

Friday 5 July

Parliamentary Joint Committee on
Corporations and Financial Services
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**Re: The Financial Services Regulatory Framework in Relation to Financial Abuse –
Follow-up Responses to Committee Questions**

Please see following Westpac's additional responses to the Committee's questions:

1. What specific policies, systems, processes or other safeguards does your business have in place to identify, respond to and report suspected financial abuse occurring to your customers?

Westpac has an overarching Customer Vulnerability Framework which is comprised of three key components: 1) Customer Vulnerability Policy; 2) Customer Vulnerability Standard; and 3) Customer Vulnerability Toolkit.

The three work together to ensure our team members are equipped to identify and support customers at risk of financial abuse.

The Customer Vulnerability Policy outlines our core principles and requirements to help someone experiencing vulnerability. The Customer Vulnerability Standard ensures we have a consistent approach supporting our customers experiencing vulnerability with extra care. A key part of the Standard outlines our Recognise, Respond, Record and Refer (**4R**) framework, requiring our people to provide extra care by recognising customer vulnerability, responding to the banking need, recording an extra care flag (where a customer has consented to do so), and referring the customer for further support where required.

Extra care flags allow our team members to record what additional support or consideration is required to assist the customer in future interactions they may have with the bank. For example, if someone was at risk of financial abuse, an extra care flag might advise Westpac team members dealing with that customer that confidentiality is critical for this customer's safety, and to confirm all contact details before engaging in any communication such as phone calls, texts, emails or letters.

Our Customer Vulnerability Toolkit provides practical guidance on how to support our customers using the 4R framework by vulnerability type, along with guidance on seeking customer consent and note taking. There is a dedicated section in our Toolkit on applying the 4R framework for instances of financial abuse.

Westpac regards financial abuse, including coercive control, domestic and family violence (**DFV**) and elder abuse, as high-risk categories of vulnerability, which also often have some intersectionality. Our Toolkit and new quick reference guide on coercive control covers each of these risk factors for vulnerability in detail.

In addition, there are a number of safeguards and provisions throughout Westpac's other operating policies that help to support people at risk of financial abuse. For example, this includes:

- The Westpac Credit Policy, which contains principles for when a lender or broker identifies a customer to be in a vulnerable circumstance as part of applying for credit;
- The Westpac Hardship Policy, which addresses how a team member may be able to identify vulnerability (such as DFV) as the cause of a customer's hardship;
- The Product and Services Lifecycle Policy, which ensures consideration of whether products are suitable and fair for customers and the needs of those in vulnerable circumstances as part of the product design and sales process; and
- The Complaints Policy, which helps team members recognise customers that might be experiencing vulnerability through the complaints process.

Should a team member identify a customer at risk of financial abuse by applying one of the above-mentioned policies, they are able to then escalate the matter to our specialist vulnerability teams. These teams help to support customers where they have complex needs or require a specialised service or capability.

In addition to the reactive assistance outlined so far, Westpac also engages in a range of proactive transaction monitoring for signs of financial abuse. This includes monitoring for abusive or offensive language contained in digital payment descriptions or narratives. Customers using our platforms in this way are then dealt with in an appropriate manner. This could be through a warning letter advising that they are not using our service in line with the terms and conditions, suspending or terminating access to online banking, or by exiting the customer. In instances where Westpac has issued a warning letter to customers, more than 90 per cent have subsequently stopped the abusive behaviour.

Customers who we know may be at higher risk of financial abuse – such as those with a Power of Attorney (**POA**) arrangement – are also monitored for specific warning signs. Our monitoring and alerting system of 150,000 customer accounts with a POA arrangement focuses on account activity, with suspicious payments flagged for further investigation by an internal specialist team. Further, staff in our branches escalate cases to our specialist support teams when they are uncertain about whether the customer may be at risk of financial abuse where a POA is present.

In suspected cases of financial abuse, someone holding a POA may have their access restricted until such time that a member of Westpac's Fraud and Scam Operations team is able to review the matter.

With respect to other instances of potential financial abuse, in some cases Westpac will provide customers with access to emergency funds to help ensure their safety. This is assessed on a case-by-case basis by our specialist priority assistance team. Further, our frontline and specialist vulnerability teams may access our EmpowerMe Fund to provide crisis support to a customer. Our staff have used the EmpowerMe Fund to support customers with paying bills to ensure their utilities are kept on, for medical treatments, and for vouchers for food and petrol to enable them to leave unsafe environments.

We also provide customers with information on independent counselling and DFV support services, where appropriate. To this end, we have partnerships with third parties so customers can receive additional care that might be required beyond their banking needs. This includes partnerships with Uniting CareRing, Violet, Fitted for Work and The Good Shepherd. Our staff are also expected to contact emergency services if a customer is in immediate danger.

2. What is the extent of suspected financial abuse identified by any such measures in place?

The following data differs with respect to time periods covered as particular types of monitoring have been implemented at different points in time.

Blocked abusive transactions

More than 140,000 transactions have been blocked since Westpac rolled out its detection measures for abusive language contained in digital payments.

Year	# Blocked abusive transactions
2021	39 711*
2022	52 911
2023	56 372

*Data from 17 January 2021

Detected payments with abusive language and actions taken

Year	Total Payments Reviewed	# warning letters	# customers exited	# UMRs (Unusual Matters)	# customers suspended
2020*	2,917	41	2	4	2
2021	25,581	1,002	7	304	37
2022	44,776	3,176	3	114	89
2023	65,777	3,384	1	249	44
Total	139,051	7,603	13	671	172

*Data from 2020

Power of Attorney (POA) monitoring

Westpac has approximately 150,000 customer accounts with POA arrangements in place. The number of alerts detected from our POA monitoring since it began in September 2023 is 25,031. On average, we review approximately 150 alerts per day. This involves contacting the customer or POA directly to seek further information about the suspect activity. When contact cannot be established, accounts are suspended to prompt customers to get in touch with the bank.

Extra Care Flags

Westpac has 11 extra care flag categories, four of which relate to potential financial abuse. The number of flags has increased over time as detection and support measures have improved.

Extra care flag volumes

Year	# Extra Care Flags (relating to potential financial abuse)
2020	4,597
2021	6,957
2022	8,892
2023	11,894

3. What is the impact of the shift of financial products to online platforms on the prevalence of, and ability of your business to identify, respond to and report, suspected financial abuse?

The increase in digital and online banking has undoubtedly created new ways for financial abusers to engage in malicious conduct. However, this is the case with all facets of society that now rely on online transactions. What's critical is the steps taken by financial institutions and others to reduce the risk of harm. At Westpac, we have introduced a range of measures to mitigate the risk of financial abuse.

For example, we have implemented parental controls in support of child safety, third-party access restrictions on request, and the disabling of online withdrawal functions for joint account holders.

The increase in digital commerce has also allowed for greater detective and proactive monitoring of transactions, such as our abusive language in digital transactions monitoring and POA abuse monitoring.

It's also important to note that the misuse of financial products to engage in financial abuse often involves patterns of behaviour that vary case-by-case. There are accordingly some challenges in taking a completely data-led approach to identifying and monitoring financial abuse.

Human interaction and assessment will always be critical to the customer experience, and our frontline teams are trained and equipped with a range of tools and resources to identify when a customer may be experiencing financial abuse or other vulnerable circumstances, and to respond with care and empathy. We consider financial abuse to be a high risk and complex matter, with an escalation pathway into our specialist vulnerability teams as and when needed.

Our specialists can support customers experiencing financial abuse with a range of measures online to safeguard their accounts. For example, changing their PIN, changing their mailing address or opening a new, separate account. Whilst our staff may observe indicators of financial abuse during their interaction with a customer, it is possible that a customer may not realise this is what they are experiencing.

Under privacy law, we are required to obtain express, informed consent from a customer to record any sensitive information on their profile. This includes extra care flags. While there may be more that banks and other private sector businesses can do in cases of potential financial abuse, these restrictions naturally balance privacy and consent with the ability to proactively intervene in the private affairs of a customer.

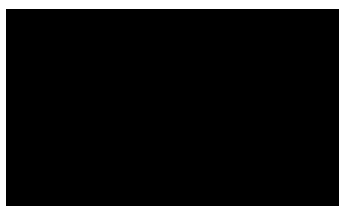
Recommendations

Westpac offers the following policy recommendations to the Committee for their consideration. We believe each of these recommendations would provide the bank, and more specifically our frontline customer care teams, with additional tools and optionality to offer faster and more targeted support measures for customers experiencing financial abuse:

1. Changes to privacy laws to remove the onus of explicit consent from the customer will enable banks to proactively document customer care flags related to when we identify actual or suspected financial abuse, helping the bank to respond and provide support accordingly.
2. Permanently legislate regulatory intent of temporary ASIC 'no-action' letters that banks are currently using, which allows us to suppress repayment history information and financial hardship information for joint account holders.
3. Implement a national enduring Power of Attorney register and reporting body so banks can more easily validate and respond to active arrangements that are in place.
4. The Family Court process should be reviewed, with a specific focus on ensuring DFV and financial abuse cases can be expedited. A review could also consider policy responses for instances where Family Court decisions and/or orders conflict with a bank's regulatory abilities to separate accounts and debts.

Please do not hesitate to contact us if the Committee has further questions or areas of interest.

Kind regards,



Richard Collyer

Director, Government Affairs, Reputation Strategy &
Westpac Institutional Bank Corporate Affairs

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