Are the banks fit for purpose?

Summary:
Questions need to be asked about the state of Australia's banking system. Clearly there is something very wrong when billions of dollars are being set aside to remediate clients who have been ripped off one way or another. The banking model is flawed. It is not designed to provide a meaningful service to customers. Banking is taking far too much of the county's wealth to benefit international elite interests. This powerful article from The Australian's Joyce Moullakis is well worth a read. It will trigger thoughts regarding the nature of the banks' commitment to remediation. A lot of money has been set aside - but how much will actually end up in customers' pockets?

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Banks deploy compensation army to repay customers

The major banks have deployed a combined army of 4,000 people to compensate customers for shoddy systems and poor conduct, despite **only paying out a small proportion of their combined $8.1bn bill.**

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The big four banks as a group **have paid out just 17.5 per cent of the total provisions and charges they put aside to compensate customers** and run huge remediation programs.

Hordes of bank staff are conducting audits and locating customers, with ANZ Bank chief executive Shayne Elliott finding himself among the recipients of compensation payments.

The banks are fixing longstanding issues and those fleshed out in the Hayne royal commission and none of the majors are prepared to say there won't be more compensation to come.

The appearances of bank CEOs in Canberra over the past two weeks have shed light on the scale of the compensation programs and the costs involved with remediating past mistakes and scandals.

The size of the remediation programs suggest money could be distributed to more than five million bank customers. But almost 12 months after the royal commission hearings wrapped up, the payments to customers are flowing at a slow rate, according to evidence the bank CEOs provided to the parliamentary economics committee.

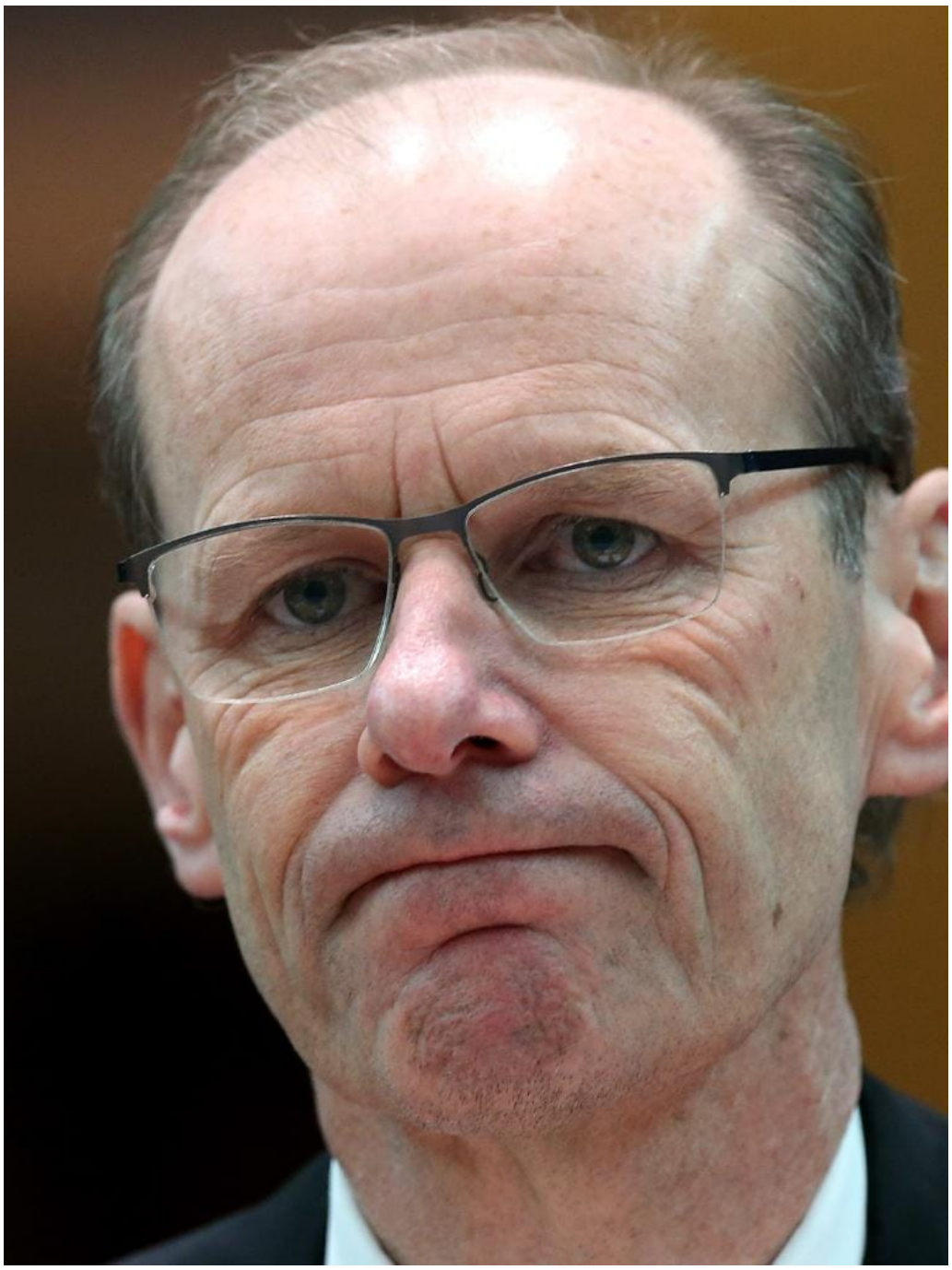
Slow to pay

"it is modest... It requires manual intervention," Mr Elliott said when pressed on the progress of the bank's remediation.

"The returning of money is speeding up and we're confident we're going to get much faster."

He conceded, though, the program would not be complete in 12 months time and said because costs and repayable interest to customers would accrue over time, there was an incentive for banks to accelerate the compensation programs.

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ANZ CEO Shayne Elliott. Picture Kym Smith

"There is no benefit in delay, there is now benefit in speed," Mr Elliott added.

"We have a plan. It will not be perfect... The vast, vast bulk (of customers) are not expecting it (compensation)."

The ANZ boss told the committee he had received three remediation payments from the bank which added up to about $140.

ANZ has returned just $167m to one million customer accounts of a total of about $1.2bn that needs to be paid. The bank has also set aside about $400m to run its compensation program, which has 1,100 full time staff working on it and about 650 employees assisting.

Compensation costs

National Australia Bank has an even bigger remediation task. Acting CEO Phil Chronican

told the committee the bank "desperately wants" to repay mistreated customers and avoid a second wave of compensation costs, after setting aside almost $2.4bn to deal with past issues.

Mr Chronican was quizzed by members of a parliamentary economics committee on why it was taking NAB a long time to repay customers.

He said **so far the bank had returned $247m to customers through 473,000 separate payments.**

"I desperately want to get this off our plate. The longer it sits there the longer it will cost," he said, referring to interest accruing on the amounts to repay customers and the 950 staff NAB has working on its remediation programs.

"We have to do it properly... there is a quality dimension that is required."

Mr Chronican said he wanted the matter dealt with so NAB didn't expose itself to a second large wave of customer compensation, as was the case across large banks in the United Kingdom.

In the UK, remediation charges from the payment protection insurance scandal that engulfed British banks has hit £50bn ($94bn).



Philip Chronican acting Chief Executive Officer of National Australia Bank. Picture Kym Smith

Mr Chronican also noted that NAB had **48 longstanding customer disputes that it was working through and had "fully resolved" 20 of those.**

Legacy cases / criminal charges

Dr Peter Brandson, who founded the Bank Reform Now group, and attended Friday's hearing said the banks were still dragging their feet on long-standing cases.

"There are two reasons for this, they are very expensive to settle and banks don't want to make admissions where they could be liable and face criminal charges," he said.

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Dr Brandson - a general practitioner who has a long running dispute with NAB - did applaud Mr Chronican for agreeing to meet him in coming weeks to work through legacy cases and other reform issues post the royal commission.

Mr Elliott told the committee ANZ had resolved about 80 per cent of its "complex" legacy cases.

Some of the disputes against the major banks date back more than a decade.

Last week, Commonwealth Bank CEO Matt Comyn told the parliamentary committee the bank had **repaid $600m to customers with the cost of running its remediation programs mirroring that amount.**

CBA has made $2.2bn in total provisions to date and Mr Comyn said of the remaining $1bn he estimated a further $100m would be repaid by June 30.

Westpac CEO Brian Hartzer and his bank have dished out **refunds to more than 500,000 customers totalling about $350m since 2017**. He established a "remediation hub" to speed up the process of refunding customers.

Part of the customer compensation bill for all the banks relates to charging customers fees for advice they didn't receive from financial planners. Other refunds stem from incorrect charges being levied or customers being pushed into unsuitable products.

Mr Elliott and Mr Chronican also told the economics committee they did not believe home loan customers were being slugged with a loyalty tax. That follows debate about how banks price mortgages and discount more to attract new customers while existing borrowers tend to pay higher rates of interest.



The big four banks as a group have paid out just 17.5 per cent of the total provisions and charges they put aside to compensate customers and run huge remediation programs - Picture composite: AAP

Websites For More Information: SOURCE - The Australian - Business Review - Joyce Moullakis - 15.11.19
https://www.theaustralian.com.au/business/financial-services/banks-deploy-compensation-army-to-repay-customers/news-story/d8e2879127a1db6894a63cd93be6a93c

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