



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

25 February 2022

Ms Lauren Worldon
Australian Banking Association
2021 Code Review
PO Box H218, Australia Square NSW 1215

via email: submissions@bankingcodereview.com.au

Dear Ms Worldon,

Business Groups and the Banking Code

Thank you for the opportunity to comment. We acknowledge the efforts made by the Australian Banking Association to adopt recommendations made in the Pottinger Review.

Our stakeholder consultations identify that the requirement to meet all three criteria – turnover, debt and employees, to be classified as a small business, will mean that some small businesses are incorrectly classified as they have cyclical income combined with high borrowings. The definition needs to be simple for business to understand and be applied in a principles-based way by bank staff who are empowered to do so.

A focus on the definition and application of related, or controlled entities, may make the code more difficult to apply, causing slower service in some situations. Therefore, we recommend only one criterion be required to be met to be considered a small business, as recommended by the Banking Code Compliance Committee (BCCC).¹ While this will increase code coverage, it only commits banks to a minimum level of service which most Australian banks should already exceed.

If it is not practical at this time to move to using one criterion, we recommend applying the \$5 million debt limit by facility rather than in aggregate, while setting an intention to move towards a single criterion definition in the longer term.

Finally, once a bank has defined the customer as a small business, they should communicate that decision clearly to the client, and apply it consistently in their dealings across the bank. This should only change where there is a material change to business circumstances.

Thank you for the opportunity to comment. If you would like to discuss this matter further, please contact Ms Jan Walker on 02 5114 6114 or at jan.walker@asbfeo.gov.au.

Yours sincerely

Bruce Billson
Australian Small Business and Family Enterprise Ombudsman

¹ BCCC, Independent Review of the definition of 'small business' under the Banking Code of Practice, 12th October 2020, [BCCC-submission-to-Independent-Review-of-the-Code-small-business-definition-October-2020.pdf](https://www.bankingcode.org.au/~/media/1/1/2020-10-12-independent-review-of-the-code-small-business-definition-october-2020.pdf) (bankingcode.org.au)