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Introduction

Background

1.1   This is the House of Representatives Standing Committee on Economics' fourth report for the committee's review of Australia's four major banks.

1.2   In November 2016, the committee published its first report, which followed the first round of hearings in October 2016. The report contained 10 recommendations to reform the banking sector, including calling for new legislation and other regulatory changes to improve the operation of the banking sector for Australian consumers.

1.3   In a second report in April 2017, following hearings in March, the committee reaffirmed the 10 recommendations of its first report and made an additional recommendation in relation to non-monetary default clauses.

1.4   In a third report in December 2017, following hearings in October, the committee made four new recommendations regarding: dual-network debit cards and tap-and-go payments; the repricing of interest-only mortgages; comprehensive credit reporting; and AUSTRAC procedures.

1.5   The government and the regulators have commenced a significant financial sector reform agenda including recommendations made by the committee on reforms to the banking sector:

- Legislation passed in February 2018 to establish the Australian Financial Complaints Authority (AFCA), creating a one-stop shop for external dispute resolution in the financial sector. AFCA will start accepting complaints from 1 November 2018.

- Legislation was passed in February 2018 for the Banking Executive Accountability Regime (BEAR) to impose higher standards of behaviour on banks and their senior executives and directors, applying from 1 July 2018 for large authorised deposit-taking institutions (ADIs) and from 1 July 2019 for small and medium ADIs.

- Legislation passed in February 2018 to enable all ADIs regardless of their size to use the term 'bank'.

- The second stage of consultation on legislation to implement Open Banking reforms (and the broader Consumer Data Right) to drive competition across the banking system commenced on 24 September 2018.

- Legislation was introduced on 28 June 2018 to increase the ownership restriction applying to financial institutions from 15 to 20 per cent, and to establish a streamlined approval path for new and recent entrants to reduce barriers for innovative new FinTechs into the banking sector.

- Legislation was introduced on 28 March 2018 to mandate the participation of the four major banks in the comprehensive credit reporting (CCR) system, and to enhance the security protections surrounding that information. The data sharing process commenced in September 2018 when the four major banks voluntarily joined the system.

1.6   The committee's mandate from the government to review the banking sector is ongoing, and provides an important mechanism to hold the four major banks to account before the Parliament.

1.7   The fourth round of hearings in October 2018 focused on scrutinising the major banks' response to the shocking revelations highlighted in the Royal Commission's Interim Report.

Conduct of the inquiry

1.8   The committee held three-hour public hearings with each of the four major banks on 11, 12 and 19 October 2018.

1.9   The proceedings of the hearings were webcast over the internet, through the Parliament's website, allowing interested parties to view or listen to the proceedings as they occurred. The transcripts of each of the public hearings are available on the committee's website.

1.10   Following these hearings, the committee sent letters to each of the major banks' Chief Executive Officers (CEOs) seeking responses to questions on notice as well as a range of additional information on specific issues of concern to the committee.

1.11   The banks' responses to these additional requests, excluding information that was provided on a commercial-in-confidence basis, are available on the committee's website.

Reader guide and structure of the report

1.12   Chapters 2, 3, 4 and 5 provide a summary of the main issues covered during each of the committee's public hearings.