

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS
REVIEW OF THE FOUR MAJOR BANKS (FOURTH REPORT)
National Australia Bank (NAB)**

NAB07QW:

Your organisation has made a number of commitments to change its practices regarding small business lending, including changes recommended by this Committee, the Small Business & Family Enterprise Ombudsman, ASIC and others. Are there any commitments regarding small business lending practices where your organisation has failed to make the required changes, or failed to make the required changes in the timeframe committed to?

Answer:

NAB has implemented, or will implement as part of the new Banking Code of Practice (to commence 1 July 2019), the commitments it has made to improve small business lending practices. These commitments were informed by the 2016 Australian Small Business and Family Enterprise Ombudsman (ASBFEO) Small Business Loans Inquiry (Carnell Inquiry), our subsequent engagement with ASIC and the work of the Committee.

In a response to the recommendations arising from the Carnell Inquiry, NAB undertook a program of work in 2017 to update its standard business letter of offer (BLO). The BLO is NAB's main standard form contract for business lending of less than \$50 million.

Key changes which NAB has made include:

- In October 2017, NAB launched its new standard form business lending contract which applies to over 130,000 business customers. The new contract is written in plain English to provide simpler contractual clauses for greater transparency, is shorter in length and has removed one-third of the previous terms and conditions. The new contracts also:
 - Remove material adverse event clauses, clearly defining the events or circumstances which may give rise to a non-monetary default. We have allowed a remedy period of at least 37 days in the event of a non-monetary breach, which will allow time for the default to either be remedied or an alternative action plan put in place, if a remedy is not possible.
 - Provide small business customers (those with a total credit exposure up to \$3m) and/or guarantors, with at least 90 days' written formal notice if their loans are not to be renewed.