

My submission to the current inquiry into Financial Products and Services in Australia concerns consumer education and understanding of financial products and services. I am particularly concerned that consumers of banking services do not yet understand what happens if their loan applications to a bank meets the bank's credit criteria.

We understand that if our applications meets bank credit criteria and they have funds available to lend, we would get loans. Until I discovered otherwise, I had assumed that if my bank did not have funds available my application would be rejected [at least until my bank had sufficient funds]. It turns out I was wrong – many banks accept applications of creditworthy customers even though they have insufficient funds to lend!

Thanks to the Internet and the efforts of colleagues I discovered and verified two disturbing facts about some banks, and particularly retail deposit taking banks used by retail customers. I say some because I believe that not all banks practice the following fraud, proven in a US court more than 40 years ago by the testimony of the bank's president.

- The President [Lawrence V. Morgan] of the First National Bank of Montgomery testified that his bank's claim for title to the defendant's property by foreclosing his bank's mortgage was based on a bookkeeping entry [based on the defendant's loan application] and not on any loan of money. The bank had believed that the defendant would continue to pay it money in terms of the mortgage and had given him enough credit to purchase the property but it had only pretended to make the loan. The bank's appeal was eventually dismissed. Documented details of the case are available [here](#) in the Minnesota law library.
- Despite the bank president's testimony making it clear that this [civil] fraud was common practice at his and other US banks, the practice continues around the world with the knowledge of countless bankers plus broadcasters and editors complicit in the fraud, either by or fear or favour. I believe that one of the knowledgeable bankers is Malcolm Turnbull. My email to him [titled 'Money, debt & something you and Kevin should investigate'] was deleted on 7 April 2009.

Just what might happen as more and more bank customers become educated to understand the significance of the fraud and those whose complicity has maintained it for more than 40 years is largely up to this committee. It can be like Malcolm Turnbull or it can investigate the extent of the practice among Australian banks [such as the Commonwealth Bank of Australia] and report its findings to parliament. The latter is clearly its duty but what if even the ABC, with its statutory duties, refuses to broadcast and publish this committee's findings and any consequent parliamentary debate? Given the 40 year history of suppression by global news networks like News Corporation, of that fraud by the First National Bank of Montgomery, the public will continue to use the Internet where it will discover news such as the result of this committee's inquiry.

Yours faithfully

J E Stewart