

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS (FOURTH REPORT)

Australia and New Zealand Banking Group Limited

ANZ06QON: Hansard p. 28

Changes to small business lending

Mr EVANS: Are you aware of any areas of small business lending practices where you haven't yet implemented the changes you've committed to or are running late according to the implementation timelines?

Mr Elliott: Not to my knowledge—I'd have to check. There might be a little bit of timing slippage, but my understanding is that it's nothing material.

Mr EVANS: I'm happy for you to check that and report to us on notice.

ANSWER

ANZ is meeting its commitments to reforms to small business lending practices and is on track to meet the required timelines for changes that are still in progress.

We have simplified our main standard form small business lending contract, halving contract length, increasing safeguards for customers and limiting non-monetary default and unilateral variation clauses. We had these documents tested and certified as meeting the WriteMark Plain English Standard. WriteMark is an internationally recognised business that contributes to making documents easier to understand.

ANZ expects to complete implementation of changes to our remaining lending related documents used by small business by early 2019. Note we are not exercising any related enforcement rights in relation to the clauses being changed.

With the introduction of these changes we meet the standards of Chapter 22 of the new Banking Code of Practice (BCP). This relates to when we will not enforce a loan against a small business for non-monetary defaults, and what we will do before we take any default based action. The instances where breach of a financial indicator covenant is an event of default have been limited for small business lending customers to meet the commitments to ASIC and the BCP requirements.

We have introduced processes to provide customers with a copy of instructions and reports produced by external valuers for valuations paid for by customers and for agricultural or commercial property. Copies of investigating accountants' reports are provided by ANZ to small business customers.

For small business customers, we will provide a notice period of 90 calendar days from a decision not to extend a loan beyond its maturity before that loan can be made fully repayable. Process changes are being made and we will comply with Chapter 23 of the BCP when it commences.

ANZ's commitments related to small business lending practices were set out in a March 6 2017 letter to the Chair of the House of Representatives Economics Committee and, in addition, are being met through implementation of the new BCP. ANZ aims to implement the BCP ahead of the required date of 1 July 2019.