

11 February 2022

Ian Govey AM
Chair
Banking Code Compliance Committee
PO Box 14240
Melbourne VIC 8001

via email: info@codecompliance.org.au

Dear Mr Govey

Banking Code Compliance Committee (BCCC) Priorities for 2022-23

Thank you for the opportunity to comment on the BCCC's priorities for 2022-23.

We support the BCCC's continuation of investigations and activities to support small business in managing the impacts of the pandemic, and other natural disasters, in consultation with their bank. In particular, monitoring whether banks are being proactive, and responsive, in identifying potential vulnerabilities and financial hardship being experienced by small business and reducing or waiving any financial penalties and interest as a result of delayed loan repayments or cash flow issues.

The 'shadow lockdowns' created by the pandemic will continue to impact small businesses and may create ongoing and unpredictable instances of financial hardship. The challenge of unpredictability is compounded by circumstances where banks fail to provide clear and timely communication to small business customers, particularly on the timeframes and outcomes of loan applications, which may have detrimental impacts on small business cash flow and operations. Improved performance in line with clauses 72 and 74 of the Banking Code of Practice (the Code) will assist with business recovery and may alleviate the significant financial and mental distress caused to small business operators.

As outlined in the joint letter from AFCA and our office dated 7 February 2022, we support the suggestion in the recent review of the Banking Code of Practice that the BCCC consider undertaking an inquiry into banks' performance in accordance with commitments around de-banking. While recommendation 58 of the 2021 Callaghan review has not yet formally been adopted, we recommend the BCCC consider an inquiry into banks' performance in accordance with the Code's Statement of Guiding Principles, ensuring banking services are accessible, inclusive, and provided in a fair and ethical manner.

Other areas in which the BCCC could target its activities include:

- an increased focus on identification and promulgation of better practices to aid continuous improvement and compliance with the Banking Code of Practice (the Code);
- ensuring that where a loan is discharged by a small business over which security is held, banks are proactive in discussing, and removing, registrations on the Personal Property Securities Register (PPSR);
- ensuring that communication from the banks is useful and clear for small business customers about available supports in the continuing tumultuous times, for example, loan deferrals, cash flow and financial hardship provisions;

- making information clearly accessible and available to small business, as per clauses 72 and 73, about the timeframes and information required to assess loan applications and access other banking products, such as bank guarantees, so that they can be nimble and respond to business opportunities; and
- enhanced training and education, in line with clause 211, such that the Code principles drive everyday customer-centric decisions and behaviours.

If you would like to discuss this matter further, please contact Jan Walker on 02 5114 6114 or at Jan.Walker@asbfeo.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bruce Billson', written over a faint circular stamp.

The Hon. Bruce Billson

Australian Small Business and Family Enterprise Ombudsman