

Submission to the economics committee inquiry into competition within the Australian banking sector

The following submission is put on behalf of my wife, **Barbara Ann Wright** and I **Richard B. Wright**.

The Lord Chief Justice of England in 1875 said “The issue which has swept down the centuries and which will have to be fought sooner or later is the people versus the banks”. That time has come.

The terms of reference outlined appear to confine the subject matter to macro-economic issues. This submission will, in its conclusion, illustrate at a micro level the collusion, corruption and unconscionable conduct of a bank by way of an example proven in a Court of Law.

- (a) *Competition* between banks is virtually non-existent. Since the demise of the Commonwealth bank from public ownership and the subsequent “privatisation” of banks there has been no benchmark for responsible domestic fiscal management. There is no longer parity between tangible production and its value. Prior to the sell-off of public utilities, money was regarded as it should be, that is, nothing more than a means of exchange. It is now a commodity to be traded and exchanged around a volatile world to such an extent, populations starve while dealers speculate. The adoption of the “American” model where corporate governance takes over with a mantra of nothing but profit, regardless of the morality of achieving it, should be a matter for the Reserve Bank or APRA to address in their statutory obligations and prevent. Competition can be construed as an opportunity for banks to destroy small business to gain bigger clients. Many family farms have been taken over on this principal and converted into corporate conglomerates bigger, and in the eyes of banks, better.
- (b) The *products* referred to is a misnomer and deceptive in itself. Loans and borrowings are not products. The misleading suggestion that a commercial bill is a “product” should be struck from fiscal terminology. The insidious practice of manipulating the public with such lies and deceit is immoral. Such practice is designed to trap the consumer into what appears, on the surface, to be good business, but once ensnared it becomes difficult to exit the trap, let alone the changed conditions that evolve along the way. A “*contract*” or agreement with a bank is only as good as the lawyer who wishes to argue its merits in a court of law. Many lawyers are on “retainers” with banks, and, as such limiting the possibility of procuring the best representation the public can get to defend its rights. Deeds and agreements are designed to suit the banks with their capacity to increase costs and charges with impunity and many lawyers are coerced into representing banks. For Banks to use overseas currency as an excuse, to blame problems not catered for in their business plans and simply pass mistakes onto the consumer is wrong. The propensity for the banks to gain benefit from the so-called *global market* on the one hand then blame it using Australian clients to make up the difference to balance the books is unconscionable. If the banks were honest they would support agriculture in its true sense. Without it there would be little or no capacity for value adding stemming from real product.

(c) The general public avoids litigation because success is limited by available finance, and only the lawyers and bankers win. Bankers themselves use clients money to pay for their litigation so corporate cartels develop between big law firms, big accountancy firms and big business, precluding small operators from any chance of success. *Contracts*, more often than not are drawn up by the financial institution on their terms and used as a safety mechanism for that institution in the event of a dispute. The client is usually under duress when he is forced to sign them.

(d) Unless instrumentalities such as the ABS or ABARE can provide honesty and integrity in providing accurate statistical information as a guideline to the public to make informed decisions the economic malaise in Australia will continue.

ABARE, of which I am most familiar, continue to predict declining terms of trade in agriculture which every person in the country relies upon on a daily basis. The importance of agriculture is made minuscule by a distortion in the statistical information provided. Without agriculture unemployment along the marketing chain would be huge. Without agriculture people could not eat and the mass of public servants would be jobless. The growth in bureaucracy has been largely responsible for the severe erosion of a farmer's fair share of the retail dollar. Manufacturing industry in this country is of little significance in its contribution to the economy and mining, in its raw form, is now the only resource left for Australia to rely upon. Sadly the damage done to the environment in mineral and coal extraction will be a legacy left to coming generations no Australian can be proud of.

It appears that resources (the national collateral) will be *the most likely drivers for future change* and innovation in all sectors. Banks hate agriculture because it is un-predictable with drought, fire, pests, diseases and flood. They fail to realise and understand that, unlike mining, which is finite, agriculture is sustainable for generations to come. By way of example the court case mentioned later in this submission refers to the slaughter of a breeding herd of cattle at a meat price. "Global" banking will mean Australia will come down to the lowest common denominator. The deception of describing commercial bills and applying interest is deceitful in that the "bills" do not belong to the bank however they charge fees for the use of them. These so-called facilities are no different than the infamous offshore loans.

(e) Once a "client" becomes involved with a bank it becomes almost impossible, if any debt exists, to *move* to another institution. "Facilities" and their associated terms conditions and interest rates are always subject to change and any sign of dissatisfaction with the bank becomes a signal for a strategy to maximise return to the bank until the client is exhausted at which time foreclosure can be implemented. Exit fees from one bank and entry fees into another lock clients into banks prohibiting any option to change. In retrospect it would be satisfactory to regard ones bank as a means to finance a project like a vehicle to get from A to B, but the clutches become too expensive if a change is contemplated.

(f) The "*too big to fail*" syndrome came about when "Westpac" was (on the books anyway) broke. It would not have looked good for any of the big four to appear to be insolvent so government guarantees avoided that embarrassment, so much so banks are now totally out of touch with the community, seen to be a sound investment for shareholders, but at the expense of clients.

- (g) The Reserve Bank, if it is to be the fiscal instrument for monetary policy should be the *regulator* of banking business and any interest rise above the Reserve bank rate should be made illegal. The rate of bankruptcy in Australia is at its highest in history and bank profits are at their highest. This indicates a major problem. The impact of the global financial crisis was minimised by the fact that Australia has the most competitive resource sector in the world and is in close proximity to major international markets. Banking had nothing to do with the sound economy. It is primarily a non-productive service sector and has within it some capacity to “invest” on behalf of its shareholders at significant cost to its clients. The public never gave banks approval to become involved in any extra curricular activity other than banking. The corporatisation of agriculture provides an opportunity for that industry to develop its own finance institution based on its productive capacity. This has been done before but eventually failed due to the greed and opportunism of the directors involved in the same way co-operatives have had limited success. This leaves the only option and that is to *regulate*.
- (h) When it was Commonwealth policy to educate children into saving with assistance through education they soon learnt the merits of “saving”. The deception, which now exists, is that many savings accounts cost so much they no longer exist and the younger generation has fallen into the credit card trap. If money is the root of all evil it must be *regulated*. Unless the young are educated to save and nurture their hard earned savings through a “children’s savings system” the insidious disease like obesity will increase. Henry Ford once said “*The youth who can solve the money question will do more for the world than all the soldiers in history*”
- (i) For banks to claim the *cost of capital* as good reason to increase costs and charges domestically illustrates their contempt for the Australian public. Credit creation, which is money the bank doesn’t have, costs the banks nothing and they demand collateral to provide it following which they will call in the “loan” on homes farms and businesses when it suits. Credit creation is usury and is money unrelated to productivity.
- (j) The *policy* of investing overseas for the pursuit of profit should be subject to the foreign investment review board before it is approved. This body should be the watchdog for money leaving the country as well as that entering it. Banks should be confined to banking and do that job well rather than launch into projects outside their jurisdiction and control. The lowest common denominator is not where our country needs to be and unless and until the finance sector recognises its responsibility to Australia first and foremost we will be dragged down by the ongoing global financial crisis. The lesson that should be learnt is that we should not live beyond our means and selfishly jeopardise future generations.
- (k) My generation was brought up to save and respect money for what it is – a means of exchange. The practice in Australia in recent times is to centralise banking where no decision is taken outside a capital city. Banks monitoring the performance of a business takes no account of the individual running it and does nothing but observe the operation on a computer with no account for seasonal fluctuations, drought fire or flood, let alone primary production. Reputation or character counts for nothing in the corporate world we find ourselves in. As a result innovation and research stagnates resulting in total disregard for excellence. Uppermost in the American system is the judgment of character as a prerequisite to lending money. To suggest that our banks can be compared favourably with other international jurisdictions suggests those jurisdictions are

beyond redemption and perhaps the monetary crisis affecting the world is evidence of this

- (1) Past inquiries have delivered little or no reform. Individuals are intimidated by the system and any reform group is usually branded as red-neck extremists. A commission of inquiry in 1991 (the Martin Inquiry) failed and numerous other inquiries in more recent times have done little to address ongoing problems. An inquiry into “shadow ledgers” (October 2000 PJSC) exposed fraud and malpractice only to be directed to an impotent Banking Code of Practice which not even the ASIC recognises or uses. The shadow ledgers allowed banks to write off what appeared to be bad debts. In our case the perceived debt was written off in the belief a judgment would favour the bank. It did not and neither did the appeal that followed. The ATO advised *the matter is in the secrecy Department*. The recent inquiry into the role of receivers, liquidators and administrators revealed the majority of these so-called professional insolvency practitioners were appointed by the banks anyway and their fees and charges are fraudulent. I tabled numerous documents at that hearing which were used, no doubt in the deliberations of that committee as evidence to incite change but was disappointed to discover those documents were not published for fear of prosecution perhaps? Documents provided to inquiries I was led to believe were “under Parliamentary privilege”. No disclosure of such documentation means the perpetrators can simply carry on. The problem which arises is that people (certainly those who borrow money) are intimidated by the system. The risk in providing evidence to inquiries involves threats of litigation or sometimes even worse physical threats. If Attorneys General and politicians continue to maintain that legal rights are only to be dealt with by the courts they have abrogated their responsibility. Anyone who has fought banks in the courts will realise few win, and those that do exhaust themselves physically and mentally to the extent their marriages are jeopardised and some even suicide. The law is confined to those who can afford it and banks even use clients funds as can be evidenced in the appendix material of this submission. This raises the suggestion that if every Australian is entitled to justice as is a constitutional right only the rich can afford it.