indigenous customers. This concern highlighted the challenges experienced by these communities when a branch closes. These included:

- the impacts on the community in the event that there is not the normal notice/transition period outlined in the Protocol (due to reliance on an exemption)
- the lack of appropriate transition arrangements to support affected customers
- the inadequate servicing or closure of the bank's ATM, which impacts elderly customers who utilise the cashless card withdrawal service at the bank's ATM
- the lack of preparedness of alternative banking channels, including the capacity of the bank's call centre.

We also know that branch closures in regional areas disproportionately affect small business customers. Small business advocates have informed us that alternative banking channels, such as Bank@Post, do not fully support the key needs of small business customers. For example, small business customers may be inhibited by limitations to cash withdrawals and deposits and forced to travel during business hours to access a branch, therefore losing business. They may also hold large sums of cash until it can be deposited, which in turn creates security risks. Further, branch closures have resulted in small business customers dealing call centre staff who may not understand the needs of the business, causing duress.

Other related matters

Bank@Post

We see Bank@Post as a valuable offering to retain a level of face-to-face banking services. There are key obligations under the Code that apply to banking services provided by Bank@Post.

However, we have concerns with the adequacy of arrangements currently in place to ensure banking services provided through Bank@Post comply with the Code. We have recently written to the ABA seeking its coordination with ABA members to address our concerns. This is a priority for us, particularly given the increasing reliance on Bank@Post as an alternative and customers seeking face-to-face services may be more likely to experience vulnerability.

This involves banks reviewing their compliance frameworks and implementing appropriate measures to ensure their Code obligations extend to Bank@Post services, with a particular focus on:

- adequate mechanisms to identify and report Code breaches for services offered through Bank@Post, and evidence to demonstrate that this is operating effectively in practice, particularly in respect to vulnerability and accessibility obligations
- promotion and awareness of the Code – for both Bank@Post frontline staff and customers, including how the Code is promoted and made available to customers
- ensuring Bank@Post staff are adequately trained, focusing on areas that pose a greater risk of consumer harm, including accessibility and vulnerability
- ensuring inclusive banking services, including to Indigenous customers, with obligations around cultural awareness and helping meet identification requirements.

We have settled a coordinated approach with the ABA which is working with banks and Australia Post to ensure there is adequate oversight, systems and processes in place to comply with the Code. We are monitoring progress to address these matters through regular reporting.

Thank you again for the opportunity to share our insights to this inquiry.

Yours sincerely

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