

## QUESTION ON NOTICE 1

**CHAIR:** *Didn't the banking offer have a \$240,000 mistake in favour of the bank, as opposed to the Caulfields?*

**MR C WILLIAMS:** *I'm not aware of it. I'm happy to take that on notice and have a look. What I can say, though, is that the offer that we have put to the customer is an offer that is available for acceptance. It is aimed at ensuring that they are in the same position as they were when they actually approached us for that loan, and that's what we feel is a very reasonable offer, acknowledging some of those shortcomings*

In 2007, Commonwealth Bank lent Mr and Mrs Caulfield \$480,000 for the purchase of their property. Between 2007 and 2010 they serviced their loan. In 2010, Mr and Mrs Caulfield defaulted on their loan.

Mr and Mrs Caulfield currently owe Commonwealth Bank approximately \$788,474. Earlier this year, Commonwealth Bank made an offer to Mr and Mrs Caulfield to reduce the debt to the original amount borrowed of \$480,000 to be repaid at 0% interest over a 15 year term. In making this offer, Commonwealth Bank is prepared to write off over \$288,000 that is currently owed by Mr and Mrs Caulfield.

In our initial letter of offer, there was a mistake in the monthly repayment figure that was provided to Mr and Mrs Caulfield. The monthly repayment figure was listed as \$1,333.33 (which was calculated on a 30 year term), instead of \$2,666.66 (calculated on a 15 year term). Commonwealth Bank wrote to Mr and Mrs Caulfield on 25 July 2017 to correct this error and provide the correct monthly repayment figure. While we are not sure how Mr Caulfield has calculated the \$240,000, it may relate to this calculation of monthly repayments.

## QUESTION ON NOTICE 2

**CHAIR:** ... *The Caulfield's complaints directly to Mr Narev resulted in the fourth case manager, senior executive manager Elias Helio, being appointed to investigate the Caulfield's claims. Why did Mr Helio promise to supply every document the Caulfields required at the conclusion of his investigation and then apparently break his promise immediately after by not supplying the requested documents?*

**MR C WILLIAMS:** *I'm not aware of the circumstances there, so I cannot comment.*

**CHAIR:** *Could you get back to me on that on notice?*

**MR C WILLIAMS:** *Happy to.*

On 16 February 2017, Commonwealth Bank provided documents by email to Mr and Mrs Caulfield. The email included internal system notes on staff interactions with Mr and Mrs Caulfield and the Home Loan File, along with other material.

Included in the documents was a copy of Mr and Mrs Caulfield's loan application form. The copy of the form held by Commonwealth Bank is a scanned electronic document. The scanned copy of the loan application form is missing page 12. This page was for internal administration processing purposes only, it did not contain any information that was necessary for Mr and Mrs Caulfield's loan to be assessed and it was not completed by Mr and Mrs Caulfield (or their broker) or by customers generally.

A blank copy of page 12 of the loan application form can be found at Attachment A.

### QUESTION ON NOTICE 3

**CHAIR:** *Thank you. The Caulfields are aware, apparently, of at least nine valuations conducted on their home and farm at least part of which they have been charged for. Why does the bank refuse to provide each valuation together with the valuer's instructions?*

**MR C WILLIAMS:** *Our practice is to provide copies of valuations and instructions. That is how we approach this. I'm not aware that we've rejected a copy of the valuation, but I'm happy to take that on notice.*

Mr and Mrs Caulfield have been provided with the two valuations Commonwealth Bank has had conducted on the property.

In the email of 16 February 2017, referred to at Question 2, Commonwealth Bank provided the complete Home Loan File to Mr and Mrs Caulfield, which included a copy of the valuation report that was completed by Valuation Exchange on 23 October 2007.

On 3 July 2014, Commonwealth Bank provided to the Financial Ombudsman Service a copy of a valuation report undertaken by LMW Hegney in relation to a hardship dispute raised by Mr and Mrs Caulfield. We understand that a copy of Commonwealth Bank's correspondence to the Financial Ombudsman Service, and supporting documents, were provided directly to Mr and Mrs Caulfield by the Financial Ombudsman Service.

Commonwealth Bank has not obtained any further formal valuation reports of the property. In our email to Mr and Mrs Caulfield of 16 February 2017, we provided details of all seven routine drive-by valuations of the property at that date. For these drive-by valuations, no formal report was produced.

#### QUESTION ON NOTICE 4

***CHAIR: In a recent letter to the CBA chair, Catherine Livingstone, the Caulfields apparently raised 20 separate grievances. One of these was that the senior executive manager, Elias Helio, lied and misrepresented his assurances to the Caulfields regarding the in-depth investigation and supply of documents? Did the chair, Catherine Livingstone, send the Caulfields' complaint concerning senior executive manager Elias Helio, directly back to Mr Helio to investigate?***

***MR C WILLIAMS: I'm not aware of the circumstances but I'm happy to take that on notice.***

Commonwealth Bank does not agree with Mr and Mrs Caulfield's characterisation of Mr Helou's actions. We take complaints about the Bank seriously and have dedicated Group Customer Relations team that reviews complex and sensitive complaints. The issues raised in the correspondence from Mr and Mrs Caulfield were not solely related to the management of the complaint; the correspondence also touched on broader issues about the loan application and history of the loan to date.

For these reasons, Mr and Mrs Caulfield's correspondence was reviewed by Mr Helou given his familiarity with the case. The correspondence was also reviewed by senior management within the Group Customer Relations team.

## QUESTION ON NOTICE 5

**SENATOR SMITH:** *I will now quote from ANZ's opening statement. It said: "We are careful, because the margin on lending is actually small. For Australian ANZ operations, including agriculture, the average margin is just over one per cent of total assets." Is Commonwealth Bank able to give us a comparative?*

**MR CAIRNS:** *Not off the top of our head, but I'd be happy to take that on notice.*

Commonwealth Bank does not have a direct comparison to ANZ's Australian Segment. The two organisations segment their businesses differently and thus the Annual Report disclosures do not allow a direct comparison of the Australian segments, nor their margins.

Without knowing how ANZ have calculated their average margin on total assets, the average margin (as calculated by NPAT divided by Total Assets as disclosed on page 141 in our 2017 Annual Report which is publicly available on our website) for our Business & Private Banking division (including Regional & Agribusiness segment) was 1.53%.

## QUESTION ON NOTICE 6

**SENATOR SMITH:** *...If you wouldn't mind, on notice, could you let us know what the total number of receiverships have been over the previous five years and the geographical disbursement of those? That would be valuable.*

**MR C WILLIAMS:** *Happy to do so.*

The number of receiverships (including Mortgage in Possession) for the last three financial years, broken down by geographical region is as follows:

FY17: 5 (1 in NSW, 1 in SA, 1 in Vic and 2 in WA)

FY16: 3 (all in Vic)

FY15: 10 (1 in NSW, 5 in QLD, 2 in VIC and 2 in WA)

We did not collate this data centrally prior to FY15 and therefore do not have comparative data for FY14 and FY13.

#### QUESTION ON NOTICE 7

**SENATOR SMITH:** *Sticking with the utilisation of the farm mediation framework for a moment, you said it was 14 in the most recent financial year, then 16, then 22.*

**MR CAIRNS:** *For our last three financial years, that's correct.*

**SENATOR SMITH:** *Do you know what it was prior to 22?*

**MR CAIRNS:** *I don't have the numbers off the top of my head, but I'm happy to take that on notice, if that would be helpful.*

As we noted in our appearance before the inquiry, in FY17 we undertook 14 farm debt mediations and in FY16 we participated in 16. From a review of our records, we can confirm that there were 20 farm debt mediations in FY15.

We did not collate this data centrally prior to FY15 and therefore do not have comparative data for FY14 and FY13.

#### QUESTION ON NOTICE 8

*CHAIR: That brings up another interesting point, which we'll get to, but, until we get there: under the Code of Banking Practice and other legislation, the bank is obliged to provide the loan application file. That is a 12-page electronic document, as I understand it. Why has the CBA not supplied the Caulfields with page 12 under the guise, 'We cannot locate it'? You've confirmed that it's there, but you can't locate it. The last page of the form which has crucial information about the loan is missing, so will you ever release that page to the Caulfields?*

*MR CAIRNS: We have a scanned copy of the form. Unfortunately, we have looked for page 12 of the form that you reference, but we were unable to locate it. What I can provide for the committee today is a copy of the form. It's an internal-use form. It essentially replicates what the form would look like, but it's an internal-use form only. It's not used for the purposes of the loan application.*

*MR C WILLIAMS: We would be happy to provide a copy of that, if it would be useful.*

Please see [Attachment A](#).



**Bank use only - to be completed by Processing Area**

Applicant 1 CIF number

Administration cost

Loan account number

Bank reference number

Risk code

Collateral code

Purpose code

Installment BSB

and Account number

Credit Manager decision details

A ☐ D ☐ R ☐


