

Committee Secretary
Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600

17 November 2022

Dear Members of the Senate Rural and Regional Affairs and Transport References Committee,

[1] We write as concerned individuals with expertise on the issue of regional bank closures to bring to your attention matters we feel are so serious they demand immediate scrutiny by parliamentary representatives.

Communities across Australia are currently experiencing severe economic and social disruption due to bank closures impacting small businesses and charities dependent on cash supply and processing; businesses including farms needing credit and specialised banking services; and customers dependent on the certainty of face-to-face banking services including the elderly, disabled and first nations people.

Bank levels in rural, regional and remote Australia long ago hit crisis point but through the establishment of the Regional Banking Taskforce, the situation has escalated to critical thanks to the banks themselves being allowed to be part of a government investigation that has rubber-stamped an acceleration of branch closures.

Since the release of the taskforce's final report six weeks ago, banks have closed or quietly issued closure notices for 72 branches across rural, regional and remote Australia.

That is nearly as many banks closed in 42 days than were across the entire year in 2021.

Please do not let this conduct go unnoticed.

[2] Specifically, we draw your attention to serious issues of propriety around the establishment, conduct and impact of the Regional Banking Taskforce, including but not limited to:

- the invitation extended to the banking industry to be involved in setting the terms of reference of an investigation into its own commercial activities;
- the banks and banking industry taking part in a consultation on which they would ultimately be instrumental in writing a final government report, giving them unprecedented control of the government narrative on this issue;
- imbalance in representation on the taskforce, with banks significantly outnumbering representatives of affected communities and stakeholders;
- misalignment of community expectations and the taskforce's agenda;
- failure to consult appropriately (including face-to-face opportunities and the lightning consultation period allowed for written submissions);
- use of the taskforce to consult on objectives focused on legitimising regional and remote bank branch closures;
- the use of the final report to push bank agendas for closing branches;

- interference in the final report to provide a solution to legal issues being faced at the time by a number of banks in relation to the misreporting of government data;
- impact of a tainted report now being part of the government record and being used by the banking regulator to justify inaction on serious breaches of the Financial Services (Collection of Data) Act 2001;
- the acceleration of branch closures since the taskforce report was released on September 30 (72 regional branches in six weeks).

[3] As a result of the Regional Banking Taskforce final report being compromised by the inclusion of commercial interests in consultation and deliberations, we ask that your committee conduct a new inquiry in the way any inquiry, including the Taskforce, should have been approached – by following on from the last Senate investigation into the issue, Money Matters in the Bush (2004).

We ask that this committee revisit the following recommendations made in that report (including Labor committee members' additional comments) to assess effectiveness and impact:

- Recommendation 3 (branch closure protocol)
- Recommendation 4 (collection of data)
- Recommendation 30 (introduction of community service obligations vs self-regulation)
- Recommendations 9, 10 and 16 (Rural Transaction Centre program)
- Recommendation 12 to 15 (management of ATM network)
- Recommendation 18 and 19 (migration to telephone and internet banking)
- Recommendation 24 to 28 (impact of branch closures on indigenous Australians)

[4] Finally, we ask that the terms of reference of a new inquiry also take into account the additional matters, which have been outlined in full in Appendix A.

- options for recognising banks as an “essential service” in legislation;
- the propriety and welfare impact of digital strategies;
- an analysis of why the Rural Transaction Centre program failed and how this impacted on government’s proposed solution for cash delivery to bankless communities;
- the impact on post offices being left to carry the responsibility of providing banking services to communities;
- APRA’s management of the points of presence database;
- the removal of cash service from bank branches;
- an analysis of the Banking Code of Conduct (incorporating the Branch Closure Protocol) and whether it meets the standards of a legally enforceable document as claimed by the Australian Banking Association;
- the case for establishing a new government bank through the post office network to guarantee face-to-face banking services to all communities and to increase genuine competition in the banking system;
- the establishment, conduct and impact of the Regional Banking Taskforce and its final report and whether these require censure.

[5] Please find attached the following documentation to assist the committee:

- *Big four banks casting a dangerous shadow* investigation report with current bank numbers (email attachment)
- **Appendix A:** Suggested terms of reference of a new inquiry;
- **Appendix B:** Samples from submissions made to the Regional Banking Taskforce that were largely ignored in the final report, but which provide a valuable, current resource of information from the coal face as a starting point for a new inquiry.

Most of the submissions made to the banking taskforce paint a sobering picture of the destruction a bank leaves behind when it closes, from the impediments and cost to business to the distress of those people, completely ignored by the taskforce, who will never be able to use internet banking services.

With less than 1000 'big four' banks outside the capital cities now – just a third of what there was four decades ago – and nearly 600 towns that have lost their last or only bank, we ask that the committee give this call for a new inquiry immediate attention.

Yours sincerely,

Martin North

Martin North is a Retail Banking Financial Analyst covering major issues in the sector, having worked within the industry and consulted to it for more than 30 years. As well as surveying households and businesses about their banking needs, he has written several reports on channel preference and migration, based on both local and international research. He curates the Digital Finance Analytics blog where much of this research is published.

Dale Webster

Dale Webster received funding from the Walkley Foundation's Public Fund for Journalism in 2019 for an investigation into the impact of regional bank closures on the national economy. As part of that work she put together the only database in existence that tracks the regional banking network from its peak in 1975 to present day. Since the publication of her report, *Big four banks casting a dangerous shadow*, she has used her expertise on banking inquiries in Australia to continue reporting on regional banking and push for errors she discovered in government data that date back decades to be corrected. In 2022, she won the Quill Award for Rural and Regional Journalism for these stories and was named the Walkley Foundation's Freelance Journalist of the Year. She publishes independently through her own title, The Regional.

Appendix A

Suggested terms of reference of a new inquiry:

- The extent and impact of bank closures in regional Australia since the tabling of Money Matters in the Bush (2004);
- The need for community service obligations to be imposed in light of the failure of the undertaking given to government by the banks in 2004 to self-regulate;
- Options for recognising banks as an “essential service” in legislation;
- Banks being removed from rural and regional communities where digital connectivity, infrastructure and access to technology are not of a standard to support sole reliance on digital banking. Issues include, but are not limited to:
 - Two-step verification processes locking customers out of accounts due to poor phone reception and/or lack of access to the internet;
 - the disproportionate impact on areas with high Aboriginal populations;
- Access to cash including but not limited to:
 - the impact the of the failure of the Rural Transaction Centre program on the government’s proposed solution for cash delivery to areas that have lost financial institutions and are only serviced by post offices. (Hawker report 1999, recommendation 16);
 - The legal implications of the removal of cash service from bank branches (ie, moving customers on to ATMs rather than being served by a teller);
- The impact on post offices being left to carry the responsibility of providing banking services to communities after banks close a branch. Issues include, but are not limited to:
 - Post offices that are not designed for conducting bank business sourcing and handling the same amount of cash on premises that a bank would without the security infrastructure and processes of a bank in place;
 - Post office staff conducting banking business with no support or training from the banks whose work they have taken on;
 - Post office franchisees operating as banks in all but name without the structure of a regulatory process;
 - Legal implications of post offices offering Bank@post services for banks required to meet Banking Code of Conduct standards by proxy;
- APRA’s management of the points of presence database: whether it has delivered what was asked of it, issues with transparency, misreporting of data and inconsistent application of the legislation;

- An analysis of the Banking Code of Conduct (incorporating the Branch Closure Protocol) and whether it is fair to all parties and meets the standards of a legally enforceable document as claimed by the Australian Banking Association;
- The welfare impacts of digital strategies, including but not limited to:
 - bank staff being forced to meet digital sign-up targets being used as justification for closing branches and resulting in job losses;
 - customers without the skill or capacity to manage digital banking or meet terms and conditions of holding a debit card being signed up to online services;
 - customers being unable to access accounts due to connectivity and digital literacy issues;
- The case for establishing a new government bank through the post office network;
- Whether the establishment, conduct and impact of the Regional Banking Taskforce and its final report require censure.

Appendix D

Sample submissions to Regional Banking Taskforce

While it must be noted that the Regional Banking Taskforce consultation was unfairly biased towards the banks and only asked respondents to address questions pertaining to the replacement of the branch model, we draw particular attention to submissions from the following organisations, which were largely ignored in the banking taskforce report:

- The **Law Society of NSW** highlighting issues with digital access and literacy, the importance of face-to-face business banking in regional areas and legal issues related to conducting large transactions without the assistance of a bank branch. The society also notes the inconsistency of services available through Bank@Post due to the Australia Post franchise model.
- The **Australian Small Business and Family Enterprise Ombudsman, The Hon. Bruce Billson** highlighting that bank closures encourage businesses to operate outside the regulated banking sector, increase small business administrative costs/ risk and take customers away from towns. He also highlighted the impact of NBN outages during disasters or due to infrastructure problems rendering on-line banking services useless, creating a reliance on the use of cash for goods and services that, in the absence of a branch, Bank@Post or private ATM, services cannot meet.

Mr Billson also commented on small businesses finding it difficult to source locally relevant, professional financial advice when there is no local bank branch and that this is restricting timely access to capital, which is crucial for optimum business performance.

- The **Australian Retailers Association** highlighting that banks need to “strike a better balance between shareholder returns and community needs” and that their “social licence to operate requires equal access to banking services across the country”. It reported that around half of respondents of a recent membership survey reported that the main banking services they used were the deposit and withdrawal of cash.
- The **Banking Code Compliance Committee** highlighting that it had received complaints from customers impacted by recent regional branch closures reporting that the branch closure protocol was not being followed. It raised concerns that banks had not considered the impact of closures on the regional community, in particular, elderly and more vulnerable customers. The committee also noted branch closures in regional areas disproportionately affect small business customers: “small businesses may need to shut during business hours so as to undertake their banking at a branch, therefore losing business. Small businesses may also have to hold large sums of cash until it can be deposited, which in turn creates security issues.”

The committee also highlighted a possible breach of part four of the code, which relates to inclusivity, accessibility and vulnerability, and the impact of branch closures are having on Aboriginal and Torres Strait Islander communities.

It also noted that post offices that offer Bank@post services should meet the standards set out in the Banking Code of Conduct.

- **Combined Pensioners & Superannuants Association of NSW** highlighting the taskforce's complete disregard for the most vulnerable. "There is a cohort of people who will never be able to use internet banking services for a range of reasons, some of which will be addressed in this submission. CPSA is of the opinion that this Issues Paper does not accept that this cohort of people exists and ultimately fails to address the need for a banking services safety net that ensures every Australian, regardless of their age, technological skills, and personal banking choices, has access to banking services."
- **Berrigan Shire Council** highlighting the taskforce's failure to address the true issue and the contribution regional Australia makes to the national economy.

"Why is the Taskforce consulting on objectives focused on legitimising regional and remote bank branch closures?"

"The Taskforce's remit is broad. The questions posed should use the process of consultation and consumer feedback to inform critical analysis of the trends in bank branch closures in regional and remote Australia. A critical approach would ensure any assessment of the impact, 'the lived experience' of branch closures in regional and remote Australia, uses the lens of neoliberal economics and public choice theory. Assessing the human impact on regional and remote communities of banking closures would seem to be more in line with the responsibilities of the Taskforce as advertised, rather than what on face, appears to be a question set more focused on legitimising what is already happening.

"The current framing and ordering by the Taskforce of its questions infer that the Taskforce's operating assumption is that access to personal banking and financial services in rural and regional Australia is not a 'legitimate cost of doing business in a commodity-based economy'. Nor do the questions posed suggest the Taskforce appreciates the financial, export-oriented commodity-based economic reality of regional and remote Australia. Specifically, to remain competitive in global commodity markets now more than ever, there is a need for continued investment and bank branch presence in Australia's regional, rural, and remote areas. Asking questions such as 'What banking facilities, services and products are used in regional bank branches?' are quite insulting to areas where multi-million dollar businesses are not only farms, farming enterprises and their support industries, they are industries exporting their products directly from these areas to the world.

"People in regional areas are asking for equity. We wonder why that is too much to ask, and having to constantly justify the need for equitable access is quite frankly – old. The question perhaps should have been, 'How could the banking industry better support regional areas in encouraging the growing industry investments being experienced in these areas?'"

The full list of consultation submissions:

<https://treasury.gov.au/consultation/c2021-222961>