

**Parliamentary Joint Committee on Corporations and Financial Services**

**ANSWERS TO QUESTIONS ON NOTICE**

**19 November 2019**

**Question No:** 005  
**Topic:** Remediation  
**Reference:** Hansard page 21 and 22

**Question:**

Senator O'NEILL: Thank you for such a fulsome answer and connecting these dots. That's the whole thing. We all interact with the economy. We all have money interests in it, at whatever level. We need to be confident that people are acting ethically as well as within the boundary of the written law. And there are huge cultural dimensions to that. For fullness, Mr Shipton—and I have to confess that I have to look much more closely at the report that you're referring to—would you be able to put on the record the seven non-financial areas or could somebody assist you with that?

Mr Shipton: The seven entities?

Senator O'NEILL: The seven entities, yes.

Ms Armour: The seven entities were National Australia Bank, Westpac, ANZ, Commonwealth Bank of Australia, AMP, IAG and IOOF.

Ms Chester: I might just supplement that. There are two sides to the non-financial risk crystallising into a financial risk, which we've already seen. The current remediation provisioning tally now, across the majors, has tipped over \$10 billion. But the flipside to that remediation is the consumers that are involved. We shared last week, in a speech that I gave at the FINSIA forum, where the remediation tally is up to at the moment. We're not talking hundreds of consumers, we're not talking thousands of consumers, we're not talking tens of thousands of consumers. We're now up to 1.2 million consumers across only three streams: consumer credit insurance, add-on insurance sold through car dealerships and fee for no service that have been remediated, \$660 million. That's less than eight per cent of the \$10 billion that's being provisioned. So we're looking at a non-financial risk that's become a financial risk that's certainly hit shareholders through the provisioning. But the important flipside to that, from our perspective, is the consumers. It's the consumers' money.

Senator O'NEILL: What was the percentage of consumers who've actually received that remediation?

Ms Chester: So 1.2 two million consumers have received \$660 million of remediation to date, in only those three product streams, but we know that the majors have provisioned now over \$10 billion. It's only \$660 million of the \$10 billion.

Senator O'NEILL: My question goes to how long it takes for these financial entities, when found guilty, to undertake the redress and pay it to people. I have had people in my office as far back as 2010, when I was in the green chamber, people coming to me round Trio Capital and other matters, waiting for something to happen, and people were dying while they were waiting. So what's going on, in terms of your power to force the pace? It's okay for responsible lending to small business, I'm all for it. Let those businesses grow. Let the jobs grow. That's wonderful. But people have been ripped off. The entities, the banks, the big

seven that you've indicated, have been found guilty and should be providing that money as a form of redress immediately—not dragging the chain. So \$600 million of \$10 billion has been released. Are my numbers correct there?

Ms Chester: For those three products that we've been oversighting, \$660 million; that's right. That's not to say that's the full story of remediation to date, but it does suggest that of the \$10 billion that's provisioned the majority is yet to be paid. That's right.

Mr FALINSKI: Are the provisions for all products or just for those three products? Is the \$10 billion for the three products?

Mr Shipton: We'll have to come back with the precise figure

Mr FALINSKI: Can I help you by telling you that the provisions are across the entire system, not for those three products.

Mr Shipton: I was going to highlight that, in addition to remediation amounts, it also goes to the cost of remediation and the processes. One thing that we have—

Mr FALINSKI: In other words, consumers have not necessarily received the \$660 million, that's the total cost of the remediation program? No, that's wrong.

Mr Chester: That's actual remediation to the consumers themselves; that's not including the total cost.

Mr FALINSKI: So, on top of that, there would be the cost of running those systems?

Mr Shipton: The costs of—

Senator O'NEILL: Could you take it on notice and provide us a breakdown of what's going on. Who's making money out of the repayment to Australians who've been ripped off? Who are the people who are making money out of that process?

Mr FALINSKI: Is there an allegation from ASIC that people are making money out of this?

CHAIR: Order!

Senator O'NEILL: No, I am very glad that profit is being secured by somebody. I want to know who is getting it.

Mr FALINSKI: Did you say people are profiting from this?

CHAIR: Order!

### **Answer:**

For the three products mentioned during the hearing – consumer credit insurance, add-on insurance, and fees-for-no-service – collectively the remediation of more than \$660 million is to more than 1.2 million consumers. In consumer credit insurance more than \$100 million is expected to be paid to over 300,000 consumers. For the sale of add-on insurance products in the car dealer distribution channel, over \$130 million has been paid to over 245,000 consumers. And on fees-for-no-service, around \$430 million has been offered or paid to 718,000 consumers or consumer groups.

We have not collected data on the cost of administering remediation programs. We are aware of professional services firms being engaged to assist financial service providers conduct remediation programs.