

Committee Secretariat contact:

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee,

**Submission: National Consumer Credit Protection Amendment
(Supporting Economic Recovery) Bill 2020.**

I am an 80 year old Australian citizen and small businessman with no political alignment and I strongly oppose any softening of the banking lending rules and indeed, I would like to see such rules strengthened.

It is clear that Australia was very lucky to escape most of the negative aspects of the last GFC with the Australian banks being saved when the American Insurance Company AIG was bailed out by the USA government at the request of the Australian Government. However, lessons were not learned and since the GFC, the banks have continued their reckless ways as is demonstrated by the massive housing bubble and by the bank's increased exposure to high risk derivatives. Lessons were also not learned by government to prevent a repeat of the problem and their only reaction was to legislate a 'Bail-in' law to save banks from failure by allowing the conversion of bank deposits into bank shares.

Fortunately, a few breakaway members of the Government forced the formation of a Royal Commission albeit with very restricted Terms of Reference and the Haynes report exposed extremely poor behaviour including poor lending practices. The horrific reports from the Hayne's Commission, the equally disturbing experiences reported by "Banks Reform Now (BRN)" and the even worse findings of the "Banking and Finance Consumers Support Association (BFCSA)" show that the rights of borrowers were simply ignored because the banks knew that the borrowers did not have the funding to fight in court.

Borrowers were at the mercy of the banks even when they had law on their side. Imagine if they don't even have the law on their side.

Commissioner Hayne recommended that the responsible lending laws in the National Consumer Credit Protection Act should not be amended to alter the obligation to assess unsuitability and also recommended an improvement to the enforcement of laws like responsible lending, recognising that they were no good if they were not enforced.

Following the issue of the Hayne's report, the Banks agreed to earn the trust of the people by being trustworthy and that they would implement all of the Hayne's recommendations. There have however, been several serious breaches since that commitment.

Do borrowers really now need less protection? I don't believe so!

The pressure for relaxed laws is to push more capital into the housing market and to thus keep it afloat. However, this will simply "kick-the-tin-down-the-road" and when the bubble finally bursts many more individuals will be hurt and perhaps be made bankrupt and many aged will be penniless.

I understand that the economy will likely need considerable support to avoid a very deep recession but there are other options such as funding major infrastructure projects and re-creating a manufacturing industry using a credit system funded through a new peoples bank, as proposed by One Nation. The new banking service could be provided almost immediately by utilising the Australia Post and the boost to manufacturing could be around the preliminary plan recently announced by the National Party.

Summary:

There should be no change to the lending rules given:

1. Hayne's recommended no change to lending Rules and more law enforcement.
2. The Banks agreed to adopt all recommendations in the Haynes report.
3. Today's borrowers do not need less protection than in 2019.
4. Boosting the housing sector, to delay a major recession on the short term, will ultimately produce a disastrous result and there are better options to minimise a recession.

Yours Faithfully

W. R. Ifield

