Interim Report

Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

VOLUME 2:   
CASE STUDIES

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# Glossary

| **Term** | **Definition** |
| --- | --- |
| **anti-hawking provisions** | Provisions set out in Sections 736, 992AA and 992A of the *Corporations Act 2001* (Cth) that prohibit offering financial products for issue or sale during, or because of, an unsolicited meeting or telephone call with a retail client. |
| **authorised deposit-taking institution (ADI)** | A body corporate authorised under the *Banking Act 1959* (Cth) to carry on a banking business in Australia. |
| **Australian Credit Licence (ACL)** | A licence issued under the *National Consumer Credit Protection Act 2009* (Cth) that authorises a licensee to engage in particular credit activities. |
| **Australian financial services licence (AFSL), Australian financial services licensee** | A licence under the *Corporations Act 2001* (Cth) that authorises a person who carries on a financial services business to provide financial services. A licensee is the person who provides the services. |
| **Bank Bill Swap Rate (BBSY)** | An interest rate used as a benchmark when pricing financial products. |
| **buyer of last resort (BOLR)** | Arrangements whereby a licensee or an authorised representative acquires the business of another representative. The purchase price is determined using a specific formula. |
| **conflicted remuneration** | Any benefit, whether monetary or non-monetary, given to a **financial services licensee**, or their representatives, who provides financial product advice to retail clients that, because of the nature of the benefit or the circumstances in which it is given could reasonably be expected to influence the choice of financial product recommended by the licensee or representative or could reasonably be expected to influence the financial product advice given to retail clients by the licensee or representative: see Section 963A of the *Corporations Act 2001* (Cth). |
| **enforceable undertaking** | An undertaking enforceable in a court. Issued under the *Australian Securities and Investments Commission Act 2001* (Cth) and the *National Consumer Credit Protection Act 2009*. |
| **external dispute resolution (EDR)** | An independent service for resolving disputes between consumers and providers of financial products and services, as an alternative to the court system. |
| **financial product** | Under the *Corporations Act 2001* (Cth), a facility through which, or through the acquisition of which, a person makes a financial investment, manages financial risk and/or makes non-cash payments. |
| **financial services entity** | Defined by the Letters Patent as (among other things) ‘an ADI (**authorised deposit-taking institution**) within the meaning of the Banking Act 1959’, ‘a person or entity required by section 911A of the Corporations Act 2001 to hold an **Australian financial services licence**, or who is exempt from the requirement to hold such a licence by virtue of being an authorised representative’, and ‘a person or entity that acts or holds itself out as acting as an intermediary between borrowers and lenders’. |
| **Financial Services Guide (FSG)** | A guide that contains information about the entity providing financial advice, and explains the services offered, the fees charged and how the person or company providing the service will deal with complaints. |
| **financial services licensee** | An individual or business that has been granted an **Australian financial services licence** (AFSL) by ASIC. |
| **Future of Financial Advice (FoFA)** | A 2012 package of legislation intended to improve the trust and confidence of Australian retail investors in the financial services sector and ensure the availability, accessibility and affordability of high quality financial advice. |
| **Household Expenditure Measure (HEM)** | A measure of what families spend on different types of household items, calculated quarterly by the Melbourne Institute of Applied Economic and Social Research. |
| **mortgage aggregator** | An intermediary between mortgage brokers and lenders. Mortgage aggregators have contractual arrangements with lenders that allow brokers operating under the aggregator to arrange loans from those lenders. |
| **mortgage broker** | An intermediary between borrowers and lenders of home loans. |
| **third party guarantor** | A person or business other than the borrower who guarantees to pay back a loan if the borrower does not. |
| **Tier 1 Capital** | Capital against which losses can be written off while an **authorised deposit-taking institution** (ADI) continues to operate and can absorb losses should the ADI ultimately fail. |
| **trail commission** | A regularly recurring commission to an intermediary, such as a broker, based on a proportion of the current or average loan balance and payable periodically after the loan is made/drawn. Distinct from a commission that is paid up front. |
| **vertical integration** | A description of the relationship between entities where financial advice, platforms and funds management are controlled by a single entity. |

# 

# Abbreviations

|  |  |
| --- | --- |
| **ABA** | Australian Bankers’ Association (now Australian Banking Association) |
| **ABARES** | Australian Bureau of Agricultural and Resource Economics and Sciences |
| **ACBF** | Aboriginal Community Benefit Fund |
| **ACCC** | Australian Competition and Consumer Commission |
| **ACL** | Australian Credit Licence |
| **ADI** | authorised deposit-taking institution |
| **AFCA** | Australian Financial Complaints Authority |
| **AFA** | Association of Financial Advisers |
| **AFSL** | Australian financial services licence |
| **APRA** | Australian Prudential Regulation Authority |
| **ASBFEO** | Australian Small Business and Family Enterprise Ombudsman |
| **ASIC** | Australian Securities and Investments Commission |
| **AUSTRAC** | Australian Transaction Reports and Analysis Centre |
| **BOLR** | buyer of last resort |
| **EDR** | external dispute resolution |
| **FASEA** | Financial Adviser Standards and Ethics Authority |
| **FoFA** | Future of Financial Advice (legislation reforms) |
| **FOS** | Financial Ombudsman Service |
| **FPA** | Financial Planning Association of Australia |
| **FSG** | Financial Services Guide |
| **HEM** | Household Expenditure Measure |
| **KPI** | Key Performance Indicator |
| **LVR** | loan-to-value ratio |
| **PDS** | product disclosure statement |
| **SME** | small and medium enterprises |
| **SMSF** | self managed superannuation fund |

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# Legislation

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| Australian Securities and Investments Commission Act 2001 (Cth)  (The ASIC Act) |
| Australian Small Business and Family Enterprise Ombudsman  Act 2015 (Cth) |
| Banking Act 1959 (Cth) |
| Competition and Consumer Act 2010 (Cth) |
| Corporations Act 2001 (Cth) (the Corporations Act) |
| Fair Work Act 2009 (Cth) |
| Farm Business Debt Mediation Act 2017 (Qld) |
| Farm Debt Mediation Act 1994 (NSW) |
| Farm Debt Mediation Act 2011 (Vic) |
| Financial Services Reform Act 2001 (Cth) |
| Income Tax Assessment Act 1997 (Cth) |
| Insurance Contracts Act 1984 (Cth) |
| National Consumer Credit Protection Act 2009 (Cth) (the NCCP Act) |
| Privacy Act 1988 (Cth) |
| Royal Commissions Act 1902 (Cth) |

# The Commission’s tasks

In the introduction to this Interim Report I pointed out that the first paragraph of the Terms of Reference obliged me to inquire into whether conduct might have amounted to misconduct (as defined) and the second paragraph required me to consider whether any conduct, practices, behaviour or business activities by financial services entities fall below community standards and expectations. It is important to say something more about my understanding of these tasks.

As has already been noted, ‘misconduct’ is defined in the Letters Patent as including four classes of conduct:

• conduct that constitutes an offence against certain laws;

• conduct that is misleading, deceptive, or both;

• conduct that is a breach of trust, breach of duty or unconscionable conduct; and

• conduct that breaches a professional standard or a recognised and widely adopted benchmark for conduct.

Consistent with the essential character of a Royal Commission (as a non‑judicial task) the Letters Patent require me to inquire into whether any conduct might have amounted to misconduct. I am not asked to decide whether conduct did constitute an offence, or other contravention of law. If conduct might have amounted to misconduct, I am required and authorised to decide whether the question of criminal or other legal proceedings should be referred to the relevant Commonwealth, state or territory agency. Any decision about bringing proceedings is a matter for the relevant agency,   
not me.

This report sets out some conclusions I have reached in relation to the matters explored in public hearings. I set out my conclusions about what happened, what was done or not done, and what legal characterisations might attach to or be associated with those factual conclusions.

The conclusions I reach about whether conduct might have amounted to misconduct are, and must be, based on the information that has been assembled during the course of the Commission’s inquiries. Much, but not all, of that information was provided by evidence given in the course of public hearings; some was gathered otherwise, including, for example, from submissions made to the Commission by **financial services entities** and others.

The conclusions that I reach have no binding or enforceable effect, whether against those who are said to have engaged in relevant conduct, against others who have appeared in the course of public hearings or in any other way. I cannot, and do not, decide whether evidence given in hearings conducted by the Commission, if it could be, and later was, adduced in properly constituted criminal or civil proceedings, would support a finding of contravention of law.

Submissions made by persons given leave to appear have often emphasised that a conclusion that there might have been misconduct should not be reached lightly. Unsurprisingly, the submissions have been framed in the language of the courtroom with references to standards and burdens of proof. And references of that kind (especially to notions of burden of proof) have their origins in the essentially adversarial common law system of judicial trial in accordance with applicable rules of evidence. The processes of a Royal Commission, and hence the inquiry I have conducted, are radically different from those of a court conducting a trial. The Commission is an inquiry instituted by the Executive. It is not bound by the rules of evidence. The notion of a burden of proof has no application. But the essential point made – that a conclusion that there might have been misconduct should not be reached lightly – is undeniably true.

I cannot form a conclusion about what has happened or what has been done or not done without my being persuaded of the relevant fact. And as Dixon J pointed out in 1938, ‘[t]he seriousness of an allegation made, the inherent unlikelihood of an occurrence of a given description, or the gravity of the consequences flowing from a particular finding are considerations which must affect the answer to the question whether the issue has been proved to the reasonable satisfaction of the tribunal’.[[1]](#footnote-1)

The conclusions that I express in my reports (interim and final) may have grave consequences. Allegations of misconduct are serious.

Members of society ordinarily do not engage in conduct that is dishonest. Most members of society try to act within applicable legal rules and regulations.

All of these are matters that I have striven to bear at the forefront of consideration when forming the conclusions I express. Most especially has that been so in respect of two kinds of conclusion – first, a conclusion that conduct by a financial services entity (or by directors, officers or employees of an entity or by someone acting on behalf of the entity) might have amounted to misconduct and second, the related but distinct conclusion about whether the question of criminal or other legal proceedings should be referred to the relevant Commonwealth, state or territory agency.

It will be seen that there are some cases in which I say that particular conduct *amounted to* misconduct rather than that the conduct *might* be of that character. I have thought it right to go so far in cases where the entity concerned acknowledged in its submissions to the Commission that what had happened amounted to misconduct. Apart from those cases, however,   
I have sought to express no larger conclusion than that conduct might have amounted to misconduct of a particular kind.

# Case studies: Consumer lending

## 1 NAB Introducer home loans

### 1.1 Background

In its response to the Commission’s initial inquiries, NAB acknowledged that between 2013 and 2016, NAB bankers in the Greater Western Sydney area and in other parts of NSW, the ACT and Victoria, engaged in misconduct   
in connection with home loan applications submitted through the NAB Introducer Program. Anthony Waldron, the Executive General Manager   
for Broker Partnerships at NAB, Angus Gilfillan, the Executive General Manager, Consumer Lending, in the Customer Products and Services Division at NAB and Lynda Dean, Executive General Manager, Performance and Reward, gave evidence in relation to this case study.

### 1.2 Evidence

From 2013 to 2016, the NAB Introducer Program was (and at the time   
the evidence was given, remained) a program by which third parties (‘Introducers’) received a commission payment for referring loan applications to NAB. Most loans referred to NAB by Introducers are home loans.[[2]](#footnote-2) The commission paid was (and remained) calculated as a percentage of the loan amount paid to the Introducer when the customer’s loan application is approved and drawn down.[[3]](#footnote-3) Commission payments to certain Introducers involved in the conduct examined in evidence totalled about $630,000 over four years, of which $488,000 was paid to a   
single Introducer.[[4]](#footnote-4)

The Introducer Program has been a profitable source of lending for NAB, resulting in more than $24 billion in loans between 2013 and 2016.[[5]](#footnote-5) At its peak, there were approximately 8,000 Introducers in the program.[[6]](#footnote-6) NAB’s internal policies during the period of the relevant conduct required Introducers to submit minimum volumes of home loan applications.[[7]](#footnote-7) As at the end of October 2015, the four Introducers involved in the conduct had provided to NAB $139.78 million in loans drawn down.[[8]](#footnote-8)

In September and October 2015, NAB received two anonymous calls from whistle-blowers. These whistle-blowers told NAB about certain practices alleged to have taken place in Greater Western Sydney branches of NAB, including alleged bribery.[[9]](#footnote-9) In April 2015, NAB had conducted a Comprehensive Assurance Review that uncovered a range of concerns related to Introducer files and sales incentive discrepancies in relation to one of the branches that was later found to be involved in the relevant conduct,[[10]](#footnote-10) but NAB’s full investigation did not commence until late   
October 2015.[[11]](#footnote-11)

In December 2015, KPMG was engaged to conduct an investigation   
in relation to the allegations.[[12]](#footnote-12) KPMG’s initial review identified many issues both in respect of the NAB Introducer Program and in respect of controls that had been in place to prevent or deter fraud and other misconduct, including in respect of the loan origination and application process and income verification procedures for both personal loans and home loans. KPMG noted that NAB’s Forensic Team had identified: unapproved Introducers introducing new customers to the lending managers; loans being approved on the basis of potentially fraudulent documentation (such as forged pay slips); and bankers accepting payments from unapproved Introducers.[[13]](#footnote-13) KPMG said that there could be about $50 million of loans with ongoing serviceability issues.[[14]](#footnote-14)

On 21 December 2015, NAB sent a letter to the Australian Securities and Investments Commission (ASIC), informing ASIC of its investigations.[[15]](#footnote-15)   
By letter dated 3 February 2016, NAB notified ASIC of a significant breach pursuant to Section 912D of the *Corporations Act 2001* (Cth)   
(the Corporations Act).[[16]](#footnote-16)

NAB continued to investigate potential misconduct by bankers and Introducers in 2016. Later that year, it became aware that the conduct was not confined to the Greater Western Sydney area.[[17]](#footnote-17) NAB established several projects to investigate the misconduct and identify causes. NAB’s investigations and the review conducted by KPMG found that NAB bankers had engaged in conduct including:

• applying signatures to consent forms that had the effect of triggering a commission payment to an Introducer in circumstances where this was not warranted;[[18]](#footnote-18)

• knowingly accepting falsified documentation in connection with home loan applications;[[19]](#footnote-19)

• receiving payments from Introducers;[[20]](#footnote-20)

• failing to disclose personal relationships with Introducers;[[21]](#footnote-21)

• failing to meet face-to-face with customers;[[22]](#footnote-22) and

• accepting home loan applications and supporting documentation from Introducers, rather than directly from the customer.[[23]](#footnote-23)

As a result of the investigations, 10 bankers were dismissed, 10 are   
no longer with NAB and 32 had internal consequences applied, such   
as reduction of their incentives.[[24]](#footnote-24) A number of the bankers involved in the conduct, including a number of those who were dismissed, were   
Branch Managers.[[25]](#footnote-25)

In some instances, the conduct identified resulted in loans being made   
by NAB that were later found to be unsuitable. Mr Waldron gave evidence   
of examples of customers who were potentially entitled to remediation, including one customer who provided all funds to complete their loan transaction to the relevant Introducer and attended the NAB branch   
to complete the relevant application forms accompanied by the Introducer.[[26]](#footnote-26) As part of NAB’s remediation program, it emerged that the information obtained about the customer was inaccurate because it failed to take into account that she had five dependants at the time of the loan application.[[27]](#footnote-27)

In another example provided by Mr Waldron, a customer’s general living expenses were assessed on the basis that the customer would rent out   
the property for which the loan was being obtained to purchase and a rental appraisal was used for that purpose. During a conversation with the customer as part of NAB’s remediation program, the customer told NAB that he did not recognise the rental appraisal and did not provide it to NAB, nor did he know who had.[[28]](#footnote-28) The customer also told NAB that he never received rental income from the property.[[29]](#footnote-29) As at early March 2018, NAB was still reviewing this loan, but was concerned that the rental income should not have been included in the serviceability calculations for the loan.[[30]](#footnote-30)

### 1.3 What the case study showed

#### 1.3.1 Misconduct?

As noted above, NAB acknowledged in its response to the Commission’s initial inquiries that, between 2013 and 2016, there had been misconduct   
by its employees and by Introducers. In its written submissions provided after the first round of hearings had finished, NAB described it as ‘misconduct … involving a cohort of bankers and Introducers in the Greater Western Sydney (GWS) area, and other areas including the ACT, New South Wales and Victoria’.[[31]](#footnote-31) In those submissions, NAB acknowledged that, in respect of ‘those bankers the subject of the case study who were terminated by NAB and/or to whom NAB applied a red conduct gate’,[[32]](#footnote-32)   
it had breached its statutory obligations under Section 47(1)(a) of the *National Consumer Credit Protection Act 2009* (Cth) (the NCCP Act)   
and Section 912A(1)(a) of the Corporations Actto do all things necessary   
to ensure that its credit activities, and the financial services covered by its **Australian financial services licence** (AFSL), were engaged in efficiently, honestly and fairly.

In March 2016, in a meeting with ASIC, NAB described the events   
in question as involving six types of conduct:

• false attribution of customer details to Introducers;

• non‑disclosure of conflicts of interest between NAB bankers   
and Introducers;

• incorrect allocation of incentives under NAB’s Star Sales Incentive Plan to NAB bankers in order to inflate the incentive applicable to the   
Branch Manager;

• customer information being received directly from Introducers (rather than customers); and

• the use of Introducers in non‑preferred businesses.[[33]](#footnote-33)

Apart from the last of these matters (about using Introducers   
‘in non‑preferred businesses’) all of the descriptions that NAB gave of the conduct were cast in terms consistent with the conduct constituting a breach of duty (and hence a form of ‘misconduct’ as defined in the Commission’s Terms of Reference).

I have no reason to doubt that NAB was right in making the acknowledgments that it did to ASIC in March 2016 and in its submissions to the Commission.

#### 1.3.2 Causes?

As for the causes of the conduct, in its written submissions provided after the first round of hearings, NAB said that the ‘misconduct was … found   
to have occurred, and required a response that embraced systemic, cultural and policy changes’.[[34]](#footnote-34)

NAB’s own analysis of the root causes of the conduct concluded, among other things, that ‘there was a lack of controls in relation to addressing intentional misconduct (including fraud)’ and that ‘monitoring and reporting was not being used adequately to enable early identification by NAB   
of emerging issues’.[[35]](#footnote-35) As NAB said, ‘NAB’s investigations and its root cause analysis revealed that its processes were, in the relevant period, not adequate to detect and prevent the misconduct.’[[36]](#footnote-36)

Again, there is no reason to doubt that NAB was right in making   
the acknowledgments that it did. It is necessary, however, to say a little more about a number of more particular issues that emerged, especially: the significance of the incentives program, the sufficiency of training   
of bankers, and the adequacy of NAB’s controls more generally.

##### Incentives

NAB accepted, in its written submissions, that the conduct that was identified in the GWS area (and subsequently discovered in other areas   
as well) ‘was attributable to several systemic issues in relation to the Introducer Program itself and, more broadly, the structure of NAB’s incentives program’.[[37]](#footnote-37) It went on to say, however, that there is no evidence to warrant finding that the incentives program was a ‘significant’ cause   
of the conduct, as opposed to having ‘contributed to a small number   
of people choosing to behave unethically’.[[38]](#footnote-38)

I do not accept this last proposition. The proposition makes sense only   
if it is read as asserting that some of those who engaged in the relevant conduct (‘a small number of people’) were driven by the pursuit of financial gain but that there was, or may have been, some other unknown reason why others participating in the conduct acted as they did. NAB has not previously suggested that those who acted as they did were motivated   
by anything but financial gain.

The evidence shows that from as early as April 2015, NAB was aware that one of the potential root causes of the conduct was the Star Sales Incentive program that the relevant bankers were operating under, which rewarded bankers with bonuses for achieving certain targets for the sale of home loans.[[39]](#footnote-39) The investigation of the conduct confirmed that the incentive program was driving inappropriate behaviour.[[40]](#footnote-40) Although NAB has since moved many of its employees to a different incentive plan (the Short Term Incentive Plan), and proposes to introduce further changes to its remuneration structures from 1 October 2018,[[41]](#footnote-41) that program presently continues to reward bankers with bonuses for achieving targets for the sale of home loans.[[42]](#footnote-42) The scorecards by which employees were assessed were weighted heavily in favour of financial matters, with marginal weight attributed to compliance-related matters.[[43]](#footnote-43) In the words used in one of the documents produced by NAB, the ‘risk/reward equation for bankers [was] unbalanced in favour of sales over keeping customers and the bank safe’.[[44]](#footnote-44)

Not only were bankers rewarded in this way, NAB told bankers that Introducers were required to commit to referring a minimum of $2 million worth of loans a year for personal lending ($10 million a year for business lending)[[45]](#footnote-45) and the commissions paid to Introducers were themselves tied   
to the amounts of loans referred that were drawn down. This created   
a further incentive for collusion between bankers and Introducers and NAB itself identified Introducer commission structures as potentially not driving the right behaviours.[[46]](#footnote-46)

The incentive arrangements used by NAB for bankers and for Introducers were a significant cause of the conduct.

##### Training

One of the key findings of the ‘root cause analysis’ conducted by NAB was that its approach to the recruitment, training and accreditation of bankers has not been ‘fully effective in ensuring that all bankers understand consumer lending process compliance requirements’.[[47]](#footnote-47) NAB also found that limited training was available and provided to frontline bankers regarding Introducers and their ‘spot and refer’ function.[[48]](#footnote-48) In its written submissions, NAB accepted that ‘a cause of the misconduct was the inadequacy of its processes for the training of bankers’.[[49]](#footnote-49) However, NAB went on to submit that the evidence did not ‘support a finding that NAB’s policies (as opposed to processes) with respect to the training of bankers was a cause of the misconduct’, nor a finding that ‘that inadequacy (whether of policies   
or processes) in relation to recruitment of bankers was a cause of   
the misconduct’.[[50]](#footnote-50)

I see no reason to doubt NAB’s internal assessment that its approach to   
the recruitment, training and accreditation of bankers was not ‘fully effective in ensuring that all bankers [understood] consumer lending process compliance requirements’.[[51]](#footnote-51) This deficiency, whether described as a defect in policy or process, was a cause of the conduct. Relevant staff did not understand what they had to do.

##### Controls

Another of the key findings of the ‘root cause analysis’ conducted by NAB was that the control environment was not effectively designed to mitigate conduct and fraud risks ‘across the end-to-end value chain’.[[52]](#footnote-52) More particularly, the analysis found that the overall effectiveness of the control systems was reliant on bankers doing the right thing.[[53]](#footnote-53) Controls were not designed to identify effectively and consistently instances of intentional misrepresentation of information, which was a key characteristic of the relevant conduct. That is, the then existing monitoring and reporting systems did not adequately detect and deter non-compliant conduct and fraud. So, for example, the absence of effective ‘feedback loops’ limited   
the use of outcomes of monitoring activities to inform bankers of process quality and compliance issues and allow them to change their behaviour.[[54]](#footnote-54)

In its written submissions, NAB accepted that a cause of the conduct was the inadequacy of NAB’s policies for the prevention and detection of fraud by bankers and Introducers.[[55]](#footnote-55) I agree.

More particularly, Mr Waldron agreed that ‘gaps’ in the end-to-end loan application process were exploited by bankers and that NAB itself raised   
the question whether the end-to-end process of mortgage origination, fulfilment, ongoing management, and eventual repayment required fundamental review from a ‘controls effectiveness’ perspective.[[56]](#footnote-56)

NAB used Introducers from a variety of business backgrounds that were unconnected with financial, property or legal services, such as gymnasiums and tailors,[[57]](#footnote-57) even though its guide for Introducers informed them that they were not to provide a referral that was not incidental to the carrying on   
of the Introducer’s business.[[58]](#footnote-58) Some of the Introducers who were involved   
in the conduct in the case study had formed close relationships with certain NAB bankers, and bankers who signed on an Introducer were told at the time that they had to maintain the primary relationship with the Introducer.[[59]](#footnote-59) Mr Waldron explained that, at the time he gave his evidence, NAB was reforming the Introducer Program, including by taking steps to divide referred work from Introducers between various bankers[[60]](#footnote-60) and to introduce business development managers in the field who would work with the bankers and the Introducers and manage that process.[[61]](#footnote-61)

In its written submissions, NAB accepted that a cause of the conduct   
in issue was the inadequacy of its ‘policies for the recruitment and monitoring of Introducers’.[[62]](#footnote-62) It is important to identify what was covered   
by the reference to ‘monitoring’ Introducers.

The role to be played by an Introducer, as described in Mr Waldron’s evidence, was very limited. The Introducer could do nothing more than   
say to a person who might wish to obtain a loan: ‘NAB lends money.   
May I give NAB your name and contact details?’. Introducers signed an agreement by which they were not to do certain things (such as explaining loan or security documentation, procuring execution of loan or security documentation or accepting money on behalf of NAB).[[63]](#footnote-63) Mr Waldron conceded that these contractual clauses were not complied with by   
a number of the Introducers involved in the relevant conduct.[[64]](#footnote-64) The agreement also prohibited Introducers from representing themselves   
to an applicant as the agent of NAB,[[65]](#footnote-65) and by the guide NAB issued   
to Introducers, Introducers were told they must not act as an intermediary between NAB and the borrower.[[66]](#footnote-66) However, it was apparent from   
Mr Waldron’s evidence that Introducers adopted various roles in the loan application process that went beyond the mere ‘spot and refer’ function NAB intended for them.[[67]](#footnote-67) That they did so seems unsurprising if their permitted function was as artificially narrow as it was said to be. And if an Introducer was not to ‘sell’ the bank’s services to the would‑be borrower, why reward the Introducer so handsomely?

In its written submissions, NAB attempted to disentangle the ‘[w]eaknesses in NAB’s policies and procedures’ that ‘meant the misconduct was not identified earlier’ from ‘the actions of individual Introducers and bankers’. NAB submitted that the latter, rather than the former, was the cause   
of the conduct.[[68]](#footnote-68)

Of course NAB is right to say that individuals acted wrongly. In that sense, those individuals were a cause of the conduct in issue. But it would be artificial, and wrong, to confine attention to their conduct and say of it that the individuals’ behaviour was *the* cause of what occurred. Confining attention in that way (as NAB sought to have me do) would look only at what happened rather than how and why. Contrary to NAB’s submission,[[69]](#footnote-69)   
the weaknesses in NAB’s policies and procedures that have been identified were an important contributing cause for the conduct in issue.

#### 1.3.3 Conduct falling short?

NAB said, in its written submissions, that there were respects in which   
its responses to what had happened ‘could have been (and should have been) quicker’ than they were.[[70]](#footnote-70)

To understand and evaluate this last acknowledgment it is necessary   
to recall the chronology of events.

NAB first began its investigations about conduct in the GWS area in September 2015. In December 2015, NAB notified both ASIC[[71]](#footnote-71) and the   
New South Wales Police[[72]](#footnote-72) of what it had found. In February 2016, NAB gave written notice to ASIC under Section 912D of the Corporations Act that there had been a breach of its obligations under Section 912A. In August 2016, NAB gave a second notice under Section 912D, this time about the further conduct it had identified as occurring outside the GWS area. Also   
in August 2016, NAB proposed to ASIC a remediation scheme with respect to the GWS matter. As other conduct came to light (outside the GWS area) NAB sought, in November 2017, to develop a broader remediation program.

The conduct in issue appears to have occurred between 2013 and 2016. Yet, when the Commission examined these matters in March 2018, not   
a single customer had been offered any compensation.[[73]](#footnote-73) NAB had conducted 11,000 file reviews[[74]](#footnote-74) and had identified as many as 1,360[[75]](#footnote-75) customers who may have been affected by the conduct. But NAB could   
say only that the amount it expected to pay out was between $9 million   
and $23 million.[[76]](#footnote-76)

In light of this chronology, I agree that NAB’s responses to what had happened ‘could have been (and should have been) quicker’ than they were.[[77]](#footnote-77) Two and a half years after the issues were first identified, NAB could not say which customers had been affected or what was the extent of the effect of the conduct. More particularly, I consider that, by not responding more quickly, NAB fell short of community standards and expectations.

#### 1.3.4 Mechanisms for redress

What has been said about the timeliness of NAB’s execution of its remediation program shows that the mechanisms NAB has adopted to provide redress for consumers who have suffered detriment as a result   
of the conduct that it identified have not been as effective as they should have been.

#### 1.3.5 Other conclusions?

In the course of her closing address, Senior Counsel Assisting framed   
her submissions, in part, by reference to particular provisions of applicable law and other relevant provisions, especially, Sections 912A and 912D   
of the Corporations Act, Sections 47, 128, 130 and 133 of the NCCP Act, ASIC’s Regulatory Guides RG 78 (Breach Reporting by AFS Licensees) and RG 209 (Credit Licensing Responsible Lending Conduct) and the then applicable Code of Banking Practice. The advantage of framing the submissions with this degree of particularity is evident for it points precisely to what may be said to have been the relevant conduct.

As has been described earlier, Mr Waldron gave evidence of some examples of customers who NAB had identified as potentially entitled   
to remediation. And, if the facts were to be shown as he described them   
to be, there may well be a question about the suitability of the transactions that NAB had made with those customers. But, because NAB has not yet completed its inquiries about these matters, it is not possible to go beyond the following observations and conclusions.

NAB accepts that its systems failed. It accepts that the conduct ‘was attributable to several systemic issues in relation to the Introducer Program itself and, more broadly, the structure of NAB’s incentives program’.[[78]](#footnote-78) Necessarily implicit in these acknowledgments is an acceptance that, to the extent there was the misconduct it has acknowledged, NAB did not provide its services efficiently, honestly and fairly.

I take NAB’s acknowledgment of systemic issues to be an acknowledgment that a cause for the occurrence of these events was a want of sufficient   
and effective systems for control and supervision. And of course,   
NAB acknowledges that its incentives program was also a cause   
of what occurred.

It seems to me to follow from what NAB said about its proposed remediation program that it acknowledges that there may be, and probably are, cases   
in which NAB did not comply with applicable provisions of the NCCP Act   
(or ASIC’s interpretation of that Act in RG 209). And to the extent that there was failure of compliance with the NCCP Act or RG 209, there may well also have been a failure to comply with the requirement of the then applicable Code of Banking Practice to exercise the care and skill of   
a diligent and prudent banker. Were there no breach of the responsible lending requirements, there would appear to be no reason to compensate the customer. But I cannot say in how many cases there was a departure from the requirements of the NCCP Act, RG 209 or the Code. Nor can I say what was the nature or the extent of departure from the relevant provisions. And I cannot form a view about these matters because NAB had not completed its investigations. All I can do is note that NAB’s estimate   
of the amount of compensation to be allowed is between $9 million   
and $23 million, as I have previously mentioned.

There remains for separate consideration what conclusions should be reached about the timeliness of NAB’s reports to ASIC under Section 912D of the Corporations Act.

ASIC has made no submission to the Commission that NAB did not meet   
its obligations under Section 912D. There is no evidence that ASIC has complained to NAB about the timeliness of NAB’s communications about these matters. It is to be observed that NAB gave notice under Section 912D by letter dated 3 February 2016,[[79]](#footnote-79) yet had considered   
it necessary to tell ASIC and the New South Wales Police about these matters five weeks earlier. How that is consistent with the obligation under Section 912D to make a report ‘as soon as practicable and in any case within 10 business days after becoming aware of the breach or likely breach’ is unexplained. All that NAB says is that I should not conclude that there was a breach of Section 912D.

Given that the regulator, ASIC, has not made and does not now make any complaint of lack of timely performance of the statutory obligation, I will say no more about the application of Section 912D to the specific events that were the subject of evidence in this case study. Instead I refer to and repeat what I have said elsewhere in this report about the application of Section 912D.

## 2 CBA broker relations and accreditation

### 2.1 Background

The Commission took evidence about CBA’s arrangements with **mortgage brokers** and **mortgage aggregators** from the Executive General Manager for Home Buying at CBA, Mr Daniel Huggins,[[80]](#footnote-80) and from a mortgage broker, Mr Mark Harris.[[81]](#footnote-81)

### 2.2 Evidence

Home loan applications are submitted to CBA through two channels:   
the proprietary channel and the third party distribution channel. The proprietary channel refers to loans offered through CBA’s employees   
or authorised representatives, as well as through CBA’s referral source program. It represents about 59% of CBA’s home loan portfolio.[[82]](#footnote-82) The third party distribution channel refers to loans submitted to CBA by brokers, and represents about 41% of CBA’s home loan portfolio.[[83]](#footnote-83)

The home loan applications submitted to CBA through the third party distribution channel come to CBA though mortgage aggregators or mortgage franchisors, which CBA (and others in the industry) refer to as ‘Head Groups’. Head Groups have their own **Australian Credit Licence** (ACL) and their own contractual arrangements with brokers.[[84]](#footnote-84) CBA has no direct contract with the brokers who submit loans to CBA.[[85]](#footnote-85)

CBA requires those brokers who wish to submit home loan applications to CBA to go through an accreditation process.[[86]](#footnote-86) When Mr Huggins first gave his evidence, a broker seeking accreditation would complete an ‘Authority to Act’ form in which they acknowledged that, to maintain accreditation with CBA, they needed to submit a minimum of four home loan applications, and settle a minimum of three home loans, in a six-month period.[[87]](#footnote-87) Mr Huggins said that CBA had not been enforcing this requirement ‘systemically’.[[88]](#footnote-88) Mr Huggins later gave evidence to the Commission that between April and June 2018, CBA informed brokers that maintaining their CBA accreditation would not require them to write a minimum number of loans with CBA.[[89]](#footnote-89)

The tenor of Mr Huggins’ evidence was that CBA regards its accredited brokers as acting as its agent when dealing with customers. In its written submissions, CBA denied that the brokers were its agent.[[90]](#footnote-90) I will say more about this issue below. For the moment, however, it is to be noted that Mr Huggins’ evidence was that an accredited broker will ‘act on behalf of CBA … in the process of selling the home loan’ and in submitting home loans to CBA for the customer.[[91]](#footnote-91) Be this as it may, it is plain that CBA expects brokers to promote its products. CBA’s contracts with Head Groups contain provisions requiring Head Groups to promote CBA’s reputation and products.[[92]](#footnote-92)

When Mr Huggins gave his evidence, CBA paid Head Groups upfront commissions and **trail commissions** for each home loan that was drawn down. The amount of the commission paid was tied to the size and duration of the loan. An upfront commission was paid when the loan was funded; trail commissions were paid during the life of the loan and were calculated by reference to the net balance of the home loan account at the end of each month.[[93]](#footnote-93) Head Groups passed on part of these commissions to   
the brokers.[[94]](#footnote-94)

CBA’s contractual arrangements with Head Groups give CBA certain rights and entitlements in its dealings with Head Groups.[[95]](#footnote-95) Again, Mr Huggins gave evidence to the effect that CBA had then chosen, or would choose,   
not to enforce a number of those rights and entitlements.[[96]](#footnote-96) Examples of such contractual entitlements included the right to alter the commission structure if the average monthly settlements for the Head Group in respect of CBA loans for the previous year fell below $5 million.[[97]](#footnote-97)

CBA pays bonuses to Head Groups if certain performance targets are met. If the Head Group meets certain minimum volume requirements for loans drawn down, CBA also makes payments to Head Groups to assist with training, development and compliance.[[98]](#footnote-98) Head Groups are also remunerated for sales of non-home loan CBA-branded products provided   
to home loan customers, such as insurance products, through CBA’s Connect Referral Program.[[99]](#footnote-99) Such payments (or portions of them) may also be passed on to brokers.

CBA also gives non-financial benefits to brokers directly, such as tickets   
to hospitality or sporting events and charity golf days. From December 2017, CBA has limited the value of these non-financial benefits to $350   
per person per event. Before December 2017, CBA had no policy limiting the number or value of non-financial benefits that CBA could give directly   
to brokers.

The general tenor of Mr Huggins’ evidence was that the text of the Head Group agreements that CBA had when he gave his evidence did not reflect the arrangements that CBA sought to have with its Head Groups and that the agreements would be changed.

In around April 2018, CBA made a number of changes to its contractual arrangements with Head Groups in respect of which Mr Huggins gave further evidence. The changes included:[[100]](#footnote-100)

• removal of any requirement for the Head Group to meet any minimum volume of loans over a period;

• replacement of the two components of upfront commission (previously ‘base’ and ‘additional’ commission) with one type of upfront commission that merged the two; and

• amendment of the commission plans such that all Head Groups will   
be transitioned to ‘Plan A’, which Mr Huggins said represented the plan selected by approximately 99.95% of brokers.

However, Mr Huggins gave evidence that the types of financial or   
non-financial benefits payable to Head Groups have not changed.[[101]](#footnote-101)

Until shortly before Mr Huggins first gave evidence, CBA had divided its accredited brokers into four tiers based on volume thresholds.[[102]](#footnote-102) Brokers   
in the highest tier (the ‘diamond’ tier) received the best service from CBA,   
in that their applications were turned around faster than applications   
by other brokers.[[103]](#footnote-103) CBA had recognised that this structure could create   
a conflict of interest,[[104]](#footnote-104) and at the time that Mr Huggins gave evidence,   
CBA was in the process of changing to a two-tier system.[[105]](#footnote-105) Under the new system, accredited brokers are classified as either ‘essential’ or ‘elite’, on the basis of the application of ‘quality and complementary metrics’. As a result, brokers may reach ‘elite’ status for reasons other than the volume of loans submitted and drawn down, although the metrics recognise brokers who contribute a high volume of settlements with CBA and whose total portfolio grows over the year.[[106]](#footnote-106)

In February 2017, CBA’s then-CEO, Mr Ian Narev, wrote to Mr Stephen Sedgwick AO, the independent reviewer for the Retail Banking Remuneration Review, acknowledging on behalf of CBA that the use of loan size tied with upfront and trail commissions for third parties can potentially lead to poor customer outcomes.[[107]](#footnote-107) Mr Narev said that:[[108]](#footnote-108)

Mortgages also sit outside the financial advice framework, even though buying a home and taking out a mortgage is one of the most important financial decisions an Australian consumer will make. We would support elevated controls and measures on incentives related to mortgages that are consistent with their importance and the nature of the guidance that   
is provided. For example, the delinking of incentives from the value of the loan across the industry; and the potential extension of regulations such as **Future of Financial Advice** (FoFA) to mortgages in retail banking.

Mr Huggins said that this statement represents CBA’s current position   
on these matters.[[109]](#footnote-109) Mr Huggins acknowledged that there is a conflict   
in a commission structure that is linked to the size and length of the loan,   
so that the larger the loan and the longer the period over which it extends, the larger the commission payable to the broker.[[110]](#footnote-110) Like Mr Narev, Mr Huggins acknowledged that this kind of commission structure can lead   
to a conflict between the customer’s interests and the broker’s interests, since the broker maximises their income by getting the largest loan possible approved, extending over the longest period of time.[[111]](#footnote-111)

CBA has found its broker loans to have higher total debt-to-income levels, higher loan-to-value ratios (LVRs), and higher interest costs than loans that originate in its proprietary channel.[[112]](#footnote-112) CBA has observed that these findings are consistent with the hypothesis that differences in remuneration between the two channels are driving different customer outcomes.[[113]](#footnote-113)

Despite CBA’s views and findings on these matters, CBA has not stopped paying volume-based commissions to brokers, nor has it taken any steps   
to cease that practice. Mr Huggins said that if CBA were to change its remuneration practices, customers would move to competitor lenders, which would have a material impact on CBA’s business.[[114]](#footnote-114)

CBA does not tell its customers the amount of commission that will be paid to the Head Group or broker in respect of the customer’s loan.[[115]](#footnote-115) CBA gives each customer a credit contract schedule that records any commission amount as ‘not ascertainable’.[[116]](#footnote-116) Mr Huggins explained this statement as reflecting the fact that the actual amount that will be paid as trail commission will depend upon whether the loan is repaid before its term expires. And   
of course that is true. But the statement is less than frank. The amount of upfront commission that is to be paid, the rate at which trail commissions will be paid and any amount paid under the CONNECT Referral Program are all known to and could readily be disclosed by CBA to the customer   
at the time the loan is entered into.[[117]](#footnote-117) No doubt the aggregator knows   
this information too. The broker may know only how much the broker   
will receive. Either or both of the broker and the aggregator could tell the borrower how much each stands to gain from the borrower taking the loan but the lender, as payer, is in the best position to tell the borrower how much the lender is paying others to secure the borrower’s business. There is no obvious reason for CBA to maintain its present practice.

After giving the above evidence in respect of disclosure to customers,   
Mr Huggins later gave evidence that CBA proposes to improve disclosure   
to customers of the remuneration that CBA pays to brokers, by disclosing   
in the credit contract schedule the rate or quantum of any commission paid or to be paid to a Head Group.[[118]](#footnote-118) That change had not yet been made at the time Mr Huggins provided further evidence to the Commission.

In 2017, CBA revoked the accreditation of 710 accredited CBA brokers   
on the basis of ‘inactivity’.[[119]](#footnote-119) Initially, CBA had intended to revoke the accreditation of another 2,500–3,000 brokers, but it did not go ahead with this plan.[[120]](#footnote-120) Mr Huggins’ evidence was that CBA had identified a group   
of less active or inactive brokers, and that inactivity was potentially associated with less desirable customer outcomes.[[121]](#footnote-121) He said that the aim of de-accreditation program was to improve the overall quality of the brokers accredited by CBA.[[122]](#footnote-122)

Mr Mark Harris, a mortgage broker, gave evidence that he was accredited by CBA until 20 February 2017, when his accreditation was revoked by CBA, with immediate effect.[[123]](#footnote-123) CBA told Mr Harris that his accreditation was revoked on the basis of ‘inactivity’.[[124]](#footnote-124) Mr Harris said that, as a result of the revocation of his accreditation, he is now unable to submit home loan applications to CBA on behalf of a customer.[[125]](#footnote-125) If he had a customer for whom he thought a CBA loan would be a ‘good fit’, he would now need   
to refer the customer to another broker if the customer wished to apply   
for that loan.[[126]](#footnote-126)

Mr Huggins accepted that, in hindsight, it would have been better if CBA had not chosen volume as the basis on which to revoke accreditation, but had instead required inactive brokers to undergo more training in order   
to ensure the quality of their work.[[127]](#footnote-127) Relatedly, Mr Huggins said that CBA   
was in the process of introducing new accreditation standards for brokers that focused on monitoring quality and ‘delinked the ongoing accreditation requirement from volume’.[[128]](#footnote-128)

Evidence subsequently provided by Mr Huggins set out the new accreditation standards, which do not require a particular volume of loans   
to be written by brokers.[[129]](#footnote-129) However, brokers will generally need to show that they have at least two years’ face-to-face experience writing regulated residential loans.[[130]](#footnote-130) Existing accredited brokers who have not written any loans in the previous 12 months will be required to complete ‘refresher   
e-learning modules’.[[131]](#footnote-131)

The particular details of CBA’s dealing with its accredited brokers is less important than observing two basic points. First, by accrediting brokers, CBA decides which third parties can submit loans to it and, hence, whether those third parties can offer borrowers loans from the largest lender in the home loan market. Second, CBA can treat those whom it accredits as *its* brokers, selling *its* products and it can and does choose to favour those brokers who send more business to it over others.

But CBA remains isolated, even insulated, from what the broker does   
with the borrower. The extent of that isolation was explored in   
Mr Huggins’ evidence.

In August 2017, a CBA Group Audit & Assurance Internal Audit[[132]](#footnote-132) (for which Mr Huggins was named as the accountable executive) found that CBA was not doing enough to monitor the activities of the Head Groups and the mortgage brokers who sit under those Head Groups. The audit report noted that it is not industry practice for banks to complete any form of assurance   
in respect of aggregators.[[133]](#footnote-133) An issues log attached to the report identified that CBA was reliant on brokers to confirm that the product offered to the customer was not unsuitable.[[134]](#footnote-134) The report found that whilst CBA had various contractual rights to audit Head Groups, it had not exercised those rights.[[135]](#footnote-135) The report listed large numbers of different types of compliance issues arising in connection with home loans that brokers had submitted   
to CBA including:

• 1,324 instances of low income, with a net monthly surplus of $100   
or less;[[136]](#footnote-136)

• 191,534 approved loans with monthly living expenses that were equal   
to or less than the **Household Expenditure Measure** (HEM);[[137]](#footnote-137)

• 83 instances of loans declined by CBA (or a branch), and then, within   
six months, accepted by another broker;[[138]](#footnote-138) and

• 718 instances where a customer’s monthly living expenses were listed   
as less than $500.[[139]](#footnote-139)

In respect of CBA’s use of the HEM, Mr Huggins’ evidence was that, when assessing loan proposals, CBA always took the higher of the customer declared expenses and HEM.[[140]](#footnote-140) But, as the August 2017 audit report showed, CBA did not go back to customers whose loans were submitted   
by a broker to challenge what was said in the application about monthly living expenses.[[141]](#footnote-141) Instead, as the audit report recorded, CBA ‘relie[d]   
on brokers to confirm [that the] product offered to the customer was not unsuitable at the time of the application’.[[142]](#footnote-142) It may be accepted that, as   
Mr Huggins said, CBA would look at primary source documents to reach   
its own assessment.[[143]](#footnote-143) But the documents to which CBA would look were those that had been assembled by the broker. And as the audit report also recorded: ‘Gaps in the monitoring process to prevent or detect adverse broker behaviour [had] not been addressed’ by CBA.[[144]](#footnote-144)

### 2.3 What the case study showed

Four points emerged: three related more to questions of culture, governance and practice than to misconduct; one (about managing conflict of interest) related to issues about misconduct and conduct falling short of community standards and expectations. The four points can be identified as:

• how CBA sees the roles of brokers and aggregators;

• managing conflict of interest;

• what CBA tells borrowers about intermediary remuneration; and

• how important is disclosure of remuneration?

#### 2.3.1 How does CBA see the roles of brokers and aggregators?

The two central points that emerged from Mr Huggins’ evidence have been identified earlier. CBA will deal only with brokers it has accredited. By accrediting brokers, CBA decides which third parties can offer loans to it and, hence, whether those third parties can offer borrowers loans from the largest lender in the home loan market. Second, CBA can treat those whom it accredits as *its* brokers, selling *its* products and it can and does choose to favour those brokers who send more business to it over others.

Yet, despite Mr Huggins’ evidence, CBA was at pains, in its written submissions, to deny that a broker acts for anyone but the borrower.   
It pointed to, and relied upon, ‘no‑agency’ provisions in the agreements   
it makes with Head Groups. It submitted that accredited brokers do not act as the agent of CBA and that ‘[w]hen the broker submits the loan application to the lender which the customer has chosen, the broker is acting as the agent of the customer, not as agent of the lender’.[[145]](#footnote-145)

Again, two points should be made. First, as explained above, analysing   
the matter by reference only to questions of agency is to ask too broad   
a question and is, therefore, apt to mislead. Second, the relationships that are created and the tasks that are performed by broker and lender are apt   
to create confusion for the borrower about the roles and responsibilities   
of each.

#### 2.3.2 Managing conflicts of interest

Do the matters that have been described reveal any deeper issue about conflict of interests?

CBA’s characterisation of the legal relationships between broker, lender   
and borrower in terms of ‘agency’ was an essential step in denying that   
the remuneration arrangements that it, and all other significant industry participants, adopted for paying brokers and aggregators contravened statutory obligations to have in place adequate arrangements to manage conflicts of interest.[[146]](#footnote-146)

In its written submissions, CBA accepted that the commission structure that it now uses ‘can lead to a conflict between the customer’s interest and the broker’s interest since the broker can maximise their income by getting the largest loan possible approved extending over the longest period of time’.[[147]](#footnote-147) But CBA asserted that no ‘conflict in law’ arises between CBA and its customers, the only conflict being between the interests of the broker and the interests of the customer (and the broker is not CBA’s agent).[[148]](#footnote-148) And CBA further submitted that, in considering the position of the aggregators,   
or Head Groups, it is necessary to distinguish between the financial services and credit activities supplied by CBA and those supplied by a Head Group and its brokers (who could be employees or credit representatives of the Head Group, but were neither employees nor credit representatives   
of CBA).[[149]](#footnote-149)

CBA’s reference to ‘conflict in law’ should be explained. CBA submitted that the Explanatory Memorandum for the Bill that became the NCCP Act had described the conflicts of interest to which that Section refers as being ‘conflicts of interest that arise by operation of law’. And so it did.[[150]](#footnote-150) But what was meant by this was explained in the immediately succeeding sentence where it was said that ‘It [the obligation] does not require a licensee to take action in respect of different interests of parties *where they do not constitute a conflict of interest at law*.’ (emphasis added). And that is a meaning that does not accord with the implicit submission of CBA that some constrained meaning should be given to the expression ‘conflict of interest’ rather than understanding it according to its ordinary and well‑understood usage. I say that adoption of a constrained meaning was *implicit* in CBA’s submission because those submissions did not identify (at least with any clarity) what exactly it sought to convey by saying that the conflict must be a ‘conflict   
in law’.

CBA’s proposition that the financial services and credit services CBA supplies to a borrower are different from the credit activities of the aggregator and the broker may be accepted. Each plays a different role   
in the transactions that culminate in a loan being made. The immediate question, however, is about CBA’s statutory obligation to have in place adequate arrangements to ensure that clients of CBA are not disadvantaged by any conflict of interest that may arise wholly or partly in relation to its credit activities. Hence, the question can be restated as whether CBA made adequate arrangements to ensure that clients of CBA (its borrowers) are not disadvantaged by any conflict of interest that may arise wholly or partly in relation to the credit activities in which CBA engages (which include being   
a credit provider under a credit contract, and being a mortgagee under   
a mortgage).

It is CBA, as lender, that fixes the remuneration that is paid to   
the intermediaries with which it deals. It is the very structure of the remuneration that yields the conflict between the interests of the intermediary (to maximise its income) and the interests of the borrower   
(to borrow no more than is necessary, at the best long-term rate reasonably available, and to borrow on terms that minimise the cost to the borrower). That is a conflict which arises *in relation to* CBA’s activity of providing credit (or, if relevant and applicable, its providing a financial service). It arises in relation to that activity because CBA sets the terms on which a broker may submit a borrower’s home loan application to CBA.

CBA submitted that its monitoring of Head Groups and its monitoring of   
loan applications were adequate to manage any conflict of interest.[[151]](#footnote-151)   
And it submitted that it disclosed the conflict to its customers but went on   
to acknowledge that the conflict could be better explained to customers.[[152]](#footnote-152) (This last subject is dealt with separately below).

CBA was right to observe that the remuneration arrangements it adopts   
are used by the whole industry. Hence, what is said about CBA in this respect must apply to all lenders who offer the same kinds of arrangement.

But whether CBA, or those other lenders, had ‘adequate’ arrangements   
in place to ensure that clients were not disadvantaged by the conflicts is   
not determined by observing only that, for all practical purposes, the remuneration arrangements that yield the conflict are adopted by most lenders who permit intermediaries to submit loan applications. Instead,   
the adequacy of the arrangements that CBA, and others, have in place should be judged against the conclusions reached by ASIC (and by CBA   
in its submission to the Sedgwick Review) that value-based upfront and   
trail commissions are reliably associated with higher leverage, and that loans written through brokers have a higher incidence of interest‑only repayments, higher debt‑to‑income levels, higher loan to value ratios   
and higher incurred costs compared with loans negotiated directly with   
the bank.[[153]](#footnote-153) Those conclusions point towards (I do *not* say require) a conclusion that the lenders did not have *adequate* arrangements in place   
to *ensure* that clients of the lender are not disadvantaged by the conflict between the intermediary’s interest in maximising income and the borrower’s interest in minimising overall cost.

It follows that continuing to pay intermediaries a value based upfront and trail commission after these deleterious consequences had been identified *might* raise an issue about satisfaction of the lender’s general obligation under Section 47(1)(b) of the NCCP Act. But it is then to be observed that the general obligations imposed by Section 47 are duties of imperfect obligation in as much as breach is neither an offence nor a matter for civil penalty. Instead, breach of the general obligations may enliven ASIC’s power under Section 55 to cancel or suspend the licensee’s licence. Hence, to refer this issue to ASIC would be to refer a matter that could not lead to any enforcement action other than cancellation or suspension of a licence. And where the failure (if that is what it is) is industry‑wide, it would not be the occasion to consider cancellation or suspension. Moreover, any utility   
in referring the issue for consideration by ASIC would be overtaken by any industry‑wide change to remuneration structures.

For these reasons, I go no further than noting that continuing to pay intermediaries a value-based upfront and trail commission after the deleterious consequences of the practice had been identified *might*   
have been a breach of Section 47(1)(b) of the NCCP Act.

There remains for separate consideration what CBA tells its borrowers about remuneration of intermediaries.

#### 2.3.3 What CBA tells borrowers about intermediary remuneration

As noted earlier, if CBA approves a loan application, it gives customers documents including a ‘Consumer Credit Contract Schedule’. One item in that document has the heading ‘Commission we pay in relation to the Loan Contract’ and the item is completed by naming the Head Group to   
which the Commission will be paid. But against the heading ‘Amount’ the document says only ‘not ascertainable’.[[154]](#footnote-154) As I have already explained,   
this is less than frank.

In a separate document given to borrowers, the Credit Assessment Summary, the borrower is asked to sign a declaration that says, among other things, that the borrower acknowledges that:

• ‘the Bank may pay a Broker or other intermediary acting in relation to   
this enquiry for finance, commission or other benefits in connection with the enquiry and that any commission is disclosed in the Consumer Credit Contract Schedule’ (emphasis added); and that

• ‘as a broker or other intermediary may provide services to me/us, it is possible that a conflict of interest will arise. I/We consent to a broker   
or other intermediary acting in this way.’[[155]](#footnote-155)

Two points may be made about this second document (the Credit Assessment Summary). First, contrary to what the customer is required   
to declare, the commission is *not* disclosed in the Consumer Credit Contract Schedule. Second, the document proceeds from a premise about conflicts of interest that is contrary to the position that CBA adopted in its   
written submissions.

As already explained, the statement that the amount of the commission payable to an intermediary is ‘not ascertainable’ when the loan is first made may be literally true but, at best, it is economical with the truth. It is literally true in the sense that it cannot be known at the start of the loan term how long the loan will remain unrepaid or whether interest rates will change and, therefore, it is not possible, at the start of the loan to calculate the total amount of commission that *will* be paid. But it is certainly possible to state the criteria that are used to calculate the commissions that will be paid.

In my view, it is no answer to these criticisms to say that the broker could   
or should make full disclosure. CBA’s documents are less than frank and appear to require borrowers to make a declaration that does not accord with the content of the document to which the declaration refers – a document prepared by CBA.

CBA’s conduct of providing so little information about broker remuneration and requiring borrowers to sign a declaration that there has been disclosure of the commission to be paid in the Consumer Credit Schedule is conduct that falls short of community standards and expectations. The community rightly expects that an **authorised deposit-taking institution** (ADI) can and should do better.

#### 2.3.4 How important is disclosure of remuneration?

Documentary disclosure of information is not a universal solution for every issue that arises when a consumer deals with a **financial services entity**. But in a transaction as important for a consumer as borrowing to buy real property, the consumer should be told what the intermediary will be paid   
by the lender for the work that the intermediary does. If the amount cannot be calculated, the borrower should be told how it will be calculated.

Telling the borrower how intermediary remuneration is calculated does   
not eliminate the conflict between the intermediary’s interests and the borrower’s interests. Telling the borrower may not affect the borrower’s decisions. But not telling the borrower means that the lender, which pays the remuneration, does not give the borrower information that the borrower might reasonably consider important.

## 3 Aussie Home Loans broker misconduct

### 3.1 Background

This case study considered the conduct of four former brokers from AHL Investments Pty Ltd (Aussie), Shiv Sahay, Emma Khalil, Madhvan Nair   
and Bernard Meehan, and Aussie’s response, during the period from   
2011 to 2015. The Commission heard evidence from Lynda Harris, the General Manager, People and Culture at Aussie, and Giles Boddy, the

Chief Financial Officer at Aussie. A witness statement was also tendered from Mr David Smith, the General Manager of Strategy and Products   
at Aussie.[[156]](#footnote-156)

### 3.2 Evidence

Aussie is a mortgage broking entity with over 1,000 brokers operating throughout Australia.[[157]](#footnote-157) Since August 2017, Aussie has been a   
wholly-owned subsidiary of CBA. Aussie is now covered by CBA’s governance framework.[[158]](#footnote-158) In June 2018, CBA announced its intention to dispose of its interest in Aussie by including Aussie as one of a number of businesses that will form a new listed entity, the initial shareholders of which would be CBA shareholders.[[159]](#footnote-159)

The conduct of the four former brokers named above included the falsification of documents submitted to lenders in support of home loan applications, such as bank statements, payslips and letters of employment.[[160]](#footnote-160) For each of the loans submitted to lenders by the four former brokers, Aussie would receive upfront and trail commission payments.[[161]](#footnote-161) A portion of these commission payments was passed through to the broker and the remainder was retained by Aussie. Aussie determined the portion of the payments that would be passed through to the broker by reference to the total settled loan amounts. The higher the value of the settled loan amounts, the higher the percentage of the upfront commission passed through to the broker. Aussie brokers had a contractual obligation   
to introduce a minimum number of loans per month.[[162]](#footnote-162)

Aussie did not detect the misconduct engaged in by three of the four former brokers, each of whom had been with Aussie for a number of years,[[163]](#footnote-163) despite obvious anomalies in the supporting documentation being submitted to lenders.[[164]](#footnote-164) In relation to each of those three former brokers, Aussie was told by a lender that they had detected misconduct.[[165]](#footnote-165) Aussie relied upon one or more lenders to conduct a review of the broker’s files and investigate the misconduct.[[166]](#footnote-166) Aussie terminated its relationship with each of the three former brokers because one or more lenders had told Aussie that they had, or intended to, revoke their own accreditation of the broker, which triggered a contractual right on Aussie’s part to terminate its relationship with   
the broker.[[167]](#footnote-167)

The misconduct of the fourth broker, Mr Meehan, was detected by Aussie as part of a file review process it undertook in respect of brokers who were submitting more than 50% of their loans to one lender.[[168]](#footnote-168) The selection of Mr Meehan’s files for review was also informed by the fact that Mr Meehan was submitting more than 50% of his loans to Westpac, a lender that would accept a letter of employment to verify income (being a document that Aussie knew could be easily falsified).[[169]](#footnote-169)

Aussie did not report the misconduct of three of the four former brokers to ASIC. Instead, it submitted a standard form to ASIC stating that the brokers had ceased acting as credit representatives of Aussie.[[170]](#footnote-170) ASIC undertook an investigation into Mr Sahay as a result of receiving a notification by a person or entity other than Aussie. As part of that investigation, Aussie told ASIC that it had terminated its relationship with Ms Khalil and Mr Nair on the basis that they were suspected of fraudulent misconduct.[[171]](#footnote-171)

Three of the four brokers were ultimately charged with criminal offences   
as a result of their conduct.[[172]](#footnote-172) Aussie did not report the conduct of any of   
the four brokers to the police.[[173]](#footnote-173)

Aussie also did not report the conduct of three of the four brokers to the Mortgage and Finance Association of Australia,[[174]](#footnote-174) despite Aussie requiring each of its brokers to be a member of that association, because the association had powers to expel a broker for misconduct.[[175]](#footnote-175)

Aussie did not notify the customers of any of the four brokers about why   
it had terminated its relationship with the broker. It transferred the broker’s customers to another Aussie broker. Following the termination of its relationship with Mr Sahay, Aussie was contacted by two of Mr Sahay’s customers, both of whom were in a situation of distress as a result of   
Mr Sahay’s conduct.[[176]](#footnote-176) Aussie chose not to advise either customer about why Mr Sahay’s relationship with Aussie had been terminated.[[177]](#footnote-177) Ms Harris suggested that Ms Khalil’s customers would have been notified of the termination of her relationship with Aussie, but could not say that the circumstances would have been conveyed.[[178]](#footnote-178)

Following the termination of its relationship with Mr Nair, Aussie made   
an ex gratia payment to a customer who had engaged solicitors and complained about the conduct of Mr Nair.[[179]](#footnote-179) Ms Harris was unable to explain the basis for this ex gratia payment, identify the exact sum of   
the payment, or provide any other details about the payment. After the conclusion of the hearings, Aussie pointed, for the first time, to documents that it said explained the payment.[[180]](#footnote-180) Why the documents were not produced by Ms Harris, the witness put forward by Aussie as the witness able to speak about the matters the subject of the inquiry, or were not put   
to her by those appearing for Aussie during the course of her evidence, was not explained.

### 3.3 What the case study showed

#### 3.3.1 Misconduct by the four former brokers

As noted elsewhere, CBA acknowledged during the first round of hearings, in the third response that it provided to the Commission’s initial inquiries, that the four former brokers had engaged in acts of misconduct.[[181]](#footnote-181) More specifically, in the evidence given by Ms Harris, Aussie accepted that:

• between November 2011 and August 2013, Mr Sahay had engaged   
in fraudulent conduct (including falsification of home loan documents   
or signatures);

• between March 2013 and February 2014, Ms Khalil had engaged   
in fraudulent conduct (including falsification of home loan documents   
or signatures);

• between 2012 and 2014, Mr Nair had been guilty of fraudulent conduct (including falsification of home loan documents or signatures); and

• between January 2014 and January 2015, Mr Meehan had been guilty   
of fraudulent conduct (including falsification of home loan documents   
or signatures).

In its written submissions, Aussie accepted that the conduct of the four former brokers was ‘misleading, deceptive and unconscionable’.[[182]](#footnote-182) And each of the brokers was prosecuted for, and convicted of, offences arising out of the conduct. But Aussie submitted, and I accept, that no finding   
of misconduct by Aussie itself should be made.

It remains important, however, to consider questions about community standards and expectations and to examine what the evidence showed about whether the systems and practices Aussie followed at the time of   
the events in issue were adequate. Those questions about systems and practices bear directly upon whether the misconduct of the four brokers is attributable to the particular culture and governance of Aussie or resulted from Aussie’s practices, including risk management practices.

#### 3.3.2 Systems and practices

I accept that, as Aussie submitted, it had systems and processes that, at   
the time, it considered adequate to prevent, detect and respond to conduct of the kinds in which the four brokers engaged.[[183]](#footnote-183) And I further accept that in Mr Meehan’s case, it was Aussie that first raised questions about Mr Meehan’s conduct: Aussie detected the conduct of Mr Meehan in the course of conducting a review of his files. By contrast, however, Ms Harris’ evidence was that the conduct of the other three brokers was first brought   
to the attention of Aussie by a lender. Ms Harris said, and I accept, that Aussie first became aware of the fraudulent conduct of Mr Sahay, Ms Khalil and Mr Nair only after a lender told Aussie either that it had decided to terminate the broker’s accreditation or a lender expressed concern to Aussie about the veracity of information that the broker had supplied.

The adequacy of the systems and processes that Aussie had in place when the four brokers engaged in the conduct is then to be measured against   
two considerations. First is the fact that there were four separate cases (between 2011 and 2015) where credit representatives of Aussie engaged in fraudulent conduct. The systems and practices did not prevent the conduct and only one of those cases was first detected by Aussie.

The second consideration was provided by the evidence of Mr Giles Boddy, the Chief Financial Officer of Aussie. When he gave his evidence, Mr Boddy was an employee of CBA seconded to Aussie.[[184]](#footnote-184) Mr Boddy gave evidence about an internal audit of Aussie, conducted by CBA Group Audit and Assurance between July and December 2017.[[185]](#footnote-185) As the report of that audit recorded, Mr Boddy was the ‘Accountable Executive’.[[186]](#footnote-186) CBA Group Audit and Assurance had conducted a similar internal audit in 2015.

The 2017 report expressed three ‘ratings’: about ‘Control Environment’, ‘Management Awareness and Actions’ and ‘Overall Report Rating’. The ratings were red, amber or green, where red was ‘unsatisfactory’, amber was ‘marginal’ and green was ‘satisfactory’. The ‘Control Environment’   
was rated red. ‘Management Awareness’ was rated amber. The ‘Overall Report Rating’ was recorded as red. The 2017 report noted that the same ratings had been given in the 2015 internal audit report.

For present purposes, it is important to look principally at what the 2017 report recorded about the ‘Control Environment’. The ‘unsatisfactory’ rating applied in the report was explained by saying that ‘Controls are not appropriate for the risks being managed. There are a significant number   
of issues that require immediate attention’.[[187]](#footnote-187) And the report gave further particular content to that rating by saying, as part of the ‘Audit Conclusion’, that:[[188]](#footnote-188)

Overall, we rated the control environment in AHL [Aussie Home Loans]   
as unsatisfactory due to the number of issues raised by management (77), existing issues (8) and new issues raised during our audit (17).   
We raised one very high and two high rated issues that were not known   
to AHL management of which two are repeat issues. These related to customer data not flowing correctly between AHL’s Toolbox system and NextGen’s Apply Online (AOL) system, *particularly dependent information and concerns over compliance with Responsible Lending obligations which are a key focus area for regulators*.

Each of those matters was then amplified under four headings:[[189]](#footnote-189)

• Controls to confirm customer declared information is completely   
and accurately sent to lenders through NextGen are not robust;

• Responsible lending obligations are not always met;

• Monitoring and Quality Assurance over brokers is not robust; and

• Risk Management activities and capabilities are not sufficient to   
provide sufficient coverage over AHL business processes.

The chief criticism levelled by the auditors at the ‘monitoring and quality assurance of brokers’ was that the selection process for file reviews was manual and that ‘most brokers are subject to only 1 file review per year’ representing ‘less than 3% of broker loans being captured for review’.[[190]](#footnote-190)   
The report recorded that, with the assistance of Aussie management, Group Audit and Assurance had developed a ‘Broker Monitoring Dashboard to flag suspicious broker behaviour’[[191]](#footnote-191) but this, of course, was a development   
well after the events that were the subject of the case study.

Mr Boddy did not dispute the content of the 2017 internal audit report.[[192]](#footnote-192) That being so, I am not persuaded that, in the face of that report, I can accept Aussie’s submission that its systems and processes were adequate when the four brokers who were the subject of this case study engaged in the conduct they did. The systems and practices, as they stood at the end   
of 2017, were judged to be inadequate in the various ways described in the 2017 internal audit report (despite the efforts that had been made in the two years that had passed since the 2015 internal audit). Those deficiencies included, in particular, deficiencies in respect of the ‘monitoring and quality assurance of brokers’ (as well as ‘concerns over compliance with responsible lending obligations’).

Questions about systems and practices concern ‘governance practices’   
but are closely related to the ‘particular culture’ of the entity concerned.[[193]](#footnote-193) One matter that emerged in evidence, relating to the steps that Aussie took after becoming aware of the four brokers’ conduct, should be mentioned as pertaining to questions of ‘culture’.

The communications Aussie had with lenders after questions were raised about the conduct of each of the four brokers may be read as demonstrating a concern to ensure maintenance of the stream of income from trail commissions on loans that those brokers had written. As explained earlier, Aussie took no active steps towards assessing whether loans other than those that had been identified as affected by fraud or deception might have been affected by some similar deficiency. In particular, Aussie made no inquiries of any borrower whose loan had been settled but had been arranged through one of the four brokers. But Aussie moved very quickly   
to ‘transfer’ the benefit of the trail commissions that those loans attracted   
to some broker other than the broker whose accreditation had   
been terminated.

Questions about systems and processes are important, not as themselves being possible instances of misconduct, but because the systems and processes that Aussie had at the time of the relevant events were not sufficient to prevent their occurrence and were not sufficient to detect   
their occurrence earlier than happened. To that extent, and in that way,   
the governance practices of Aussie, and its practices with respect to risk management, were a cause (I do not say *the* cause) of the misconduct   
of the four brokers. Further, I see no reason to doubt the conclusion reached in the 2017 internal audit report that, in December 2017, the ‘control environment’ at Aussie remained ‘not appropriate for the risks   
being managed’. More particularly, as the report said, there then remained concerns over the ‘monitoring and quality assurance of brokers’, and there then remained concerns about compliance with responsible lending obligations. Mr Boddy gave evidence of the steps that were being taken   
to remedy these deficiencies. Whether, and to what extent, those steps have had the desired effects I cannot say.

#### 3.3.3 Remediation

Put shortly, Aussie took no step to determine whether any borrower had suffered some detriment because of the conduct of any of the four brokers. Because that is so, it is not possible to say whether the misconduct of the brokers caused harm to borrowers whose loans had settled. And it also follows that it is not possible to say whether there was any occasion for Aussie to compensate borrowers whose loans had been negotiated by   
one of the four brokers. In particular, it is not possible to say whether the doubts the internal auditors expressed in 2017 about Aussie’s compliance with responsible lending requirements had been realised in connection with loans arranged by any of the four brokers.

#### 3.3.4 Conduct falling below community standards and expectations

Aussie’s responses to being told of, or in one case discovering, misconduct by its credit representatives fell below community standards and expectations. The responses fell short in several respects.

First, there was the failure to report three of the four cases. As Ms Harris was at pains to point out, great care must be taken before saying to a third party that a person is suspected of fraud. But different considerations arise in relation to communications with ASIC as a regulatory body and communications with a professional association having disciplinary functions like the Mortgage and Finance Association of Australia. ASIC   
has statutory responsibilities for the licensing and supervision of credit representatives. The Mortgage and Finance Association of Australia has a legitimate interest in knowing that one of its members has been suspended or had his or her contract of engagement terminated on the ground that the member is suspected of having committed fraud.

Second, there was the failure to look at any settled loan to see whether   
the broker concerned had engaged in conduct that caused harm to the borrower. Ms Harris’s evidence was that this was a task for the lender, not Aussie. Lenders, she said, were better set up to detect fraud than Aussie. But the issue is not only about whether the brokers had committed other acts of fraud, it is about whether borrowers had suffered as a result of the broker’s conduct. And in deciding whether Aussie had any role to play it is necessary to bear at the forefront of consideration that Aussie did its best   
to ensure that it continued to receive the trail commission payable in respect of every loan that the defaulting brokers had arranged. The community would rightly consider that Aussie’s continued receipt of payments entailed commensurate obligations to inquire whether the brokers had caused harm to borrowers.

More generally, the steps that Aussie took (and the steps it did not take) after being informed of, or in Mr Meehan’s case discovering, the misconduct confirms that there was, and remains, confusion about the roles and responsibilities of lenders and intermediaries. The steps that Aussie took, and did not take, show it did not see itself as owing any obligation to protect the interests of borrowers. Its concern was to protect its income streams. Aussie acted in ways that showed that it considered that if anyone owed   
an obligation to borrowers, it was the lenders. That is, Aussie’s conduct was consistent with answering the question ‘For whom does the intermediary in a home loan act?’ as ‘The intermediary, no-one else’.

## 4 ANZ responsible lending

### 4.1 Background

This case study examined ANZ’s lending practices in connection with   
home loans. The Commission heard evidence from Mr Robert Regan,[[194]](#footnote-194)   
a customer who entered into a home loan with ANZ, and from Mr William Ranken,[[195]](#footnote-195) the Lead of the Home Owners’ Team at ANZ.[[196]](#footnote-196)

Mr Ranken is responsible for ANZ’s home loan portfolio,[[197]](#footnote-197) which is worth approximately $265 billion.[[198]](#footnote-198) In the year ended 30 September 2017, ANZ had approximately 1.008 million active home loan accounts,[[199]](#footnote-199) a majority   
of which originated through the broker distribution channel.[[200]](#footnote-200) In the same period, ANZ sold over $67 billion of home loans.[[201]](#footnote-201) Of that amount, almost $38 billion came from the broker channel.[[202]](#footnote-202)

### 4.2 Evidence

In respect of home loan applications submitted by brokers, ANZ relies heavily on brokers to make enquiries into the customer’s financial situation. In general terms, the results of the broker’s enquiries about the customer’s financial position are provided to ANZ by way of a document referred to as   
a Statement of Financial Position, which is signed by both the customer and the broker.[[203]](#footnote-203)

At the time that Mr Ranken gave evidence, ANZ did not take any steps to verify the customer’s general living expenses, as declared on this form.[[204]](#footnote-204) Where ANZ held information about a customer’s expenses that was inconsistent with information recorded on the Statement of Financial Position, it did not take any steps to identify or enquire into that inconsistency.[[205]](#footnote-205) In the words of Mr Ranken, ANZ’s processes in that situation were to ‘do nothing’,[[206]](#footnote-206) and Mr Ranken said nothing to suggest   
that ANZ’s processes had changed before he gave evidence.

Mr Ranken’s evidence was that it would be ‘highly complex, very time-consuming, very costly, and ultimately not necessarily that helpful’ to undertake a manual review of paper-based bank statements in order to verify a customer’s Statement of Financial Position.[[207]](#footnote-207) When asked about the requirement to take positive steps to verify under ASIC’s Regulatory Guide 209, which sets out ASIC’s expectations in relation to the responsible lending obligations, Mr Ranken said that there was a ‘customer benefit trade-off’ when considering how strictly Regulatory Guide 209 was to be complied with.[[208]](#footnote-208)

Mr Ranken initially suggested that indirect verification of a customer’s living expenses took place by way of comparing the customer’s declared living expenses with the income-adjusted HEM benchmark and using the higher of the two.[[209]](#footnote-209) Mr Ranken subsequently accepted that the ‘primary purpose’ of undertaking that comparison was to assess the customer’s capacity to service the loan, not to verify the customer’s financial situation.[[210]](#footnote-210)

More broadly, of the ANZ home loan files reviewed by KPMG in the course of the APRA targeted review process, 73% showed the customer’s living expenses defaulting to the HEM benchmark.[[211]](#footnote-211) The files examined related to loans approved between 1 October 2015 and 30 September 2016. [[212]](#footnote-212)   
At the time that Mr Ranken gave evidence, he considered that approximately the same percentage of ANZ files would still default to   
the HEM benchmark.[[213]](#footnote-213)

As a final point relating to serviceability, under ANZ’s Mortgage Credit Requirements policy, a customer’s ability to repay a credit facility was assessed against a customer’s uncommitted monthly income, or UMI.[[214]](#footnote-214)   
A customer’s UMI was ‘determined by deducting from net income   
[a customer’s] personal living expenses, credit commitments, and any   
other regular fixed commitments’.[[215]](#footnote-215) ANZ’s policy was that ‘[i]f the UMI is positive, then the customer is considered to have the capacity to repay’.[[216]](#footnote-216) In cross-examination, it was put to Mr Ranken that ANZ’s policy represented ‘too broad-brush an approach’, in light of Section 131 of the NCCP Act, and   
‘the obligation it contains to assess a credit contract as unsuitable … if a customer could only comply with their financial obligations under the contract with substantial hardship’.[[217]](#footnote-217) Mr Ranken rejected   
that characterisation.[[218]](#footnote-218)

Mr Ranken also gave evidence about the application of ANZ’s processes to Mr Regan’s application for a home loan. Mr Regan, a 72-year-old pensioner, sought and obtained a $50,000 home loan from ANZ in March 2017. The loan was secured against his unencumbered home, and the application for the loan was submitted by a mortgage broker as a loan for additions and alterations to Mr Regan’s house.[[219]](#footnote-219) In fact, Mr Regan wanted to obtain the money to send to individuals overseas.[[220]](#footnote-220) Mr Regan subsequently learnt that the individuals were part of a fraud.[[221]](#footnote-221)

At the time that Mr Regan applied for the loan, his fortnightly income   
was approximately $1,229.[[222]](#footnote-222) Mr Regan provided the broker with bank statements evidencing his income and expenditure.[[223]](#footnote-223) The bank statements showed that Mr Regan had spent significant amounts of money on the scam in the previous month.[[224]](#footnote-224) Mr Regan did not discuss his expenses with the broker, but understood that the broker would calculate his expenses from his bank statements.[[225]](#footnote-225) The bank statements showed multiple Western Union money transactions, by which Mr Regan sent thousands of dollars   
to people involved in the scam.[[226]](#footnote-226)

The Statement of Financial Position, prepared by the broker and signed by both the broker and Mr Regan,[[227]](#footnote-227) recorded Mr Regan’s monthly expenses as $1,140, approximately half of Mr Regan’s estimated expenses.[[228]](#footnote-228) The Statement of Financial Position was submitted to ANZ by the broker, along with supporting documentation that included Mr Regan’s bank statements and a Centrelink statement from the previous year recording Mr Regan’s receipt of the aged pension.[[229]](#footnote-229)

When ANZ assessed Mr Regan’s home loan application, it only reviewed   
Mr Regan’s bank account statements for the purposes of verifying his income.[[230]](#footnote-230) Mr Ranken accepted that if Mr Regan’s bank account statements had been considered more fully, it would have taken no ‘more than a few seconds’ to notice the significant sums of money that Mr Regan lost during February 2017,[[231]](#footnote-231) and ‘it would have been obvious … that Mr Regan’s expenses … were much more than reflected in the statement of financial position’.[[232]](#footnote-232)

In assessing Mr Regan’s home loan application, an ANZ assessment   
officer considered that Mr Regan’s ‘exit strategy’ was for him to ‘downsize   
if required and pay out the loan’.[[233]](#footnote-233) Mr Regan said, and I accept, that no such ‘exit strategy’ was discussed with him.[[234]](#footnote-234) Mr Regan’s age was also   
not considered as part of the assessment of the home loan application, other than a reference to ANZ ‘[c]onsidering only the untaxed component   
[of his superannuation payment because he] is aged’.[[235]](#footnote-235)

ANZ granted the loan to Mr Regan for a 30 year term.[[236]](#footnote-236) Mr Regan drew down on the loan, and then transferred the majority of the funds drawn down to members of the scam in London.[[237]](#footnote-237) The bank employee who assisted Mr Regan to effect the international money transfer had assisted Mr Regan to obtain his home loan a few days earlier.[[238]](#footnote-238) The employee   
did not ask any questions about what Mr Regan was using the money for, despite the fact that Mr Regan was quite clearly using the loan funds for   
a purpose that was different to the purpose that had been disclosed to,   
and approved by, ANZ.[[239]](#footnote-239)

### 4.3 What the case study showed

The case study requires consideration in two distinct but related ways. First, it is necessary to say something about what the case study showed about ANZ’s home lending processes generally. Second, it is necessary to deal with the particular case of Mr Regan.

#### 4.3.1 ANZ’s home lending processes

Three points of general application and importance emerged from Mr Ranken’s evidence. They were:

• ANZ’s reliance on brokers to enquire about a customer’s outgoings;

• his resistance to comparing stated outgoings with available bank statements; and

• treating the calculated UMI as demonstrating capacity to repay.

The general tenor of Mr Ranken’s evidence (and of ANZ’s submissions about the case of Mr Regan) was that ANZ can rely on what is set out about a borrower’s expenses in the Statement of Financial Position signed by both broker and borrower. That is, subject to using the relevant HEM as a default measure of expenses when it is higher than declared expenses, ANZ’s reliance on what was said about expenses in the Statement was said to be sufficient inquiry about, and verification of, this aspect of a borrower’s financial position. Yet, at the same time, Mr Regan accepted that ANZ did not rely only on what was said in the Statement about income but routinely required documentary verification of declared income. The tension between the two propositions is readily apparent.

Mr Ranken’s evidence that sought to explain why verification of expenses was too hard and, as he put it, ‘ultimately not necessarily that helpful’, demonstrated this tension.[[240]](#footnote-240) And even that explanation did not deal satisfactorily with the fact that, in the particular case of Mr Regan’s loan application, ANZ had been provided with a bank statement that showed immediately and obviously that Mr Regan had been recently making expenditures which were much greater than the amount recorded in the Statement of Financial Position.

The procedures described by Mr Ranken do not include any verification of   
a borrower’s expenditures. As is explained in Chapter 2, without verification of expenditures, there is no verification of a borrower’s financial position. Whether procedures of the kind described by Mr Ranken are sufficient to satisfy the responsible lending provisions of the NCCP Act (and in particular Section 130(1)) is similarly dealt with in Chapter 2.

What about the particular case of Mr Regan?

#### 4.3.2 Mr Regan’s case

Mr Regan’s case raised two kinds of issue: issues about the making and drawing down of the loan, and issues about subsequent steps taken by   
ANZ in response to hardship applications made by Mr Regan.

Consistent with the evidence given by Mr Ranken, an important, perhaps the central, point made by ANZ in answer to suggestions that it should not have made the loan to Mr Regan was that it had relied on the Statement   
of Financial Position that Mr Regan and the broker had signed. It submitted that, according to the Statement, it was right to conclude that he would be able to service the loan.[[241]](#footnote-241) ANZ also submitted, no doubt correctly, that the principal cause of Mr Regan’s loss was the calculated and fraudulent deception of which he had been a victim. But observing this to be the cause of his loss is not to the point when considering whether ANZ should have lent the money that was stolen.

Of particular relevance to whether ANZ should have made the loan is the observation made on the bank’s file that Mr Regan’s ‘exit strategy’ would   
be to ‘downsize’. On its face, the note is consistent with (perhaps only consistent with) the relevant bank employee concluding that compliance with the loan contract may require Mr Regan to sell his home. The combination of Mr Regan’s age and his dependence on social security payments might be thought to have founded such a conclusion. But it is   
a conclusion that, on its face, directs attention to the application of Section 131 of the NCCP Act and its provision that a loan contract will be unsuitable if it is likely that the consumer could only comply with the contract with substantial hardship. As Section 131(3) provides, if a consumer could only comply with the consumer’s financial obligations under the contract by selling the consumer’s principal place of residence, it is presumed that the consumer could only comply with those obligations with substantial hardship, unless the contrary is proved.

The material adduced in evidence leads me to the conclusion that ANZ might have contravened the NCCP Act by not taking reasonable steps   
to verify Mr Regan’s financial position,[[242]](#footnote-242) or by not assessing that the   
credit contract would be unsuitable for Mr Regan.[[243]](#footnote-243)

#### 4.3.3 Conduct falling short?

Mr Regan gave evidence of his drawing against the loan by asking the   
bank to transfer an amount drawn to London. Mr Regan said that the employee who dealt with him was the same employee who had dealt   
with him in connection with the loan. Mr Regan’s evidence about this   
was not challenged and I accept it. The evidence suggests that the employee concerned either did not consider whether the drawing was consistent with the stated purpose of the loan (to make alterations and additions to the home) or ignored the evident inconsistency between   
that purpose and remitting funds to London. The more favourable interpretation of events would be that the employee did not ‘join the dots’.

In times past, I think it probable that the community would have expected bank employees to be more keenly aware of the nature and extent of a customer’s dealings with the bank than this employee may have been.   
But, as more and more dealings between bank and customer have   
been shifted away from a branch and onto the computer, I doubt that   
the community now expects an employee, even one who has dealt with   
a customer a few days earlier, to ask whether the withdrawal being made   
was consistent with the purpose of the loan.

ANZ accepted that it incorrectly assessed an application for hardship relief that Mr Regan made in June 2017 and that it refused the application on the basis of that incorrect assessment.[[244]](#footnote-244) It further accepted that its conduct fell short of community standards and expectations.[[245]](#footnote-245) I agree.

I was troubled by the subsequent course of events that played out between ANZ and Mr Regan culminating, as it did, in ANZ making an offer to Mr Regan very soon before he was due to give evidence to the Commission. The offer ANZ then made proceeded from the implicit   
premise that ANZ had not breached responsible lending requirements.   
And, in his evidence, Mr Ranken left no doubt that he stood behind the decision to make the loan to Mr Regan.

The material that ANZ had when it decided to grant the loan was such   
as should have raised a very lively issue about whether the amount set   
out in the Statement of Financial Position signed by Mr Regan was right. And there is nothing to suggest that ANZ took any step to verify the declared expenses. All this being so, I consider that the position taken   
by ANZ (of requiring full repayment of the capital amount of the debt, reducing periodical payments and allowing a moratorium on those reduced payments) does not accord with what the community would expect. It is   
a position that assigns no responsibility to ANZ for the events which have happened. Further, and separately, if ANZ did breach its responsible lending obligations, the offer that it made was not adequate redress for   
that failure.

## 5 CBA add-on insurance

### 5.1 Background

This case study examined two add-on insurance policies sold by CBA   
to customers who did not meet the employment eligibility criteria to claim certain benefits under the policies. The two products were CreditCard Plus (CCP) insurance and Loan Protection Product (LPP) insurance. The latter product comprised two separate sub-products: the Personal Loan Protection product and the Home Loan Protection product.[[246]](#footnote-246) Both CCP and LPP insurance were sold by CBA from around 2003.[[247]](#footnote-247)

The Commission heard evidence from Ms Irene Savidis, a customer who had purchased CCP insurance,[[248]](#footnote-248) and from Mr Clive van Horen, the Executive General Manager for Retail Products, within the Retail Banking Services Business Unit of CBA.[[249]](#footnote-249)

### 5.2 Evidence

#### 5.2.1 CCP insurance

Turning first to CCP insurance, customers were offered CCP insurance as part of their application for a CBA-branded credit card.[[250]](#footnote-250) During the period from 2011 to 2015, 29.5% of CBA-branded credit cards had a CCP insurance policy attached to them.[[251]](#footnote-251)

In April 2015, as a result of an internal audit, CBA determined that approximately 64,000 customers who had purchased CCP insurance   
may not have been eligible to claim benefits under their policy in the   
event that they suffered temporary or permanent disability or involuntary unemployment. This was because they were not employed when they   
were sold the policy.[[252]](#footnote-252) Whilst customers were provided with a copy of   
the product disclosure statement (PDS) for the policy, CBA staff had not been required to inform them that such benefits could not be claimed if   
they remained unemployed.[[253]](#footnote-253) This was despite the fact that a 2011 ASIC report had recommended that sales scripts for consumer credit insurance include ‘[a] clear explanation of the main exclusions’ in such policies.[[254]](#footnote-254) Mr van Horen referred to CBA’s principal reliance upon the disclosures in the product disclosure statement, and the failure to refer to the employment-related exclusions in the sales scripts, as ‘a flawed assumption and a   
flawed judgment’.[[255]](#footnote-255)

In around May 2015, CBA amended its credit card sales scripts to introduce a ‘knock out question’ to prevent the sale of CCP insurance to people who did not meet the employment eligibility criteria.[[256]](#footnote-256) Changes were also made to the form used for online sales, but the changes did not introduce a ‘knock out question’.[[257]](#footnote-257) No such question was introduced into the online form until 2017.[[258]](#footnote-258) Mr van Horen accepted that CBA erred in not introducing a ‘knock out question’ into the online process in 2015.[[259]](#footnote-259)

Also in May 2015, CBA made a ‘good governance’ notification of the CCP insurance issue to ASIC.[[260]](#footnote-260) The notification substantially underestimated   
the number of customers affected by the problem.[[261]](#footnote-261) By the time of the hearing, CBA accepted that it should have made a significant breach notification under Section 912D of the Corporations Act in respect of the incident.[[262]](#footnote-262) Mr van Horen stated that ‘on balance, and taking into account … all the considerations’, he considered that the event involved a breach of CBA’s and Colonial Mutual Life Assurance Ltd’s obligations under Section 912A(1)(a) of the Corporations Act to act efficiently, honestly and fairly.[[263]](#footnote-263) Colonial Mutual Life Assurance Ltd (CMLA), sometimes referred to as CommInsure, was a company within the CBA group that issued the policies sold by CBA.

Extensive correspondence between CBA and ASIC followed, which involved negotiations over more than a year about whether CBA would remediate any customers who had been sold CCP insurance when they were unemployed, and if so, how it would remediate them. After being ‘pressed’ by ASIC, CBA changed its position on remediation a number of times. Initially, it did not offer to remediate consumers.[[264]](#footnote-264) It then offered to only remediate consumers with open policies.[[265]](#footnote-265) It ultimately agreed to remediate consumers with both open and closed policies.[[266]](#footnote-266) Similarly, CBA moved from a position of only refunding part of the premiums paid, to refunding the entirety of the premiums, at least to students.[[267]](#footnote-267) Aspects of the remediation program required customers to proactively ‘opt in’, in circumstances where CBA knew that the likely rate of uptake by consumers was low.[[268]](#footnote-268)

Customers who purchased CCP insurance in circumstances where they   
did not meet the employment eligibility criterion paid $11 million in premiums and received $0.5 million in response to claims made.[[269]](#footnote-269) At the time of the hearing, CBA expected that the CCP insurance remediation program would lead to the remediation of approximately 64,000 customers, who would be refunded amounts totalling approximately $10 million.[[270]](#footnote-270)

As previously noted, the Commission also heard evidence from Ms Irene Savidis, a consumer who obtained CCP insurance in October 2014, at   
the same time that she obtained a CBA credit card.[[271]](#footnote-271) Ms Savidis attended a CBA branch as part of the credit card approval process. While at the branch, Ms Savidis had a conversation with a CBA staff member about   
CCP insurance. The CBA staff member told Ms Savidis that she should   
take out CCP insurance because it would be ‘good for [her]’, it would ‘benefit’ her, and it would ‘help [her] in the long run if anything happened   
to [her]’.[[272]](#footnote-272) Ms Savidis informed the CBA staff member that she was not working at that time, but the CBA staff member told Ms Savidis that she could ‘still claim’ under the policy.[[273]](#footnote-273)

#### 5.2.2 LPP insurance

Turning to LPP insurance, customers were offered LPP insurance as part   
of their application for either a CBA home loan or a CBA personal loan.[[274]](#footnote-274) During the period from 2011 to 2017, 42.64% of CBA personal loans had   
an associated Personal Loan Protection policy, and 10.34% of CBA home loans had an associated Home Loan Protection policy.[[275]](#footnote-275)

The exclusions from LPP insurance were similar, but not identical, to   
the exclusions from the CCP product.[[276]](#footnote-276) Only customers who met the employment eligibility criterion could claim loan repayment cover in the event of disability or involuntary unemployment.[[277]](#footnote-277)

As it had done in May 2015 for the CCP product, in October 2015, CBA amended its sales scripts to introduce a ‘knock out’ question in respect   
of the sale of LPP insurance.[[278]](#footnote-278) CBA provided an additional document   
to the Commission on 1 May 2018 that made it clear that the knock out question was added in about October 2015. Here too, the introduction   
of the ‘knock out’ question meant that an application for LPP insurance would not proceed if the employment eligibility criterion was not met.[[279]](#footnote-279)   
An equivalent question was again not introduced into the digital online application form until June 2017.[[280]](#footnote-280)

From at least October 2015, CBA knew that there was a problem with   
LPP insurance being sold to people who did not meet the employment eligibility criterion.[[281]](#footnote-281) However, CBA did not report the issue to ASIC at   
that time, nor take steps to identify how many customers were affected   
by the issue.[[282]](#footnote-282) Instead, CBA made a decision to ‘sort out CCP first and then move on to [LPP]’.[[283]](#footnote-283) CBA decided to ‘prioritise’ the CCP issue on   
the mistaken assumption ‘that the scale of the issues in relation to the   
LPP matter would be less than for the CCP problem’.[[284]](#footnote-284)

Approximately two years after CBA amended its LPP sales scripts to introduce a ‘knock out question’ into the non-digital channels, as CBA   
was preparing to notify ASIC of the LPP issue, ASIC raised the issue   
with CBA.[[285]](#footnote-285) ASIC raised the issue after having received information   
from a CBA customer about being sold LPP insurance in circumstances where the customer did not meet the employment eligibility criterion.[[286]](#footnote-286)   
That customer complaint had resulted in an ex gratia payment by CBA.[[287]](#footnote-287) The quantum of the ex gratia payment is not known.[[288]](#footnote-288)

At ASIC’s request,[[289]](#footnote-289) in October 2017 CBA made a significant breach notification to ASIC under Section 912D of the Corporations Act.[[290]](#footnote-290) In   
that notification, CBA and CMLA accepted that they had ‘breached the efficiently, honestly and fairly obligation’, being a condition of their financial services licences.[[291]](#footnote-291)

At the time of the hearing, CBA’s estimate was that the LPP insurance   
issue had affected more customers than the CCP insurance issue.[[292]](#footnote-292)   
As at 5 March 2018, CBA estimated that it would be communicating with approximately 140,000 customers in relation to the LPP issue.[[293]](#footnote-293) In its   
initial submission to the Commission dated 29 January 2018, CBA   
had told the Commission that it had identified only 20,000 customers   
eligible for refunds.[[294]](#footnote-294)

Shortly prior to the commencement of the hearings, CBA decided to cease selling CCP insurance, and to stop selling the Personal Loan Protection stream of LPP insurance.[[295]](#footnote-295) Mr van Horen accepted that CBA made this decision at least in part because the products would not be ‘economically viable’ after ‘the implementation of a deferred sales model’, which was expected to extend from credit card sales to personal loan sales.[[296]](#footnote-296) At   
the time of the hearings, CBA intended to continue to sell the Home Loan Protection stream of LPP insurance, which provided a larger stream   
of premiums to CBA than the CCP and the Personal Loan   
Protection products.[[297]](#footnote-297)

### 5.3 What the case study showed

In its written submissions, CBA accepted that CCP and LPP insurance   
were sold to customers who did not, at the time of their application, meet   
the employment eligibility criteria applicable to those products.[[298]](#footnote-298) CBA accepted that, despite ASIC’s published recommendation to include   
in formal sales scripts ‘a clear explanation of the main exclusions that apply’,[[299]](#footnote-299) CBA’s ‘assisted sales scripts did not sufficiently highlight to   
those customers that they may be ineligible for certain benefits under   
those policies if they continued not to meet the employment eligibility criteria’.[[300]](#footnote-300) CBA further accepted that it thereby breached its obligation under Section 912A(1)(a) of the Corporations Act to do all things necessary to ensure that it provided the CCP and LPP products efficiently, honestly and fairly in respect of those customers.[[301]](#footnote-301) And CBA also accepted that   
it thereby failed to adhere to the obligation imposed by the Code of Banking Practice to act fairly and reasonably towards its customers in a consistent and ethical manner.[[302]](#footnote-302) CBA thus accepted that its conduct amounted to misconduct. I agree.

It follows that, in the case examined in evidence (concerning Ms Savidis), the sale to her of CCP was a particular example of the breaches described.

Five further issues must then be examined. The first focuses on one aspect of the events examined: where a so‑called ‘knock‑out question’ was added to the scripts used when a customer spoke to a bank representative in   
a branch or at a call centre, but no equivalent change was made in the ‘digital channel’ of sale. The second directs attention to the fact that CBA has dealt with issues about CCP and LPP one after the other, instead   
of together, despite the issues being substantially identical in origin. The third issue concerns the application of the requirement to report breaches   
or likely breaches of CBA’s obligations under Section 912A of the Corporations Act to ASIC in accordance with Section 912D. The fourth concerns the course of remediation negotiations between CBA and ASIC. The fifth (and most general) issue asks, in effect, what is to be made of   
the fact that CBA determined, a few days before this case study was to   
be examined by the Commission, that it would stop selling CCP and LPP.

#### 5.3.1 Changing scripts

CBA accepted that it should have amended the application form in the digital channel concurrently with the changes it made in the other sales channels.[[303]](#footnote-303) In his evidence, Mr van Horen acknowledged that, in hindsight, the delay in implementing changes to the digital processes was an error, and that CBA had remediated customers who applied through the digital channel up to the time that the change was made.[[304]](#footnote-304)

To that extent at least, CBA’s acknowledgment, and Mr van Horen’s evidence, qualified what he said had been the explanation, at the time,   
for treating the channels differently: that there was less risk of ineligible customers taking out the product through the digital channel because they could read the application in their own time. I do not think this explanation   
is persuasive, but be that as it may, by its subsequent actions, CBA chose not to advance it as sufficient justification for its acting as it did.

By acknowledging that, at least in hindsight, the delay was an error,   
it seems to me that CBA thereby acknowledges that its conduct in not making alterations in the digital channel at the same time that it made changes to the other channels fell below community standards and expectations required. I agree.

#### 5.3.2 Dealing with CCP and LPP sequentially

CBA acknowledged that it did not commence its investigation of the   
LPP issues soon enough and that, as a consequence, it neither formulated nor implemented a remediation program ‘as early as it could have done’.[[305]](#footnote-305) CBA said that it approached the LPP issue ‘as a follow up to the CCP   
issue in 2017, rather than as a distinct problem that required a concurrent investigation’.[[306]](#footnote-306) And it did this on the premise that the LPP issue was smaller (in the sense that it affected fewer customers) than the CCP issue. Subsequent investigations have shown that this premise was not right.   
As noted above, the estimates that CBA gave at the time of the hearings were that it would refund about $10 million to about 64,000 customers who had taken out CCP insurance, but that it expected to communicate with about 140,000 customers in relation to the LPP issue.

Even if CBA had been right to think that fewer customers may have been sold LPP than had been sold CCP without attention being drawn expressly to the eligibility requirements of the relevant policy, the comparative size of the affected groups was not relevant to determining what action CBA should take. The underlying issue was identical. Recognising that the sale of CCP without express reference to eligibility requirements was inappropriate entailed that the sale of LPP without express reference to eligibility requirements was also inappropriate. And CBA acknowledged that it ‘knew that eligibility issues might have arisen for the LPP products in the same way as for the CCP products’.[[307]](#footnote-307) But CBA did not investigate the LPP issue. Mr van Horen said that there was no ‘deliberate choice’ not to investigate.[[308]](#footnote-308) But deliberate or not, the fact was that there was no investigation.

All of those affected by the issue had to be identified if the extent of the problem was to be assessed and adverse consequences remedied. Let   
it be assumed that dealing with the whole problem would have required more resources than were applied to dealing only with CCP (and CBA   
did not suggest that it would). This would not be reason enough for an   
entity the size of CBA to deal with the issue piecemeal. And even if the assumption described is made, it would provide no reason to wait until   
a consumer had complained to ASIC about LPP before telling ASIC that   
the problem CBA had identified extended beyond CCP. Yet this is what CBA did. Knowing there to be an issue, CBA did not try to find out its   
extent. CBA did not try to find out whether, or how many, customers   
other than those who had taken out CCP were affected.

This was conduct that falls below community standards and expectations.

#### 5.3.3 Section 912D and notifying ASIC about LPP

CBA accepted that its conduct with respect to LPP breached the requirement imposed by Section 912A(1)(a) to ‘do all things necessary   
to ensure that the financial services [provided by CBA] are provided efficiently, honestly and fairly’.[[309]](#footnote-309) In its written submissions, CBA accepted that it ‘did not notify ASIC quickly enough of the LPP issue’,[[310]](#footnote-310) and that consequently, its conduct[[311]](#footnote-311) (which is to say ‘its notification to ASIC of   
the LPP issue’) fell below community standards and expectations.[[312]](#footnote-312)   
But it submitted that there should be no finding that CBA contravened Section 912D by failing to provide a written report to ASIC within the prescribed time.

It is to be recalled that Section 912D obliges a **financial services licensee**, as CBA is and was, to report a breach or likely breach of its obligations under Section 912A if the breach or likely breach is ‘significant’.   
CBA accepted that its acknowledged breach of Section 912A(1)(a) with respect to LPP was significant. The time prescribed by Section 912D   
for reporting a breach or likely breach that is significant is very short.   
A report must be made ‘as soon as practicable and in any case within   
10 business days after becoming aware of the breach or likely breach’.

If, as I accept, CBA was right to acknowledge that its conduct fell below community standards and expectations because it did not notify ASIC of   
its breach with respect to LPP quickly enough, I do not see how it is said that there was no breach of Section 912D. And, in its written submissions, CBA offered no resolution of the evident tension between the competing positions it adopted when it said that its conduct breached what the community would expect to have been a timely notification to ASIC, while also saying that there was no breach of the law that required notification   
to ASIC within no more than 10 business days.

What CBA acknowledged compels the further conclusion that CBA might have contravened Section 912D by not notifying ASIC of the issues about LPP sooner than it did.

#### 5.3.4 The course of the remediation negotiations

Negotiations between ASIC and CBA about how to identify and remediate customers affected by what had occurred in respect of CCP took far too long. The succession of positions taken by CBA in the course of those discussions with ASIC point towards CBA being unwilling to accept that   
it had not acted efficiently, honestly and fairly, and point towards its offering to do as little as it thought it could persuade ASIC to be sufficient.

When negotiating with ASIC about how to deal with the consequences of   
its conduct, an entity accused of inappropriate conduct may see itself as treading a fine line between protecting the interests of its shareholders   
(by minimising the cost of the default) and the interests of its customers   
(by providing all who deserve compensation fair and just recompense). Perhaps the course of negotiations about CCP could be interpreted as   
CBA seeking to prefer the former rather than the latter interests.

But an assumption of conflict in interests is properly seen to be misplaced, no matter whether the assumption is measured against the letter of the law or against community standards and expectations. Abiding long term considerations about the continuing health and reputation of the business dictate that a business (any business) treats its customers fairly. And those are considerations that inform directly the content and application of the duties and obligations of directors and officers of a company and, through that mechanism, the duties and obligations of those whom the company employs. And the community expects no less.

Hence, when discussing with ASIC what processes should be followed   
to remedy default, the community rightly expects that the dominant consideration for both parties to that discussion should be to achieve   
a fair and just outcome. The succession of offers made by CBA suggest either that it did not sufficiently consider what would be a fair and just outcome or it was brought to that point reluctantly. In either case, CBA’s conduct fell short of community standards and expectations. More particularly, proposing an ‘opt‑in’ arrangement, in circumstances where   
CBA knew that the likely rate of consumers opting in would be low, was   
to propose a form of remediation that would not provide all who deserved compensation fair and just recompense. To make that particular proposal was also conduct that fell short of community standards and expectations.

#### 5.3.5 Stopping selling CCP and LPP

No doubt CBA made the decision it did, to stop selling CCP and LPP insurance in respect of personal loans, for what it perceived to be good commercial reasons. The chief stated reason was that changes to the   
Code of Banking Practice would require or likely require selling the policies under a ‘deferred sales model’, and that this would require or likely require substantial changes that resulted in CCP being ‘no longer economically viable in its current form’.[[313]](#footnote-313) In addition, CBA anticipated that ASIC   
might ‘reopen previously settled remediation activities or add   
new requirements’.[[314]](#footnote-314)

Four points may be made. First, add‑on insurance of the kind described   
is a very profitable form of insurance for the insurer. As previously noted, the policies that CBA sold had been issued by CMLA. CBA had acquired CMLA in 2000, and it began to sell these policies in about 2003.[[315]](#footnote-315)   
CBA had agreed to sell CMLA to AIA Insurance before CBA decided to stop selling the policies.[[316]](#footnote-316)

Second, insurance of the relevant kinds is profitable because the amount   
of total premiums received is much larger than the amount of total claims paid. The disparity suggests, strongly, that the policies are worth far less   
to policy‑holders as a group than the overall cost to that group. And it is, therefore, necessary to ask why it is worth the while of an individual policy‑holder to take the insurance. For some, it may provide peace of mind. For some, however, the risk of occurrence of events to which the policy will respond is likely to be low, even very low. And other, more broadly focused, forms of insurance (including types of life insurance) may be more suitable.

Third, for a long time, CBA (and other large ADIs) rewarded staff who   
sold the policies. There have been recent changes in remuneration arrangements and those changes are considered elsewhere, but it is possible that often (perhaps very often) those who sold the customer a policy did so because the person making the sale benefited, not because either the seller or the customer had made an informed decision about whether the customer needed the policy.

Fourth, Mr van Horen said that CBA intended to build new products with AIA.[[317]](#footnote-317) But ending the sale of CCP and LPP without having a substitute product built and ready to launch does point towards a conclusion that   
the products that will no longer be sold were not needed by CBA’s customers. Rather, the products were sold because they were profitable   
for the CBA group as a whole, not because they met any person’s need   
of insurance.

## 6 CBA personal overdrafts

### 6.1 Background

This case study concerned a programming error in the automated serviceability calculator that CBA used to assess certain applications   
for personal overdrafts. CBA discovered the error in September 2015.   
As a result of the error, between July 2011 and September 2015, CBA   
failed to take into consideration the declared housing and living expenses   
of approximately 11,059 consumers,[[318]](#footnote-318) resulting in breaches of CBA’s responsible lending obligations under the NCCP Act.

### 6.2 Evidence

The Commission heard evidence from Mr Clive van Horen, CBA’s Executive General Manager for Retail Products within CBA’s Retail Banking Services Business unit. Mr van Horen described the process by which customers applied for a personal overdraft in respect of their existing transaction account, by way of either a long form or short form application. Long   
form applications were required for customers whose income or other information was not readily ascertainable by CBA, for example, through existing transaction accounts.[[319]](#footnote-319) Short form applications were used for customers in respect of whom CBA internally held certain data.[[320]](#footnote-320)

In July 2011, CBA commenced using an automated decision-making system to assess serviceability and risk[[321]](#footnote-321) as part of its assessment of long form applications.[[322]](#footnote-322) The system’s serviceability assessment took into account both the customer’s financial position and the customer’s ‘servicing surplus’, being the customer’s net disposable income derived by deducting from   
the customer’s income their rent, existing debt repayments and the higher   
of their declared living expenses or a benchmark used by CBA.[[323]](#footnote-323)

In July 2015, while engaging with ASIC in relation to its short form application process, CBA undertook a review of the personal overdraft product, including both short form and long form application processes.[[324]](#footnote-324) During this review, in the course of updating the decision-making platform, CBA discovered a programming error that resulted in certain data from customers’ long form applications not being included in the serviceability calculations within the automated decision-making system.[[325]](#footnote-325) In particular, rental expenses declared by a customer were not deducted from the customer’s declared income in the automated decision-making system.[[326]](#footnote-326) The automated decision-making tool excluded the declared amount, replacing it with a ‘nil’ amount for housing expenses.[[327]](#footnote-327) As a result of the error, the customer’s total living expenses were calculated incorrectly, at   
the lower amount, and CBA’s policy was to adopt the modified HEM, if it was higher.[[328]](#footnote-328)

During the relevant period, 10,593 long form applications were affected   
by the error, of which 1,128 personal overdrafts were approved by CBA   
at a higher limit than for which the customer would otherwise have been eligible.[[329]](#footnote-329) This was because CBA had underestimated the customer’s expenses as a result of the error.[[330]](#footnote-330)

CBA rectified the error on 18 September 2015 and notified ASIC at a meeting held on 5 November 2015.[[331]](#footnote-331) Between November 2015 and April 2016, CBA engaged with ASIC in relation to a remediation program and   
its proposed correspondence with clients.[[332]](#footnote-332) Taking into account a number of joint accounts, 11,059 customers were identified as having been affected by the error, with separate remediation strategies adopted for different cohorts.[[333]](#footnote-333) In total, CBA wrote off $2.518 million in overdraft balances   
and also provided refunds (such as for fees and interest) totalling approximately $216,000.[[334]](#footnote-334)

In August 2016, ASIC also issued infringement notices to CBA for amounts totalling $180,000.[[335]](#footnote-335)

### 6.3 What the case study showed

#### 6.3.1 Misconduct

Section 133 of the NCCP Act prohibits entering into credit contracts   
with consumers in circumstances where the contract is unsuitable.   
CBA accepted that it breached that prohibition in respect of the customers affected by the programming error, where the loans were in fact unsuitable for those borrowers.[[336]](#footnote-336) I consider that to be an appropriate acknowledgment that the programming error in CBA’s serviceability calculator led to misconduct on its part.

#### 6.3.2 Conduct falling short of community expectations

CBA accepted that the programming error should not have been made and should have been picked up earlier.[[337]](#footnote-337) Those admissions prompt discussion of two further matters.

First, the serviceability calculator was, as Mr van Horen described it, a   
‘very heavily automated system’.[[338]](#footnote-338) The programming error that existed   
in the calculator resulted in CBA’s credit assessment system being   
non-compliant with Section 133 of the NCCP Act. That error persisted   
for four years after the launch of the automated system.

At least a reason why the error persisted undetected for so long was   
the failing of CBA’s oversight mechanism, which sampled consumer credit decisions for technical and documentation errors. CBA’s submission that this failure was due to the ‘small proportion of overall overdraft customers’[[339]](#footnote-339) affected is a matter of framing. 10,593 applications of 331,000[[340]](#footnote-340) applications is 3.2%; however, 10,593 was the number of applications actually granted to customers who should not have received that amount   
of credit. As a proportion of the 145,000[[341]](#footnote-341) applications approved from individuals who thereby became CBA customers, the relevant percentage   
is 7.3%. It is not clear that an error affecting 7.3% of customers of a CBA facility is a ‘small proportion’. Moreover, the programming error affected calculations in all applications, whether or not it led to the result that that application should not have been approved.[[342]](#footnote-342) An oversight mechanism that fails to detect an error of those proportions may be considered inadequate.

According to CBA’s submissions, the scope of its misconduct or conduct falling short of community expectations is also limited by the fact that the systems CBA had in place were, but for the programming error, ‘reasonable given the scale of the business’.[[343]](#footnote-343) The issue of scalability is discussed further in the context of the next case study*.* It is relevant to note here, however, that scalability does not obviate the requirements of the NCCP Act. CBA’s serviceability calculator was the principal means by which   
long form applications were approved, and the programming error was   
a component of the serviceability calculator from its introduction. Although CBA inquired as to applicants’ expenditures, the practical effect of the programming error was that CBA did nothing with some types of   
such information.

## 7 ANZ pre-approved overdrafts

### 7.1 Background

Between November 2014 and January 2015, ANZ sent pre-approved   
offers of $500 or $1,000 to eligible customers in respect of the ANZ Assured overdraft product, both by post and through internet banking. Approximately 2,992 offers were taken up in the relevant period.[[344]](#footnote-344) ANZ did not inquire into the customers’ requirements and objectives, or desired overdraft amount, prior to sending the pre-approved offers. ANZ was found by ASIC to have breached its responsible lending obligations. Evidence in this case study was given by Ms Heang Forbes, Pricing Operations Chapter Lead at ANZ. Ms Forbes had been Product Manager, Assured and Overdrafts at ANZ from around October 2014 to January 2016.[[345]](#footnote-345)

### 7.2 Evidence

The offers sent to customers about the ANZ Assured product stated that   
the customer had been ‘pre-approved’ for eligibility to receive the ANZ Assured overdraft facility and could activate the facility by accepting the offer, either by telephone or by sending in a completed ‘Activation Authority’ form included with the letter.[[346]](#footnote-346) The standard ‘Activation Authority’ contained words by which the customer acknowledged that he or she could repay the credit limit without substantial hardship. Another part of the form stated that ‘[i]f your personal circumstances have changed (or are likely to change in the near future) and could adversely affect your financial position, please   
do not accept this offer but call us … for a full assessment’.[[347]](#footnote-347) However, none of the relevant offers requested financial information from the customer, such as the customer’s debts, income or expenses.

In December 2014, ASIC wrote to ANZ inquiring about the unsolicited offers, including about the process by which ANZ approved customers,   
the steps taken by ANZ after acceptance by a customer and how ANZ complied with its obligations under Section 130(1) of the NCCP Act in relation to the offers.[[348]](#footnote-348) ASIC then engaged in further correspondence   
with ANZ, including in relation to whether it was permissible for ANZ to make no inquiries about the customer’s requirements and objectives because of the nature of the overdraft product and the limits involved.[[349]](#footnote-349) ANZ ceased sending the unsolicited overdraft offers in early 2015, with   
the last date for acceptance of any pre-approved offer being   
27 February 2015.

Ms Forbes’s evidence was that the ANZ Assured overdraft facility   
was intended to operate as a ‘safety net’ to cover customers’ small   
and temporary cash shortfalls, rather than being designed for a specific purpose or to be drawn down and repaid over an extended period of   
time.[[350]](#footnote-350) Ms Forbes said that ANZ selected eligible customers to receive   
pre-approved offers on the basis of a number of selection criteria applied   
by the Analytics team to the customer database.[[351]](#footnote-351) Some selection criteria were designed to remove from the pool of eligible customers those who ANZ assessed to be at risk of carrying an overdraft balance over an extended period of time.[[352]](#footnote-352) In addition, some specific customer cohorts   
were excluded.

ANZ did not consider that its processes for the overdraft offers were in breach of the NCCP Act.[[353]](#footnote-353) ANZ contended that since the product was   
a small line of credit with no particular purpose, and the line of credit was not large relative to the customer’s deposit behaviour, its inquiries under   
the NCCP Act were scalable.[[354]](#footnote-354) Ms Forbes did, however, concede that   
ANZ did not inquire about the customer’s needs or requirements at the   
time of making the offer,[[355]](#footnote-355) and that ANZ’s eligibility assessment considered the creditworthiness of the customer and not the customer’s needs   
or requirements.[[356]](#footnote-356)

During the period from 2015 to January 2017, ASIC requested further information from ANZ in relation to the ANZ Assured overdraft product   
and ANZ’s responsible lending obligations.[[357]](#footnote-357) By a letter dated 14 April 2016, ASIC expressed concerns that ANZ’s failure to comply with its responsible lending obligations may mean that some customers were provided with the ANZ Assured product in circumstances where the facility, or the level of credit provided under the facility, was unsuitable.[[358]](#footnote-358) ASIC   
said that it considered it appropriate for ANZ to undertake a review of the ANZ Assured facilities provided in order to remediate customers in either situation.[[359]](#footnote-359) ANZ’s response was that its previous processes were reasonable and compliant with the NCCP Act, although it invited a   
meeting to further understand ASIC’s views.[[360]](#footnote-360)

On 5 February 2016, ASIC issued five infringement notices to ANZ that imposed a penalty of $42,500 per notice (totalling $212,500). The notices alleged contraventions of Sections 128 and 130(2) of the NCCP Act, together with Regulation 28JA of the National Consumer Credit Protection Regulations 2010 (Cth). ANZ paid the amounts set out in the infringement notices. Payment did not have the effect that ANZ would be taken to have admitted guilt, or to have been found guilty, in respect of the   
alleged contraventions.[[361]](#footnote-361)

Thereafter, ASIC and ANZ engaged in further correspondence in relation   
to changes to ANZ’s responsible lending processes. This culminated in ASIC writing to ANZ by letter dated 10 January 2017 stating that it did   
not propose to make any further inquiries at this time, but asking that   
ANZ provide remediation on a case-by-case basis to ANZ Assured customers approved in response to pre-approved ANZ Assured offers.[[362]](#footnote-362)

ANZ responded to ASIC’s letter acknowledging its receipt and ASIC’s request regarding case-by-case remediation.[[363]](#footnote-363) To Ms Forbes’ knowledge, no such remediation was conducted by ANZ,[[364]](#footnote-364) nor was Ms Forbes aware of any further correspondence with ASIC in that regard.[[365]](#footnote-365)

### 7.3 What the case study showed

This case study provided a striking example of a credit licensee (ANZ) offering to make a credit contract with an existing customer without having made any inquiry of the customer about the customer’s requirements or objectives, without having made any recent inquiry about the customer’s financial position and without taking any step to verify the customer’s financial position.

When challenged by ASIC, ANZ said (in effect) that its conduct was reasonable because it was a small amount of credit, not large relative   
to the customer’s deposit behaviour, and that its obligations under the NCCP Act were ‘scalable’. In February 2016, ASIC issued five infringement notices, and ANZ paid the penalties fixed in those notices. In January 2017, ASIC asked ANZ to provide remediation to customers ‘on a case‑by‑case’ basis. ANZ acknowledged receipt of the request but did nothing.

Two points should be made: the first about ‘scalability’ and the second about infringement notices.

#### 7.3.1 Scalability

Section 130 of the NCCP Act requires ‘reasonable’ inquiries and ‘reasonable’ steps to verify. What is reasonable will vary according   
to the relevant circumstances. And that is what is meant when it is said   
that the obligations are ‘scalable’. But notions of scalability do not reach   
so far as to say that the Act’s requirements need not be observed at all.

To my mind, there can be no case where making no inquiry at all is making ‘reasonable’ inquiries. And likewise, to my mind, there can be no case where taking no step at all to verify is taking ‘reasonable’ steps to verify.

Now it may be that some of the inquiries and verification required by the   
Act could be made without engaging with the consumer. And, in effect, that was what ANZ said here. It said that by choosing only some consumers to receive the offer of an overdraft, through the creation and application of certain criteria, it had made sufficient inquiries. That may or may not be right. Much turns on the nature and quality of the inquiries that lie behind both the setting of the criteria and their application. And if either the criteria or their application is deficient, the deficiency in the lender’s inquiries may very well not be made good by saying to the consumer ‘Tell us if you think that your position has changed in some significant way’. The effect of taking a step of that kind would no doubt depend upon assessing all of the relevant circumstances. But those circumstances are to be considered bearing in mind that the Act imposes duties on the credit licensee (the lender).   
The lender cannot cast performance of *its* duty onto the borrower.

Even if there may be cases in which inquiries about a consumer’s financial position can be made without dealing directly with the consumer, inquiries about *the consumer’s requirements and objectives* are altogether separate and different. The latter form of inquiry cannot be made without engaging with the consumer. It is not for the lender to impose its judgment of what   
the consumer requires or ‘needs’. It is not for the lender to impose its judgment of what objectives the consumer could have (even should have)   
in taking up the proffered line of credit.

At least to the extent of failing to inquire about the consumer’s needs and requirements, ANZ might have contravened Section 130 of the NCCP Act   
in making the unsolicited offers of overdrafts which it did.

#### 7.3.2 Infringement notices

ANZ paid the penalties fixed by the infringement notices that ASIC issued   
in respect of these matters. By doing that, ANZ did not admit guilt of   
the contraventions alleged in those notices. And it is easy to imagine circumstances in which an entity would judge it commercially more sensible to pay the penalties fixed by infringement notices, without contest, even though the entity denied having contravened the law. The penalty would   
be treated as a cost of business and the issuing of the infringement notices treated as suggesting that any breach of law was not sufficiently significant to warrant other, more serious, action.

But a consequence of issuing infringement notices may be, as it was   
here, that the entity remains unpersuaded that it should take any step   
to see whether its conduct caused loss to any customer and, therefore, unpersuaded that it should offer any form of compensation to any who   
were adversely affected by what it did.

In this case at least, the issue of infringement notices brought the matter to an end without any investigation of whether, or to what extent, the conduct caused loss. If the conduct caused injury, and there was no evidence that showed that it had, there was no process for redress.

## 8 ANZ processing errors

### 8.1 Background

This case study involved a number of processing errors made by ANZ in connection with home loans since 2003. The Commission heard evidence from Ms Sarah Stubbings, ANZ’s Head of Home Loan Product, Australia and New Zealand.

### 8.2 Evidence

The evidence established five categories of processing errors by ANZ   
in connection with its home loan products since 2003.

First, in the period between 2006 and July 2013, some ANZ customers ‘were charged an interest rate higher than they should have been according to the … terms and conditions’ of their accounts.[[366]](#footnote-366) In the period between ‘2003 and December 2012, some offset accounts were not properly linked to home loans, resulting in customers being charged excess interest’.[[367]](#footnote-367) These issues were collectively referred to as the ‘Item 137 issues’. Fixes   
in relation to these issues ‘were put in place progressively from April 2012   
to June 2013’.[[368]](#footnote-368)

Second, in the period from July 2013 to July 2017, certain customers who had selected a particular home loan package after draw down or had linked an existing home loan to a new home loan package were not given the benefit of being linked to an offset account. This was referred to as the   
‘Item 138 issue’.[[369]](#footnote-369) The Item 138 issue resulted in affected customers paying excess interest. The Item 138 occurred because the fixes implemented to address the Item 137 issues did not address this issue;[[370]](#footnote-370)   
in evidence, ANZ referred to the Item 138 issue as a ‘recurrence’ of the   
Item 137 issues.[[371]](#footnote-371)

Third, in the period from June to December 2016, certain customers did   
not receive the correct interest rate margin discount on their home loan. This was referred to as the ‘Item 135 issue’.[[372]](#footnote-372)

Fourth, between ‘December 2012 and February 2016, approximately 4,800 offset accounts [were not adequately] linked to an eligible retail home loan’, resulting in the customer failing to obtain the benefit of the offset.[[373]](#footnote-373) This was referred to as the ‘Item 134 issue’.

Fifth, prior to May 2015, a further processing error resulted in customers with certain ‘home loan and commercial lending accounts [failing to receive] the full benefit of offset arrangements due to the way the offset subsystem calculates interest as compared to the loan subsystem’. This was referred   
to as the ‘Item 151 issue’.[[374]](#footnote-374)

In her evidence, Ms Stubbings accepted that it was ‘unsatisfactory’ that these issues – which she characterised as having a common element of   
‘a system or process failing’[[375]](#footnote-375) – had occurred so frequently, and affected   
so many customers.[[376]](#footnote-376) Ms Stubbings also accepted that the problems referred to in her statement fall short of what ANZ’s customers would   
expect of ANZ.[[377]](#footnote-377)

One theme that arose from the evidence was the extent to which ANZ sought to put in place meaningful systemic fixes upon being made aware   
of the existence of each issue. In this regard, ANZ’s evidence in relation   
to the Item 137 issues was particularly striking. Approximately one year   
after the Item 137 issues had been identified as systemic, ANZ’s internal auditors created a document that:

• adverted to ‘the risk that the remediation approach adopted focuses   
on manual and detective controls, rather than investing in system-based solutions which improve customer experience and help prevent errors being made’;[[378]](#footnote-378) and

• noted that ‘[t]he steering committee has not decided on the long-term fixes but discussions to date indicate a limited appetite for the significant technology investment’, given, amongst other things, ‘the required technology spend’.[[379]](#footnote-379)

Perhaps unsurprisingly, as is evident from the description above, a significant number of further issues were detected after the preparation   
of this document.

The case study also highlighted a number of distinct issues relating   
to ANZ’s engagement with ASIC in respect of the processing errors.

First, in respect of the Item 137 issues, ANZ first notified ASIC of those issues on 17 June 2010.[[380]](#footnote-380) This was despite the fact that ANZ could be seen to have been aware of the potential need for regulatory notification since March 2010. In April 2014, ANZ prepared a ‘key learnings’ document in respect of the Item 137 remediation, in which it had posed   
the question: ‘Can you wait for detailed data to size the issue prior to [regulator] notification?’.[[381]](#footnote-381) Under cross-examination, Ms Stubbings confirmed that she aware of the 10 day notification requirement under Section 912A of the Corporations Act, but took the view that ‘there does have to be a level of analysis done to … try and understand what was   
the root cause of the issue, to what extent the period … extended over   
[and to obtain] a sense of some level of customer impact’ before ASIC   
is notified.[[382]](#footnote-382)

Second, in relation to the Item 138 issue, ANZ informed ASIC of the issue on 5 October 2017, in circumstances where the issue had been identified   
in approximately March 2017.[[383]](#footnote-383)

Third, ANZ has not at any time notified ASIC in relation to the Item 135 issue.[[384]](#footnote-384)

Fourth, ANZ has not at any time provided written notification to ASIC   
in respect of the Item 134 issue.[[385]](#footnote-385)

Fifth, the Item 151 issue was raised by ANZ Technology in about September 2014.[[386]](#footnote-386) ASIC was only notified of the issue on   
16 October 2017.[[387]](#footnote-387)

### 8.3 What the case study showed

ANZ acknowledged that ‘the various account administration errors should not have occurred’.[[388]](#footnote-388) ANZ also accepted that it fell short of community expectations by not recognising the Item 137 issues earlier.[[389]](#footnote-389) In her evidence, Ms Stubbings described the approach ANZ took to complaints about the Item 137 issues as ‘ad hoc’; complaints began to arise years before ANZ identified the issues as systemic.[[390]](#footnote-390) ANZ also accepted that   
it fell short of community expectations by implementing inadequate fixes   
for previous problems that then led to the Item 138 and 134 issues.[[391]](#footnote-391)   
There is no reason to doubt the appropriateness of these acknowledgments.

ANZ did not accept that its remediation of all the issues in the case study took, or was taking, too long. I consider that ANZ’s conduct in relation to remediation of the issues fell short of community expectations, and I address this in more detail below.

#### 8.3.1 What are processing errors?

In Chapter 2 of this report*,* I made three points about what the entities referred to as ‘processing errors’. Each point is relevant here.

First, each of the issues identified in this case study related to the charging by ANZ of an incorrect rate or fee, or the failure by ANZ to provide an appropriate discount or benefit, because its systems or processes were   
not properly set up to charge the correct rate or fee or to provide the appropriate discount or benefit. This amounts to a failure by ANZ to perform consumer contracts according to their terms. This falls short of community expectations. It may also be that it was a breach of the ‘efficiently, honestly and fairly’ obligation contained in Section 912A(1)(a) of the Corporations Act, and ANZ’s reporting of the Item 137 issues and Item 151 issues would suggest that it thought those issues may be a breach.

Second, ANZ’s implementation of fixes was inadequate. The consequence of ANZ’s inadequate fixes was that ANZ continued to sell the same   
or similar products, and encounter the same or similar problems, over a period of time. To do so appears to be careless of its customers’ interests. ANZ had reason to doubt whether the products that it was selling could be reliably delivered without substantial changes to its systems. The internal audit report referred to above, for example, should have given ANZ cause for concern and reflection. But ANZ continued to sell the relevant products.

Third, because ANZ did not deliver what it had sold, ANZ should have remedied its defaults as soon as reasonably practicable. This point leads me to the question of remediation.

#### 8.3.2 Remediation

ANZ accepted that ‘certain remediation programs took too long to complete’, and that this was ‘inconsistent’ with community expectations.[[392]](#footnote-392) By this, ANZ must be referring to its remediation in respect of the Item 137 issues, and perhaps to the Item 138 and 151 issues.

In its submission, ANZ said that the delays in the Item 137 remediation   
were a result of the complexity of identifying and calculating each customer’s remediation,[[393]](#footnote-393) and were not the result of any failure to invest sufficient resources in the proper resolution of the errors.[[394]](#footnote-394) ANZ also said that at the time it embarked on that remediation program, ANZ ‘had not conducted a remediation of [that] magnitude and complexity before’, and that it was not until PwC was engaged that the remediation progressed ‘appropriately’.[[395]](#footnote-395) There is a tension between these two submissions: if   
the lack of progress in the two years between ANZ’s identification of the Item 137 issues and ANZ’s engagement of PwC was purely a result of the complexity of the remediation, and not due to ANZ’s inadequate resourcing or lack of appropriate direction, then it is unclear why it took PwC’s engagement for the remediation to begin to progress ‘appropriately’.

Turning to the Item 138 and Item 151 issues, ANZ offered no explanation   
of the timeframes for remediation in respect of either issue. It is unclear whether ANZ considered either remediation to have been delayed. The   
Item 138 issues were first identified by ANZ in March 2017. At the time   
of the hearings, remediation of those issues was continuing, and some affected customers may not even have been aware they had been affected.[[396]](#footnote-396) The Item 151 issues were identified in May 2016, and at   
the time of the hearings, ANZ expected remediation to conclude in December 2018.[[397]](#footnote-397) Overall, I consider that remediation has been unacceptably delayed*.*

Before leaving this topic, I note that ANZ pointed to its swiftness in relation to the Item 134 and Item 135 issue remediations. In respect of the Item   
134 issue remediation, ANZ said in its submission that it ‘began remediating customers before the issue was able to be brought to the attention of the Australia Division Risk Committee, demonstrating ANZ’s appreciation of   
the importance of providing timely remediation’.[[398]](#footnote-398) Whether or not such   
a course was desirable does not now need to be discussed. ANZ’s remediation in respect of the Item 134 issue was not complete by the time   
of the hearings. In the course of preparing her witness statement for the Commission, Ms Stubbings identified an issue in relation to the remediation process with respect to this item, such that some affected customers who had closed their accounts had not been remediated.[[399]](#footnote-399)

#### 8.3.3 Notification to ASIC

ANZ implicitly acknowledged that it contravened Section 912D of the Corporations Act by notifying ASIC of the Item 151 issues 12 days, rather than 10 days, after it considered that time under that section began to run.[[400]](#footnote-400)

ANZ also implicitly accepted that ASIC notification was required in respect of the Item 137 and 138 issues. But on its construction of Section 912D, there was no contravention of that section. That is because ANZ’s submissions proceeded on an interpretation of Section 912D that required ANZ to report to ASIC only after internal approval for that action was given. Therefore, according to ANZ, there was no breach in relation to the Item 137 issues, because notification was given to ASIC while ANZ was still scoping the problems, and there was no breach in relation to the Item 138 issue, because a notification was given 10 days after a Stakeholder Group resolution to do so.[[401]](#footnote-401) In relation to the Item 151 issues, ANZ also used the relevant Stakeholder Group resolution as the trigger for the commencement of the 10 day period.[[402]](#footnote-402)

The consequences of ANZ’s interpretation of Section 912D suggest that   
the interpretation is problematic. ANZ identified the Item 137 issues in about March 2010.[[403]](#footnote-403) Despite this, on ANZ’s interpretation of Section 912D, ANZ was not relevantly ‘aware’ of the Item 137 issues until sometime in June 2010, and it notified ASIC on 17 June 2010.[[404]](#footnote-404) A similar lag existed between identification and notification in respect of the Item 138 and Item 151 issues: the Item 138 issues were identified in March 2017[[405]](#footnote-405) and notified to ASIC   
on 5 October 2017, and the Item 151 issues, were identified in May 2016 and notified to ASIC on 16 October 2017.[[406]](#footnote-406)

More importantly, ANZ’s interpretation of Section 912D makes its application depend upon the particular internal arrangements a licensee makes for deciding whether, in its view, the events and circumstances are   
a breach or likely breach of its obligations that is significant. That is, it is   
an interpretation that has the licensee determine, by its choice of internal processes, whether and when it commits an offence. That would be a very odd result.

ANZ submitted that Section 912D did not require ASIC to be notified in writing of either the Item 134 issue or the Item 135 issue.[[407]](#footnote-407) The Item 134 issue affected 4,800 offset accounts over the course of over three years. The Item 134 issue was related to fixes introduced in response to the   
Item 137 issues, and therefore may well have had some connection or similarities to those issues.[[408]](#footnote-408) I am not persuaded that it was appropriate   
for ANZ to make what it termed a ‘verbal’ notification to ASIC in those circumstances.[[409]](#footnote-409) The Item 135 issue affected around 2,000 customers   
over six months. The Item 135 issue, like the 138 issues before it, concerned the application of the correct interest rate to accounts. I am   
not convinced that the Item 135 issue was not significant, having regard   
in particular to the number and frequency of similar breaches. In all the circumstances I conclude that ANZ might not have complied with its obligations under Section 912D.

## 9 Westpac car loans

### 9.1 Background

This case study considered car loans approved by the Westpac auto finance business through dealer intermediaries. Evidence was given   
by Ms Nalini Thiruvangadam, a consumer who obtained a car loan from Westpac, and Mr Phillip Godkin, the General Manager, Specialist Finance Business Bank at Westpac Group.[[410]](#footnote-410)

At the time of the hearings, loans provided by Westpac auto finance   
were sold under the names of St George or Bank of Melbourne.[[411]](#footnote-411)   
Westpac acknowledged that ‘very much the overwhelming majority’ of   
car loans on issue by Westpac were initiated by dealers, and that the number of car loans on issue by Westpac by or through dealers in 2017   
was ‘well into multiple hundreds of thousands’.[[412]](#footnote-412) The quantum of car loans on issue by Westpac was in the ‘multiple billions of dollars’.[[413]](#footnote-413) Westpac was typically number one or number two in the market for auto finance through dealer intermediaries.[[414]](#footnote-414) Westpac acknowledged that it was ‘heavily committed to the motor vehicle dealership model and physical point   
of sale model’.[[415]](#footnote-415)

### 9.2 Evidence

At the time of the hearings, Westpac ‘reli[ed] heavily’ on its dealers to ‘perform a number of functions’ in connection with Westpac’s responsible lending obligations.[[416]](#footnote-416) In essence, Westpac’s relationship with its dealers could be summarised as Westpac and its dealers making ‘an agreement which, if … performed according to its terms, would lead to there being   
a loan that [was] made responsibly’.[[417]](#footnote-417) The information that was obtained   
by dealers and captured in Westpac’s systems was ‘the primary source   
for Westpac evidencing whether or not reasonable inquiries have been made’,[[418]](#footnote-418) and the dealer managed communications with the customer throughout the loan application process.[[419]](#footnote-419)

Westpac then used the information captured by dealers for credit assessment purposes. Westpac undertook verification of income in   
all circumstances,[[420]](#footnote-420) and used ‘specific verification standards’ for that purpose.[[421]](#footnote-421) Generally speaking, Westpac did not verify the information submitted by Business Managers employed by dealers in respect   
of customer-declared expenses.[[422]](#footnote-422) Westpac accepted that in the ‘vast majority of cases’, Westpac was ‘dependent on the accuracy of what   
the … Business Manager’ told Westpac as regards customer expenses.[[423]](#footnote-423) Westpac’s processes in relation to liabilities were similar to those in   
relation to expenses, save that Westpac could also consider a credit   
bureau report.[[424]](#footnote-424)

In relation to compliance with the requirement in Section 130(1)(a) of the NCCP Act that Westpac ‘make reasonable inquiries about the consumer’s requirements and objectives’, Westpac acknowledged that it had relied   
upon Business Managers located within dealers ‘to have critical parts of   
the conversations’.[[425]](#footnote-425) In about October 2016, Westpac recognised that it was not appropriate to presume that the relevant conversation had taken place, just by virtue of the application process having been completed.[[426]](#footnote-426)   
Mr Godkin’s evidence was to the effect that since that time, Westpac’s ‘capability has been extended’,[[427]](#footnote-427) although the exact context of and basis for this statement was not entirely clear.

As regards the design of Westpac’s car loan products, at the time of the hearings, the standard Westpac auto finance policy permitted a maximum LVR of 180%.[[428]](#footnote-428) Westpac recognised that ‘a customer who has borrowed   
a higher LVR might be a little more stressed in their financial circumstances’ than a customer with a lower LVR.[[429]](#footnote-429) Westpac also acknowledged that   
to get a vehicle ‘out of the showroom [would] quite often take [the loan] above 100%’ of the market value of the vehicle.[[430]](#footnote-430) Westpac’s car finance policies permitted it to finance the purchase of a number of insurance products (other than consumer credit insurance), and the payment of brokerage and origination fees, within the loan offered to the customer.[[431]](#footnote-431)

Mr Godkin gave evidence that add-on insurance, including tyre and rim insurance and gap insurance, represented an important source of income for dealers.[[432]](#footnote-432) Westpac was aware of ASIC’s concerns that inappropriate insurance was sold and high pressure sales tactics were used in connection with these types of insurance,[[433]](#footnote-433) and that ASIC had ‘put some steps in place to mitigate the risk of potential mis-selling in this marketplace’.[[434]](#footnote-434) However, Westpac declined ASIC’s request to consider stopping financing add-on insurance.[[435]](#footnote-435)

Westpac identified ‘three key types of remuneration for car dealers’.[[436]](#footnote-436)   
The most ‘significant’ of those was the flex commission, by which a dealer was paid ‘a percentage of the margin that is achieved over a base rate’   
of interest.[[437]](#footnote-437) This arrangement was not disclosed to customers.[[438]](#footnote-438)

Westpac acknowledged that the flex commission pricing structure could ‘provide[ ] an incentive for sales intermediaries to increase the price of the credit contract’.[[439]](#footnote-439) Westpac recognised that this created a risk of a conflict   
of interest between the intermediary and the customer.[[440]](#footnote-440) Westpac   
also acknowledged, in internal documents, that pricing structures that incorporated flex commissions ‘significantly increase[d] the risk of unfair consumer outcomes whereby dealer behaviour may be influenced   
by commission plan design and the ability of a customer to negotiate’.[[441]](#footnote-441)

Until August 2016, Westpac did not impose any maximum cap upon the percentage of flex commission that could be charged to a customer. At   
the time of the hearings, Westpac continued to allow its dealers to impose flex commissions,[[442]](#footnote-442) and anticipated that it would not cease this practice until the date fixed by ASIC as the date by which the practice must cease.[[443]](#footnote-443) This was because, in Mr Godkin’s words, it would be ‘impossible’ to stop the practice ‘unilaterally without stepping away from the market altogether’.[[444]](#footnote-444)

#### 9.2.1 Ms Thiruvangadam

The Commission heard evidence from Ms Nalini Thiruvangadam, who had entered into a car loan with one of Westpac’s subsidiaries in July 2012.[[445]](#footnote-445) Ms Thiruvangadam had previously tried to arrange finance from a number of major banks, including Westpac, and other sources such as car dealers.[[446]](#footnote-446) All of them denied her application, apparently on the basis of her credit.[[447]](#footnote-447) However, Ms Thiruvangadam eventually found a dealer who approved her application.[[448]](#footnote-448) The loan was financed by the Bank of Melbourne.[[449]](#footnote-449)

At the time that her car loan was approved, Ms Thiruvangadam’s fortnightly repayments for her car loan totalled approximately 27% of her income.[[450]](#footnote-450) Ms Thiruvangadam subsequently became unable to work as a result of   
an injury, and suffered financial hardship as she continued to attempt to make loan repayments.[[451]](#footnote-451) In around November 2017, Bank of Melbourne acknowledged that Ms Thiruvangadam’s loan ‘should not have   
been approved’.[[452]](#footnote-452)

Westpac made a number of admissions in respect of the loan made to   
Ms Thiruvangadam.

First, Westpac acknowledged that its processes in relation to the approval   
of Ms Thiruvangadam’s loan were deficient.[[453]](#footnote-453) Among other things,   
Ms Thiruvangadam’s loan application listed no expenses.[[454]](#footnote-454) However, Westpac gave evidence that the absence of such information ‘would not have affected the assessment of serviceability’,[[455]](#footnote-455) because ‘the higher of HPI [the Henderson Poverty Index] or declared expenses were used in the assessment of serviceability’ at the relevant time.[[456]](#footnote-456) Westpac did, however, accept that those processes permitted a situation in which it ‘had no idea’ what Ms Thiruvangadam’s expenses were.[[457]](#footnote-457) Westpac also made clear that some changes had now been made to its previous position,[[458]](#footnote-458) although it remained the case that if a consumer’s ‘reported expenses [were] less than HEM’, Westpac would use the HEM benchmark as a default.[[459]](#footnote-459)

Second, Westpac acknowledged that it was in breach of the obligation imposed by Sections 128(d) and 130(1)(c) of the NCCP Act to take reasonable steps to verify Ms Thiruvangadam’s financial situation prior   
to entering into the credit contract.[[460]](#footnote-460)

Third, Westpac acknowledged that Ms Thiruvangadam’s loan was ‘unsuitable’, within the meaning of Section 133(2)(a) of the NCCP Act, because it was likely that Ms Thiruvangadam would be unable to comply with her financial obligations under the credit contract, or could only comply with substantial hardship.[[461]](#footnote-461)

### 9.3 What the case study showed

This case study raised questions relating to dealers’ remuneration, their   
role in Westpac’s compliance with its responsible lending obligations,   
and the position of dealers as intermediaries between bank and customer. Those questions are dealt with first by reference to Westpac generally and second by reference to the evidence of Ms Thiruvangadam.

In its submissions, Westpac acknowledged that ‘the current structure of Dealer commission carries the risk that some Dealers may prefer their   
own interests to the interests of customers’.[[462]](#footnote-462) Westpac also said that   
‘the Dealer Agreement is an important part of the framework for ensuring Westpac meets its responsible lending obligations…’.[[463]](#footnote-463) In his evidence,   
Mr Godkin accepted each of these propositions in a stronger form. As previously noted, he accepted that Westpac relied heavily on dealers in discharging its responsible lending obligations, including when making reasonable enquiries about customer needs.[[464]](#footnote-464) He also accepted that flex commissions create the risk of a conflict of interest between dealer and customer.[[465]](#footnote-465) One possible implication of these admissions is that Westpac believed that it could discharge its responsible lending obligations by way   
of representations about customers that are supplied by intermediaries whose interests, in important respects, are at odds with the   
customers’ interests.

#### 9.3.1 Flex commissions

I have dealt with flex commissions in Chapter 2 of this report. This case study prompts the following additional comments.

Westpac appeared to be fully apprised of the issues surrounding flex commissions. Its internal documents acknowledged that flex commissions ‘significantly increase the risk of unfair outcomes’.[[466]](#footnote-466) In its submissions, it agreed with ASIC’s conclusion that flex commissions ‘provide an incentive for intermediaries to increase the price of a credit contract in a way that can depend on the negotiating skills or the vulnerability of the consumer and … can create a risk of unfairness in any individual transaction’.[[467]](#footnote-467) Westpac also recognised that ‘many, likely most, consumers do not understand the way in which Dealers are remunerated or the level or   
basis of commission paid to Dealers.’[[468]](#footnote-468)

Nonetheless, Westpac submitted that its use of flex commissions in these circumstances was not conduct that falls short of community standards   
and expectations.[[469]](#footnote-469) That position was based on the fact that flex commissions are charged throughout the industry and that no legislative   
or disclosure restrictions had been placed on the practice, apart from the pending ASIC instrument.[[470]](#footnote-470) That pending ASIC instrument will ban the   
use of flex commissions by car finance brokers from November 2018.[[471]](#footnote-471) When registering the instrument, ASIC stated that flex commissions   
‘lead to consumers paying excessive interest rates on their car loans.   
The ban comes after ASIC led a public consultation on banning these commissions’.[[472]](#footnote-472) It seems to me that the ASIC instrument provides a strong indication that community standards and expectations run firmly contrary   
to the continued use of flex commissions.

Continued allowance of flex commissions appears to fall short of Westpac’s own professed standards. Westpac submitted that ‘the current approach   
to Dealers’ commission and customer transparency should be changed’,[[473]](#footnote-473) and that current practices are ‘out of step with other developments in   
the consumer credit area’.[[474]](#footnote-474) Though Westpac supported a ban on flex commissions,[[475]](#footnote-475) it declined to be the ‘first mover’, on the basis that ‘it would simply leave the market to others who did not abandon the practice’.[[476]](#footnote-476) Westpac therefore continued, and will continue until stopped, to participate in a practice that it acknowledged created poor outcomes for consumers.

#### 9.3.2 Responsible lending obligations and intermediaries

Car dealers are subject to the point-of-sale exemption in the NCCP Regulations and therefore do not need to hold, or comply with the requirements of, an ACL. When ACL holders provide finance through car dealers, responsible lending obligations must still be discharged by the ACL holder, but some necessary steps towards meeting those obligations, such as inquiries as to the customer’s income, expenses and needs, are frequently carried out by the car dealer. Westpac accepted that ‘the Dealer plays an important role, but faces no regulatory consequences’,[[477]](#footnote-477) and that ‘Westpac needs and requires Dealers to comply with certain responsible lending obligations’ in order to discharge its own.[[478]](#footnote-478) The primary mechanism by which Westpac enforced that compliance was through its agreements with dealers because, as Westpac submitted, ‘the Dealer would understand that a failure to follow Westpac’s processes could result in termination of   
the Dealer Agreement’.[[479]](#footnote-479)

Ms Thiruvangadam’s experience and the instances of misconduct relating   
to car finance disclosed in Westpac’s submissions demonstrate that the   
fear of potential termination does not always inspire compliance with processes by all dealers. The incentives built into dealers’ remuneration, discussed above, may well provide one explanation for this.

When a dealer fails to observe responsible lending practices, it may be   
in breach of its contractual obligations to Westpac, but what consequences does that have for Westpac’s observance of its own NCCP Act obligations? Westpac’s submissions appeared to accept that dealers’ compliance with   
its requirements was critical to Westpac’s compliance with the NCCP Act. However, in discussing Ms Thiruvangadam’s case, Westpac appeared   
to suggest that it was misled by its dealer as to her rental expenses and, because it could not otherwise verify these, that Westpac should be considered to have complied with its obligations under Section 133 of   
the NCCP Act not to enter into unsuitable credit contracts with consumers.[[480]](#footnote-480) It must be recalled that a licensee’s responsible lending obligations are non-delegable. The subcontracting, in effect, of its sales activities to intermediaries cannot be allowed to obscure this fact.

#### 9.3.3 Ms Thiruvangadam

Westpac accepted that the loan to Ms Thiruvangadam ‘should not have been approved’.[[481]](#footnote-481) It accepted that ‘in light of all information now available the loan to Ms Thiruvangadam was ultimately “unsuitable”’.[[482]](#footnote-482) Westpac also accepted that the verification of Ms Thiruvangadam’s financial situation fell short of the standard required by Clause 27 of the Code of Banking Practice, as it did not exercise of the care and skill of a diligent and prudent banker in selecting and applying its credit assessment methods and forming its opinion about the customer’s ability to repay the facility.[[483]](#footnote-483) These acknowledgments were properly made.

Westpac also submitted that it was open to me on the evidence to find that   
it did not take reasonable steps to verify Ms Thiruvangadam’s income, and to that extent, did not meet the requirements of Section 128(a) of the NCCP Act.[[484]](#footnote-484) Again, I consider that this acknowledgment was properly made.

However, Westpac submitted that it did not fail to meet its obligations   
to verify Ms Thiruvangadam’s expenses. Westpac made this submission while accepting that ‘no expenses were declared in the loan application’.[[485]](#footnote-485) Westpac also accepted that it did not take any steps ‘to independently   
verify a customer’s declared, estimated expenses in the context of auto finance applications’.[[486]](#footnote-486) In addition, Westpac submitted that customer expenses were so difficult to verify that only customers themselves could verify their expenses as accurate.[[487]](#footnote-487) Against those admissions, it is difficult to see how Westpac could have met its obligation to verify expenses, as Westpac submitted it had done, unless Westpac considered that that obligation had no content. In Ms Thiruvangadam’s case, Westpac acknowledged that instead of seeking to verify Ms Thiruvangadam’s expenses, or even making further inquiries as to their improbable quantification of ‘zero’, Westpac used the HPI benchmark as a proxy.[[488]](#footnote-488)   
As noted in Chapter 2 of this report, use of the HEM, or an equivalent, measure does not constitute verification of a customer’s expenditure.   
To the contrary, it may often mask a customer’s true financial position.   
In my view, it follows that Westpac did not satisfy its obligation to verify   
Ms Thiruvangadam’s expenditure.

The acknowledged facts are difficult to reconcile with Westpac’s submission that it made reasonable inquiries about Ms Thiruvangadam’s financial situation, including her expenses, through the Dealer Business Manager. According to Westpac, ‘although the Dealer Business Manager asked relevant questions, he did not accurately record all of Ms Thiruvangadam’s responses’.[[489]](#footnote-489) This seems to be an understatement. The loan   
application, filled out and submitted by the business manager, listed   
Ms Thiruvangadam’s expenses as zero, listed her income and employment status in a manner that was inconsistent with the attached payslip, and understated Ms Thiruvangadam’s debts.[[490]](#footnote-490)

Three points can then be made.

First, if, as Westpac submitted, it had in 2012 ‘detailed policies, processes and controls in place to ensure that Dealer Business Managers made reasonable inquiries about a customer’s financial situation, gathered appropriate supporting documents and information and conveyed those   
to [St George]’,[[491]](#footnote-491) those policies, processes and controls appear to have failed in the case of Ms Thiruvangadam.

Second, if the dealer did make inquiries as to Ms Thiruvangadam’s expenses and other aspects of her finances – which, according to her,   
he did[[492]](#footnote-492) – those inquiries cannot be treated as fulfilling Westpac’s responsible lending obligations unless the responses to those inquiries   
find their way into, and are considered as part of, the loan application.

Third, it flows from the previous two points that Westpac’s submission that the loan to Ms Thiruvangadam was not necessarily unsuitable on the basis of the inquiries conducted at the time cannot be accepted.[[493]](#footnote-493) The distinction that appears to be made in the submission between a loan that was not unsuitable when approved, but was unsuitable once all relevant information came to light, is elusive at best.

#### 9.3.4 Redress

Ms Thiruvangadam was granted a six-week period of hardship moratoriums on her repayments, but her further requests for hardship were declined.   
Ms Thiruvangadam was not released from the contract and remediated   
until after she engaged legal assistance, approximately five years after   
the loan was approved. In those circumstances, I do not accept Westpac’s submission that ‘the mechanisms for redress in relation to   
Ms Thiruvangadam were effective and appropriate’.[[494]](#footnote-494)

## 10 ANZ car loans

### 10.1 Background

This case study considered the provision of car finance by ANZ, particularly under the Esanda Dealer Finance portfolio. Mr Guy Mendelson, General Manager, Small Business Bank at ANZ, gave evidence in this case study.

### 10.2 Evidence

Prior to the completion of its sale to the Macquarie Group Limited in 2016, Esanda was owned by ANZ.[[495]](#footnote-495) Mr Mendelson gave evidence of a number   
of instances of possible misconduct or conduct falling below community standards and expectations that were engaged in by Esanda under   
ANZ’s ownership.

One such instance related to loan applications submitted by car finance brokers in the name of individuals who were not going to get the benefit   
of the car, but rather who had agreed to guarantee the loan.[[496]](#footnote-496) This may have taken place because the guarantor was ‘generally a better quality customer’.[[497]](#footnote-497) This was referred to as the ‘guarantor swap’ incident. ANZ acknowledged that this constituted misconduct, and that the systems Esanda had in place were ‘ineffective in this regard’.[[498]](#footnote-498) ANZ has since disaccredited the responsible broker and, since 2017, has made changes   
to its systems so that a guarantor cannot be listed as the loan applicant.[[499]](#footnote-499) ANZ paid $753,000 of remediation in relation to this issue.[[500]](#footnote-500)

Another instance related to conduct that was the subject of recent proceedings, which I will refer to as the Esanda proceeding. In February 2018, ASIC secured civil penalties of $5 million in respect of ANZ’s breaches of the NCCP Act.[[501]](#footnote-501) The underlying conduct related to   
ANZ’s failure to verify borrowers’ pay slips when providing loans to   
12 (representative) applicants who were introduced to ANZ by three   
third party intermediaries, in circumstances where Esanda had reason   
to doubt the reliability of that information.[[502]](#footnote-502) ANZ accepted that during   
the period from July 2013 to May 2015, being the period that was the   
focus of the civil penalty proceeding, ANZ more generally ‘failed to take reasonable steps to verify the financial situations of [other] consumers’ affected by these issues.[[503]](#footnote-503) ANZ expects to remediate approximately   
320 customers in respect of similar conduct by the relevant third party intermediariesfrom 2013 to 2015, amounting to approximately $5 million.[[504]](#footnote-504) In the evidence that it provided to the Commission, ANZ accepted that   
the processes it had in place to detect payslip fraud as at May 2015   
were ‘deficient’.[[505]](#footnote-505)

The Commission also received evidence about ANZ’s loan origination processes more generally. ANZ gave evidence that Esanda loan applications were received by ANZ by the completion of an electronic application form contained within the Esanda Lending System.[[506]](#footnote-506) Despite the sale of Esanda to Macquarie, at the time of the hearings, ANZ continued to use the Esanda Lending System in respect of consumer asset finance applications.[[507]](#footnote-507)

The dealers through whom ANZ offered loans were, at least predominantly, operating under the point of sale exemption contained in Regulation 23 of the National Consumer Credit Protection Regulations 2010 (Cth).[[508]](#footnote-508) Much like Westpac’s relationship with its dealer intermediaries, the structure of   
the relationship between ANZ and its dealers was such that it was necessary for dealers to ‘[comply] … with their obligations to ANZ … if   
ANZ was to comply with its obligations under the [NCCP Act]’.[[509]](#footnote-509)

ANZ’s processes upon receiving information from its dealer intermediaries about consumer asset finance applications can be summarised by the following general propositions. ANZ required customers to supply documentation ‘to verify the income figure stated in the loan application’.[[510]](#footnote-510) ANZ did not have any ‘formal mechanism’ to verify information provided   
by customers about their expenses.[[511]](#footnote-511) It employed HEM as a benchmark, and used certain sensitised calculations in relation to housing and credit card expenses,[[512]](#footnote-512) but it did not undertake any more general ‘inquiry or verification’ of expenses.[[513]](#footnote-513)

In his evidence, Mr Mendelson addressed the remuneration structures   
used by ANZ both when it owned the Esanda business and at the time   
of the hearings. In relation to flex commissions, ANZ accepted that for   
the period that it permitted its intermediaries to charge those commissions, the intermediary had an incentive to increase the price of the credit contract in a way that did not ‘actually relate’ to the credit risk posed by the customer.[[514]](#footnote-514) The only matter that was disclosed to customers in relation   
to flex commissions was what the applicable interest rate was.[[515]](#footnote-515) ANZ acknowledged that while flex commissions were charged, the intermediary had a conflict of interest.[[516]](#footnote-516) ANZ’s evidence was that Esanda had some monitoring practices that may have been directed to managing that conflict of interest.[[517]](#footnote-517) In December 2017, ANZ adopted ASIC’s recommendation   
that interest would be charged at a transparent rate that could not be inflated, but could be deflated by the intermediary at their discretion.[[518]](#footnote-518)

Mr Mendelson also gave evidence in relation to add-on insurance offered   
in connection with ANZ consumer asset finance. In approximately April 2016, after the sale of the Esanda business, ANZ undertook a full review   
of its insurance product offerings.[[519]](#footnote-519) As a result of that review, it withdrew from selling all but two add-on insurance products, being comprehensive   
car insurance and loan protection insurance.[[520]](#footnote-520) ANZ made that decision because it was not ‘comfortable … that the customer was getting value’;[[521]](#footnote-521)   
it took the view that the ‘claim rates on the remaining insurance products   
… were nowhere near an acceptable level or an industry level’, in terms   
of premiums paid as against claims paid out.[[522]](#footnote-522)

On about 16 March 2018, approximately a week before Mr Mendelson gave evidence, ANZ announced an intention to suspend providing new secured asset finance loans for retail customers in Australia as of 30 April 2018.[[523]](#footnote-523)   
In the accompanying media release, ANZ stated that the suspension would be in place ‘while it undertakes a detailed review of its business’.[[524]](#footnote-524)

### 10.3 What the case study showed

ANZ accepted that the conduct the subject of the Esanda proceeding ‘fell below [community standards and expectations] and contravened ss 128   
and 130(1) of the NCCP Act’.[[525]](#footnote-525) ANZ acknowledged that it ‘had reason to doubt the reliability of information it was receiving from the three third party intermediaries’ and ‘ought to have taken steps to verify the stated income figures by reference to source documentation other than payslips alone’.[[526]](#footnote-526) The acknowledged breaches of statutory provisions such as Sections 128 and 130 of the NCCP Act constituted misconduct.

As previously discussed, the Esanda proceeding involved 12 (representative) loan applications. Beyond the four corners of that proceeding, ANZ has agreed to remediate 320 customers who suffered   
loss by reason of the fraud of the same three intermediaries involved in   
that proceeding.[[527]](#footnote-527) ANZ has also agreed to compensate 70 customers in respect of the guarantor swap incident, in which finance was provided by Esanda in circumstances where the borrower’s information had been swapped with the information of a more creditworthy guarantor.[[528]](#footnote-528)

ANZ submitted that neither it, nor its employees, were ‘party to the frauds’ the subject of the Esanda proceeding and the remediations discussed above.[[529]](#footnote-529) On that basis, it said, there could be no finding that ANZ’s conduct was ‘inefficient, dishonest or unfair in the provision of consumer motor vehicle asset finance’.[[530]](#footnote-530) ANZ’s submission raises questions, common to   
all of the case studies involving intermediaries, of whether and when the defaults of intermediaries can put an ACL holder (or an AFSL holder) in breach of its statutory obligations.

ANZ’s submission distinguishes between the legal consequences of dishonest behaviour by its employees and dishonest behaviour by intermediaries. That is, it seeks to attach significance to whether the wrongdoer was an employee as distinct from an intermediary. The intermediaries were expected to collect customer information and carry   
out most, if not all, of the customer interactions that go to fulfilling ANZ’s responsible lending obligations. But the statutory obligations in issue   
were ANZ’s. (The intermediary’s obligations were contractual.) Whether   
the person who filled in the wrong information was an employee or not   
is irrelevant.

#### 10.3.1 Flex commissions and add-on insurance

In its written submissions following the first round of hearings, ANZ submitted that the Commission had not heard evidence to support a   
finding that ANZ’s financing of add-on insurance products fell short of community standards and expectations.[[531]](#footnote-531) Three points should be made.

First, in its initial submission to the Commission, ANZ acknowledged that the intermediary involved in the guarantor swap incident had also sold   
add-on products ‘to some borrowers without their knowledge or consent. The premiums inflated the amount they borrowed, thus increasing the overall amount of interest paid by borrowers.’[[532]](#footnote-532) ANZ’s evidence was   
that this conduct was brought to its attention by ASIC.[[533]](#footnote-533)

Second, also in its initial submission to the Commission, ANZ advised   
that Esanda identified in 2012 that its financing of tyre and rim insurance premiums was not compliant with the NCCP Act.[[534]](#footnote-534) As a result, it refunded about $5.3 million to customers, and thereafter ceased funding that type   
of insurance.[[535]](#footnote-535)

Third, in April 2016, ANZ reduced the scope of its financing of add-on insurance products, from around seven different types of products to two types.[[536]](#footnote-536) Mr Mendelson’s evidence was that the reason ANZ restricted its sales of certain types of add-on insurance was that ‘the claim rates on the remaining insurance products … were nowhere near an acceptable level   
or an industry level’.[[537]](#footnote-537)

This evidence suggests, at least, that ANZ considered it should cease providing most types of add-on insurance because it had led to conduct   
by others that fell short of community standards and expectations. And insofar as Esanda or ANZ’s intermediaries were in breach of the NCCP   
Act or other laws in relation to sales of add-on insurance, this would have constituted misconduct. On balance, however, I think that ANZ was right   
to say that its conduct (as distinct from the conduct of its intermediaries) was not below what the community expected.

ANZ ceased offering flex commissions in December 2017. Mr Mendelson agreed unreservedly, and rightly, that an intermediary working under a   
flex commission had a conflict of interest.[[538]](#footnote-538) As I noted in relation to the Westpac case study, ASIC’s pending prohibition on flex commissions is   
a strong indication that their use falls short of community standards   
and expectations.

## 11 CBA credit cards

### 11.1 Background

This case study involved CBA’s lending practices with respect to credit cards and credit card limit increases. Evidence was given by Mr David Harris, who provided a public submission to the Commission, and by Mr Clive van Horen, the Executive General Manager, Retail Products   
within the Retail Banking Services Business Unit of CBA.

### 11.2 Evidence

CBA credit card applications were ‘completed using either a Long Form, Medium Form or Short Form application process’.[[539]](#footnote-539) The process to be   
used depended upon CBA’s ‘assessment of the customer’s eligibility,   
using information CBA held about an existing customer’.[[540]](#footnote-540)

A CBA customer would be eligible to use the short form application if, amongst other things, their salary was deposited into a CBA account   
and passed CBA’s credit card pre-servicing assessment.[[541]](#footnote-541) In the short   
form application, CBA would automatically derive the customer’s income based on the information in their CBA account, and would ask the customer to confirm whether that derivation was correct.[[542]](#footnote-542) The customer would then declare their expenses, liabilities and number of dependents, and would   
be required to pass an external credit check.[[543]](#footnote-543) The process differed for   
the medium form and long form applications.[[544]](#footnote-544) The detail of the differences need not be recorded here.

After collecting information from the customer, CBA would verify information provided by a customer about their liabilities against CBA’s own data relating to a customer’s liabilities and income, but would not verify the information against liabilities to other financial institutions, unless customers fell below a certain income or risk score threshold.[[545]](#footnote-545) CBA would not take any steps to verify the customer’s living expenses (although the customer’s declared living expenses were compared against the income-based HEM, and the higher would be used in the serviceability assessment).[[546]](#footnote-546)

Mr van Horen was asked about CBA’s compliance with ASIC Regulatory Guide 209 in connection with CBA’s inquiries into a customer’s discretionary spending. At [209.33(a)], the Guide provides that ‘[d]epending on the circumstances of the particular consumer, and the kind of credit contract   
… they may acquire’, reasonable inquiries as to their financial situation could include ‘the consumer’s other expenditure that may be discretionary (such as entertainment, take-away food, alcohol, tobacco and gambling)’.[[547]](#footnote-547) Mr van Horen said that ‘in many cases’, CBA could identify when its customers spent large sums on such discretionary products, but that it   
may not be possible to do so in some cases, including where customers held accounts with other banks or where the descriptions used to identify merchants are not clear.[[548]](#footnote-548) As to whether the bank *should* do anything   
when its customers spend large sums on such discretionary products,   
Mr van Horen referred to the concept of scalability, noting that the Regulatory Guide requires CBA to ‘have regard to the complexity of   
the facility’ and ‘the size of the loan’ in assessing what constitutes reasonable inquiries.[[549]](#footnote-549)

After gathering these types of information, CBA would undertake a serviceability assessment. This assessment was predominantly an automated process, which took into account the customer’s financial position and the customer’s ‘servicing surplus’.[[550]](#footnote-550) The servicing surplus   
was generated by deducting expenses from income.[[551]](#footnote-551) CBA’s minimum serviceability requirement was that a customer have a ‘surplus’ that   
was the higher of 2.5% of their credit card limit or $25.[[552]](#footnote-552) Mr van Horen explained that the rationale for selecting 2.5% was that the minimum repayment on any credit card is 2% of the outstanding balance, so the additional 0.5% acts as a ‘small buffer’.[[553]](#footnote-553) In Mr van Horen’s view, it was reasonable for CBA to assess a customer’s suitability for a credit card on the basis that the customer had at least a $25 servicing surplus in their account each month.[[554]](#footnote-554) It seems to follow that CBA treated a person as   
not in substantial hardship if the person had $25 surplus available after meeting expenses.

Ultimately, Mr van Horen accepted that CBA’s decision as to an appropriate credit limit for a customer was based upon the assumption, subject to certain caveats, that ‘the customer [was] taking a limit which if used once and once only, would take of the order of more than five years’ to repay   
via minimum repayments.[[555]](#footnote-555)

In relation to credit limit increases, CBA pre-assessed customers’ eligibility for credit limit increases in advance of the customer applying for the credit (that is, CBA took this step of its own motion).[[556]](#footnote-556) In order to be eligible for   
a credit limit increase, CBA would assess whether the customer’s average repayments in the last six months were equal to or greater than 2% of   
the potential new credit limit.[[557]](#footnote-557) CBA’s credit limit increase strategy was ‘built on [the] premise [that CBA] would rather start with a lower[,] more conservative credit limit … and then, based on actual behaviour, in   
other words, customers demonstrating their ability to manage that debt comfortably, [CBA would] offer increases to those credit limits over time’.[[558]](#footnote-558)

Turning to the evidence specific to Mr Harris’ case, Mr Harris obtained   
his first credit card from CBA towards the end of 2014.[[559]](#footnote-559) Not long after obtaining that credit card, he began to gamble beyond his means, including by obtaining cash advances on his credit card, transferring that money to another CBA account, and then using that money for gambling purposes.[[560]](#footnote-560) In the course of 2015, Mr Harris obtained two further credit cards from CBA, with limits of $7,000 and $8,000 respectively,[[561]](#footnote-561) and obtained a credit card limit increase in respect of the first credit card that he obtained from CBA.[[562]](#footnote-562)

In about April 2016, Mr Harris consolidated his three CBA credit cards   
into one card, with a credit limit of $27,100.[[563]](#footnote-563) That month, Mr Harris   
also incurred his first directly gambling-related expenses on his CBA   
credit card.[[564]](#footnote-564)

In October 2016, during a call to CBA about an unrelated matter, a CBA staff member informed Mr Harris that he was conditionally approved for a credit limit increase.[[565]](#footnote-565) During that phone call, Mr Harris informed CBA of   
his gambling problem.[[566]](#footnote-566) Mr van Horen admitted that the information CBA received from Mr Harris about his gambling problem was ‘not in any way passed through to credit decisioning systems’ at CBA,[[567]](#footnote-567) or to CBA’s ‘credit models’.[[568]](#footnote-568) At the time of the hearings, CBA’s systems remained unchanged in that regard, although Mr van Horen recognised that developing this level of sophistication was ‘clearly something that [CBA] need[ed] to do’.[[569]](#footnote-569)   
Mr van Horen also accepted that CBA did not use the information provided by Mr Harris about his gambling problem when assessing whether to make the subsequent credit offer referred to below.[[570]](#footnote-570)

Ten days after the phone call, CBA sent Mr Harris a letter inviting him to increase his credit limit.[[571]](#footnote-571) Another similar letter was sent soon after.[[572]](#footnote-572)   
In early 2017, Mr Harris applied for, and was offered, a credit limit increase of $8,000, taking his credit limit to $35,100.[[573]](#footnote-573) Mr van Horen’s evidence   
was that $8,000 was the maximum credit limit increase offered by CBA.[[574]](#footnote-574) He acknowledged that CBA should not have approved this credit limit increase to Mr Harris.[[575]](#footnote-575)

Mr Harris has since been remediated, as described further below.

### 11.3 What the case study showed

First, CBA accepted that it should have used the information Mr Harris   
had provided regarding his gambling problems, and his intent to get them under control before taking up any further offers of credit, before it decided whether to offer him any further credit.[[576]](#footnote-576)

Second, CBA accepted that, ‘following the particular circumstances of   
Mr Harris’ disclosure of his gambling problem’, it breached its obligation under Section 128(b) of the NCCP Act in relation to Mr Harris.[[577]](#footnote-577)

Third, CBA accepted that in failing to make any use of Mr Harris’s disclosure and his intention to take up the increase when he had his gambling under control, it did not comply with ASIC Regulatory Guide 209, and specifically RG209.90.[[578]](#footnote-578) As this Regulatory Guide constitutes ‘a recognised and widely accepted benchmark for meeting the responsible lending obligations in the NCCP Act’,[[579]](#footnote-579) CBA’s accepted failure to comply constituted ‘misconduct’ within the Commission’s Terms of Reference.

Fourth, CBA at least implicitly accepted that in granting a credit limit increase to Mr Harris after he disclosed his gambling problem, it failed   
to comply with Clause 27 of the Code of Banking Practice, which required   
it to exercise the care and skill of a diligent and prudent banker in selecting and applying credit assessment methods and forming an opinion about   
Mr Harris’s ability to repay his credit card.

CBA also accepted that in inviting Mr Harris to apply for, and subsequently providing Mr Harris with, a credit limit increase after he had disclosed his gambling problem to CBA, its conduct fell short of community standards   
and expectations.[[580]](#footnote-580) CBA was right to make the admissions it made about its conduct.

#### 11.3.1 CBA systems

CBA accepted that its internal systems and processes, at least as they existed at the time of the hearings, were deficient as they did not ‘flag’ a self-disclosure of a gambling problem and did not operate to automatically factor in such information into CBA’s credit models.[[581]](#footnote-581) That is something CBA acknowledged it ‘had to work on’.[[582]](#footnote-582)

All the same, CBA did not give any indication that it was presently working, or planned to, work on this.[[583]](#footnote-583) Mr Harris gave evidence that ‘two of the hardest things you can do when you are suffering from an addiction is, one, admit you have a problem and, two, reach out for help, and in the phone call with Commonwealth, I tried to do both … I tried to reach out for help and I didn’t get any. I got the opposite.’[[584]](#footnote-584) CBA’s systems and processes, as they stood at the time of the hearings, were not equipped to adequately deal with people in situations such as Mr Harris’s, even when they explicitly sought assistance from CBA.

Furthermore, CBA’s collections systems were such that CBA continued   
to contact Mr Harris asking for documentation to complete his hardship agreement, despite the fact that a hardship agreement was already in place.[[585]](#footnote-585) Those systems also resulted in Mr Harris being sent a letter declining his hardship request, again some months after a hardship agreement had been put in place.[[586]](#footnote-586) CBA accepted that its collections systems ‘have not been state of the art’ and were in the process of   
an upgrade due to be completed in mid-2019.[[587]](#footnote-587)

#### 11.3.2 Assessment of customer’s needs and requirements

The case of Mr Harris directs attention to the practices of CBA, and other banks which follow similar procedures, in pre-approving and providing   
credit cards and credit limit increases to customers. CBA’s system sent invitations for pre-assessed credit to customers who had opted in to such correspondence. It is not clear that such an opt-in from a customer is sufficient indication that they require a line of credit in the specific form   
of a credit card or credit limit increase.

## 12 Westpac credit card limit increases

### 12.1 Background

In the period from September 2012 to December 2014, Westpac sent to certain existing credit card customers offers inviting them to increase their credit limit up to a maximum amount.[[588]](#footnote-588) Approximately 840,000 offers were sent,[[589]](#footnote-589) and 183,154 credit card limit increases were approved by Westpac as a result of customers accepting the offer.[[590]](#footnote-590) Westpac’s estimate of the profits made on a particular cohort of credit limit increases, which   
are discussed below, was about $23 million.[[591]](#footnote-591)

### 12.2 Evidence

Mr William Malcolm, Westpac’s General Manager, Credit, told the Commission that in the relevant period, Westpac relied on an automated process to determine the eligibility of customers for an increase.[[592]](#footnote-592) The process entailed an assessment of the customer’s credit risk having regard to, first, the information held by Westpac across its portfolios about the customer and, second, behavioural data analytics.[[593]](#footnote-593) In Westpac’s view,   
this process allowed it to assess both the default risk associated with a potential credit limit increase and whether the increase was not unsuitable for the customer.[[594]](#footnote-594) The measure of serviceability adopted by Westpac was based on the customer’s ability to make the minimum repayment if the full amount of the credit limit was withdrawn, with a buffer of 0.5%.[[595]](#footnote-595) This assessment was based on the average repayment made to the customer’s credit card account across the previous four months.[[596]](#footnote-596)

Customers who met certain serviceability thresholds were classified as requiring ‘No Further Credit Assessment’ and were sent an offer letter.[[597]](#footnote-597)   
In this situation, Westpac did not request any further information about the customer’s financial situation,[[598]](#footnote-598) such as their employment status, income   
or expenses.[[599]](#footnote-599) A credit card limit increase was approved for each   
No Further Credit Assessment customer if the customer accepted Westpac’s offer.[[600]](#footnote-600)

Relevantly, the offer letter told customers to ‘make sure you’re comfortable with the higher monthly repayment’ and to ‘always aim to pay off more   
than your monthly minimum amount as making minimum payments is not   
an effective way to manage your credit card debt’.[[601]](#footnote-601) The letter also told customers that if their circumstances had ‘recently changed or are likely   
to change, or you think you wouldn’t be able to afford the increased payments, you shouldn’t apply for a credit limit increase’.[[602]](#footnote-602) However, unless a customer informed Westpac of a change in their circumstances, such as by reason of contacting Westpac’s Assist Team for assistance,   
or it was apparent from a customer’s account, Westpac could generally   
not detect a negative change in the customer’s circumstances.[[603]](#footnote-603) Further,   
if the customer had only a credit card account with Westpac, the data held by Westpac for that customer would not inform Westpac of the customer’s non-Westpac liabilities or current income. All that Westpac could know   
was whatever had been revealed in the initial credit card application.[[604]](#footnote-604)

This process was in contrast to the approach that Westpac adopted for   
the other cohort of customers, who did not meet the relevant serviceability threshold. These customers, known as ‘Further Credit Assessment’ customers, were required to provide further financial information, including monthly salary and expenses in order to have their credit limit increase approved.[[605]](#footnote-605) However, the Further Credit Assessment customers comprised the minority – about 30%[[606]](#footnote-606) – of the total number of customers who were sent offers during the relevant period (about 1.16 million).[[607]](#footnote-607)

Westpac considered that the totality of its automated process satisfied its obligation under the NCCP Act to make reasonable inquiries of customers, and that Westpac’s inquiries were proportionate having regard to the size   
of the additional commitment that customers were taking on.[[608]](#footnote-608) Mr Malcolm expressed the view that scalability was a ‘vexed area’ during the relevant period of time and that ASIC’s guidance in that regard required a ‘degree   
of interpretation’.[[609]](#footnote-609) Westpac adopted an interpretation that resulted in minimal inquiries being made based on a perception that credit limit increases for the group in question entailed a ‘low risk of default’.[[610]](#footnote-610)

In September 2012, following discussions between ASIC and the Australian Bankers’ Association, as well as directly with banks including Westpac,[[611]](#footnote-611) ASIC wrote to the Policy Director of the Australian Bankers’ Association setting out ASIC’s view in relation to credit card limit increase invitations   
and credit providers’ responsible lending obligations.[[612]](#footnote-612) ASIC’s letter stated that, while it was useful to ask customers about recent or foreseeable changes to their financial circumstances, ‘before approving a CLI [credit limit increase] application, card issuers should at least make inquiries about, and ascertain, a customer’s current level of income and employment status’.[[613]](#footnote-613) As previously noted, Westpac did not make inquiries about income and employment status for the No Further Credit Assessment customers, comprising around 70% of customers to whom offers were sent.[[614]](#footnote-614)

Members of Westpac’s credit risk, regulatory affairs and product teams discussed what approach should be adopted in respect of ASIC’s letter.[[615]](#footnote-615) In these discussions, it was noted that the cost-benefit associated with adopting changes would be ‘unfavourable’,[[616]](#footnote-616) and might increase the likelihood of non-responses from customers.[[617]](#footnote-617) The view of the product team was that Westpac should do nothing until ASIC issued a formal request.[[618]](#footnote-618) By contrast, the risk and regulatory affairs teams considered   
that such an approach was not an option.[[619]](#footnote-619) In December 2012, Westpac decided that the existing process would be maintained.[[620]](#footnote-620) Mr Malcolm accepted that the profits obtained from limit increase programs were   
one reason why WBC decided not to act as early as it ought to have in relation to ASIC’s guidance.[[621]](#footnote-621)

In early 2014, ASIC conducted an industry review focusing on credit card providers' invitations to customers to increase credit limits.[[622]](#footnote-622) As part of   
that review, Westpac confirmed that it did not seek further income and expenditure information from ‘No Further Credit Assessment’ customers[[623]](#footnote-623) ASIC commenced an investigation into Westpac’s processes in August 2014.[[624]](#footnote-624) In December 2014, following further amendments by ASIC to its Regulatory Guide that repeated the guidance provided by ASIC in its letter of September 2012, Westpac temporarily suspended credit limit increase invitations while it commenced implementing changes to its processes.[[625]](#footnote-625) Those changes took effect from around March 2015.[[626]](#footnote-626) Westpac’s formal policies around responsible lending were not amended until 2016.[[627]](#footnote-627)

During 2014 and 2015, Westpac engaged in negotiations with ASIC in relation to its processes and the outcome that would follow from ASIC’s investigation. In 2015, ASIC met with the Board of Westpac and its Chairman.[[628]](#footnote-628) ASIC expressed the view that Westpac had refused to change its practices until faced with the very direct threat of legal action.[[629]](#footnote-629) ASIC also considered that Westpac had ignored the position that ASIC had clearly set out in the letter of September 2012, and did not ‘bother to engage with ASIC’.[[630]](#footnote-630) As a result, ASIC was unaware of Westpac’s practices until it conducted its ‘follow up review’ 15 months later.[[631]](#footnote-631)

Mr Malcolm’s evidence was that, with the benefit of hindsight, the approach Westpac adopted to communicating with ASIC about the issues raised in the September 2012 letter was inappropriate in all the circumstances.[[632]](#footnote-632)   
Mr Malcolm expressed the view that Westpac could have continued its existing practices, provided that it had informed ASIC and sought to convince ASIC that its practices were compliant.[[633]](#footnote-633) However, Mr Malcolm also agreed that the better process would have been for Westpac to cease what it was doing and discuss its practices with the regulator.[[634]](#footnote-634) Mr Malcolm told the Commission that Westpac had strengthened its governance since that time.[[635]](#footnote-635)

### 12.3 What the case study showed

Westpac accepted that its approach to engaging with ASIC ‘was not appropriate’.[[636]](#footnote-636) Westpac acknowledged that the appropriate course would have been for it to have engaged with ‘more fully’ with ASIC about its views at the time.[[637]](#footnote-637) Westpac accepted that it fell short of community standards and expectations by not engaging with ASIC when it decided not to follow the guidance in ASIC’s September 2012 letter.[[638]](#footnote-638)

Nonetheless, in Westpac’s submissions, Westpac emphasised that its view upon receiving the September 2012 letter was that its processes were consistent with the law.[[639]](#footnote-639) Its submissions also show that that view has   
not changed.[[640]](#footnote-640) But this view was seemingly not held by all within Westpac – at least, at the time that Westpac received ASIC’s letter. As Westpac’s submissions accept, in 2012, some teams believed that Westpac should change its credit limit increase processes,[[641]](#footnote-641) among them the risk and regulatory affairs teams. Westpac resolved the competing views on the side of profit, and did not communicate to ASIC its intention to maintain processes that were clearly contrary to guidance provided by ASIC. In doing so, Westpac may be seen to have exhibited a preference for profit over what ASIC considered to be appropriate practice.

#### 12.3.1 Reasonable enquiries and verification

As noted above, Westpac’s position remains that offering credit limit increases based only on data it already holds about a customer is consistent with its responsible lending obligations.[[642]](#footnote-642)

Westpac submitted that the relevant standard for offering a credit limit increase to its customers was that the customer would be able to comply without ‘substantial hardship’.[[643]](#footnote-643) Section 128(b) of the NCCP Act provides that an ACL holder must not increase the credit limit of a Consumer Credit Contract without, among other things, assessing that the contract will be   
not unsuitable for the consumer.[[644]](#footnote-644) Section 130(1)(b) and (c) requires the ACL holder to make reasonable inquiries about the consumer’s financial situation and take reasonable steps to verify their financial situation.[[645]](#footnote-645) Section 131 of the NCCP Act provides that a contract will be unsuitable   
if, at the time of the assessment, a customer will be unable to comply with   
their financial obligations under the contract, or could only comply with substantial hardship,[[646]](#footnote-646) or if the contract will not meet the consumer’s requirements or objectives.[[647]](#footnote-647) Section 133 provides that an ACL holder   
must not enter such a contract with a consumer.

The information on which Westpac based its assessment of No Further Credit Assessment customers’ potential substantial hardship was limited. Without asking those customers, Westpac could not know if the information it held was out of date or incomplete. In its submissions, Westpac submitted that according to ASIC Regulatory Guide 209, ‘in some cases no inquiries might be needed at all’,[[648]](#footnote-648) and ‘ASIC did not consider that it was reasonable or necessary to verify a customer’s income and employment status beyond verifying that information by asking the customer to inform the issuer of it or to ascertain that information from data held by the bank’.[[649]](#footnote-649) I do not agree with that reading of the Guide. The Guide relevantly states:[[650]](#footnote-650)

We recognise that, in certain circumstances, some credit providers will be able to verify a consumer’s financial situation without receiving additional information from the consumer. For example, a bank could look at a consumer’s regular deposited salary, the timing of credit card payments, and the payment of other expenses. However, credit providers should take care relying on such information, which may not reflect the consumer’s entire financial position – for example, if the consumer holds credit cards with other financial institutions.

For customers who held only a credit card with Westpac, Westpac had   
no access to information about their income or employment status. For customers who held credit cards or transaction accounts with other institutions, Westpac had no access to information about their other expenses. Westpac was capable of requesting this information from customers and did so from Further Credit Assessment customers. It   
chose not to ‘burden’ No Further Credit Assessment customers with   
this inquiry partly, if not wholly, because it did not want to reduce uptake rates for credit.[[651]](#footnote-651)

Westpac made no inquiry at all about the requirements or objectives of No Further Credit Assessment customers before pre-approving their credit limit increases. Westpac’s pre-approval of credit limit increases proceeded on the assumption that the customer needed a revolving line of credit in the form of a credit card. Yet Mr Malcolm’s evidence was that credit cards ranged in their features and could have different functions for customers over time.[[652]](#footnote-652) Mr Malcolm also recognised that a customer that wanted to borrow money for a specific purpose may be better off using a form of   
credit other than a credit card.[[653]](#footnote-653) For this reason, and for the other reasons referred to above, I consider it problematic that Westpac’s data about its customers was necessarily historical, and offered little or no understanding of the customers’ requirements and objectives at the time of the credit   
limit increase.

Westpac submitted that its obligations to make inquiries and verify were limited by the scale of the credit limit increases, which were relatively small and simple in nature.[[654]](#footnote-654) I have discussed the concept of scalability in Chapter 2 of this report. I note here again that responsible lending obligations cannot be scaled down to nothing. Even small credit contracts must be carried out in accordance with an entity’s statutory obligations,   
such as those in the NCCP Act. Small credit amounts may have significant consequences for some customers.

## 13 Citi international transaction fees

### 13.1 Background

At the end of February 2018, Citi Australia (Citi) had about 1.2 million credit card accounts with a total balance of approximately $5 billion.[[655]](#footnote-655) In 2017, Citi refunded approximately $5 million to nearly 230,000 customers after   
it had not adequately disclosed the circumstances in which international transaction fees would be charged to its credit card holders.[[656]](#footnote-656) Among other things, Citi did not adequately disclose that international transaction fees would apply to transactions made in Australian dollars with merchants located in Australia, where the merchant processed the relevant payment overseas. The Commission received evidence in this case study from Citibank’s Consumer Business Manager, Mr Alan Machet.

### 13.2 Evidence

At the time of the first round of hearings, Citi, as a member of the Visa and Mastercard card-based payment schemes, was charged a scheme foreign transaction fee when a Citi credit card customer completed a foreign currency transaction. Pursuant to its terms and conditions with customers, Citi passed on the charge to customers in the form of an international transaction fee.[[657]](#footnote-657)

Prior to early 2016, Citi charged customers international transaction fees only on transactions denominated in a foreign currency.[[658]](#footnote-658) In December 2015, following changes by Visa and Mastercard to the scheme fees, Citi sent to its credit card customers a Variation Notice that informed them that Citi charged an international transaction fee on ‘any transaction made in foreign currency; or any transaction made with an overseas merchant’.[[659]](#footnote-659) Citi did not expressly inform customers that it would charge international transaction fees for transactions with an offshore merchant in circumstances where the website operated by the offshore merchant:

• quoted prices in Australian dollars;

• used an Australian web address; or

• otherwise contained no information to indicate that the merchant was located offshore.[[660]](#footnote-660)

Further, Citi did not inform customers that they could be charged an international transaction fee in circumstances where the merchant was located in Australia, but the payment was processed by the merchant overseas.[[661]](#footnote-661)

Citi began to charge customers such fees from January 2016 in relation to its Citi-branded cards and from March 2016 in relation to its partner-branded cards (which included Virgin Money, Bank of Queensland and Suncorp cards[[662]](#footnote-662)).[[663]](#footnote-663)

In June 2016, Mr Machet became aware that another credit provider   
had made a change to its terms and conditions regarding disclosure   
of international transaction fees.[[664]](#footnote-664) Mr Machet understood that the effect   
of that change was to extend the application of the credit provider’s international transaction fees to transactions with overseas merchants.[[665]](#footnote-665) Mr Machet considered that as this issue was already covered by Citi’s disclosure of its international transaction fees, no change was required   
to Citi’s disclosures.[[666]](#footnote-666)

In August 2016, ASIC contacted Citi about the circumstances in which it was charging international transaction fees.[[667]](#footnote-667) At this time, Mr Machet   
‘first became aware that there may be areas where [Citi’s] disclosure to   
its customers’ in relation to international transaction fees ‘could be and should be improved’.[[668]](#footnote-668) Citi informed ASIC that it would update its terms   
and conditions regarding the disclosure.[[669]](#footnote-669) This amendment took place in January 2017.[[670]](#footnote-670) However, at that stage, aside from having refunded the fees paid by four or so customers, and recognising that more customers may need to be refunded, Citi did not propose undertaking any formal remediation program.[[671]](#footnote-671)

Citi met with ASIC on 19 September 2016 to discuss remediation.[[672]](#footnote-672) After discussions with ASIC, Citi and ASIC agreed upon the scope of Citi’s remediation program.[[673]](#footnote-673) Citi identified affected customers with Citi-branded and Citi partner-branded credit cards, and thereafter refunded customers the amount of the fee charged plus interest.[[674]](#footnote-674) In February and March 2017, remediation payments totalling approximately $5 million were made to 229,936 customers.[[675]](#footnote-675)

### 13.3 What the case study showed

In Citi’s initial submission to the Commission, this matter was identified as   
a ‘reportable matter’, being a matter that Citi considered might constitute misconduct or conduct falling below community standards and expectations.[[676]](#footnote-676) In supplementary submissions provided by Citi, Citi emphasised that it erred on the side of caution when determining what matters to include in its initial response.[[677]](#footnote-677) Citi said that it did not follow from the matter’s inclusion in its initial submissions that Citi considered the matter to constitute misconduct or a breach of community expectations.[[678]](#footnote-678)

In my view, however, Citi’s conduct might have constituted misconduct: either because Citi’s conduct might have breached the licensee’s obligation under Section 47(1)(a) of the NCCP Act to do all things necessary to ensure that the credit activities authorised by its credit licence were engaged in efficiently, honestly and fairly, or because Citi’s conduct might have breached Clause 3.2 of the Code of Banking Practice, in that Citi failed to act fairly and reasonably towards its customers in a consistent and ethical manner. Contrary to Citi’s submissions, I am not persuaded that any moral turpitude, capricious dealing or lack of good faith is required for breaches   
of these provisions to be established.[[679]](#footnote-679) The touchstone of both provisions   
is fairness.

There is a genuine question whether Citi acted fairly when it did not   
clearly identify (whether in its contractual documents or otherwise)   
the circumstances in which customers would be charged international transaction fees. In this connection, it may be relevant to refer to Citi’s Variation Notice, and its Notice sent to Partner Card customers, recording that international transaction fees would be charged on ‘any transaction made with an overseas merchant’, when the fact was that customers could also be charged an international transaction fee if the merchant was located in Australia, but processed the relevant payment overseas.[[680]](#footnote-680) Citi’s recognition that its customers may have had difficulties identifying when they were transacting with an overseas merchant, or conducting a transaction that would be processed overseas,[[681]](#footnote-681) underscores the need   
for it to have used clearer and more precise language.

If these matters do not constitute misconduct, I consider that they do amount to conduct falling below community standards and expectations.   
Citi did not tell customers, clearly and accurately, the nature of, and basis for, the imposition of international transaction fees. As a result customers were not aware of international transaction fees being payable before the fees were charged. In its submissions, Citi accepted that its disclosure was ‘imperfect’,[[682]](#footnote-682) but stated that the ‘community does not expect perfection’.[[683]](#footnote-683)   
I agree that the community does not and cannot expect perfection. But, in my view, the community does expect, and is entitled to expect, that terms and conditions relating to charges are sufficiently clear for customers to understand, in advance, the circumstances in which they will be charged fees. Citi did not do this.

# Case studies: Financial advice

## 1 Fees for no service: AMP

### 1.1 Background

The first case study in the second round of hearings concerned the   
charging of fees for no service by AMP Limited (AMP). Evidence was given by Mr Anthony (Jack) Regan, the AMP Group Executive of Advice and New Zealand. Mr Regan was the senior executive within the AMP Group responsible for the management of AMP’s Advice business.[[684]](#footnote-684)

The Commission’s initial inquiries into AMP’s conduct centred on two types of misconduct: the charging of fees for no service and the reporting of that conduct to the regulator. In the course of the hearings, the second of those subjects widened to reveal larger issues connected with AMP’s dealings with ASIC in respect of the fee for no service issue.

The case study revealed a number of important issues. The first was the application of internal ‘business rules’ in a manner inconsistent with the   
law and in a manner that Mr Regan accepted was contrary to commercial morality. The second concerned misleading the regulator when reporting identified or potential statutory contraventions. The third concerned the nature and extent of the involvement of senior officers within AMP in the preparation of a report that, when provided to ASIC, was said to have been described as external and independent.

I will deal in turn with each issue.

### 1.2 Ongoing service fee conduct

#### 1.2.1 Nature of the relationship

As already noted, AMP operates a network of approximately 2,800 financial advisers, with around 90% of those advisers appointed as authorised representatives of the AMP Advice Licensees.[[685]](#footnote-685) The AMP Advice Licensees include, relevantly, AMP Financial Planning Pty Ltd (AMPFP), Charter Financial Planning Limited (Charter), Hillross Financial Services Limited (Hillross) and iPac Securities Limited (iPac Securities), each of which is a subsidiary of AMP and the holder of an **Australian financial services licence** (AFSL).[[686]](#footnote-686) To the extent advisers are employed by AMP, they predominantly work in the iPac Securities business.[[687]](#footnote-687)

Many authorised representatives of an AMP Advice Licensee have an ongoing service arrangement in place with some of their clients. Ongoing service fees are charged to clients, and remitted to advisers, through certain products and platforms issued or approved by AMP.[[688]](#footnote-688) The fees are charged for services that the adviser has agreed to provide.[[689]](#footnote-689) The terms of the ongoing fee arrangement are generally set out in documents such as Ongoing Fee Agreements, Statements of Advice and Fee Disclosure Statements.[[690]](#footnote-690) Typically, the ongoing services include services such as access to the adviser through meetings or phone calls, and the offer,   
and the undertaking, of a full or partial review of the client’s portfolio at a determined frequency.[[691]](#footnote-691)

The interval at which, and way in which, the ongoing service fee is charged depends on the type of fee, and the agreement between the adviser and client.[[692]](#footnote-692) Since the **Future of Financial Advice** (FoFA) legislative reforms, the ongoing service fees have been ‘opt-in’, with the agreement lapsing every two years, and like all fee proposals, needing to be disclosed to   
the client by the adviser.[[693]](#footnote-693)

### 1.3 Conduct in issue

The Commission’s inquiries into AMP’s fee for no service conduct were   
not primarily connected with the failure of advisers within AMP’s network to provide advice, but rather with decisions made by AMP senior management in connection with the exercise and implementation of rights arising from contractual arrangements between AMP Advice Licensees and their authorised representatives. The relevant contractual arrangements had different names within the different AMP Advice Licensees.[[694]](#footnote-694) In AMPFP   
it was called the ‘**buyer of last resort**’ policy, or the BOLR policy.[[695]](#footnote-695) It is convenient to refer to the arrangements as ‘the BOLR policy’.

It was not in dispute that the relevant AMP Advice Licensees (AMPFP, Hillross, Charter and iPac Securities) had charged fees to clients in circumstances where they did not, and could not, provide services to the clients for those fees. So much was acknowledged by AMP.[[696]](#footnote-696)   
The acknowledged conduct was connected with, and arose out of, the implementation of the BOLR policy.

### 1.4 The BOLR policy

It is necessary to describe the BOLR policy. I will do that without descending into the detail of the contractual provisions, except to the extent strictly necessary. In general terms, the 2012 version of the BOLR policy enabled an authorised representative to sell a book of clients to another authorised representative, and, subject to certain conditions being satisfied, allowed and required AMP to buy the book of clients if the authorised representative was unable to sell it to another authorised representative.[[697]](#footnote-697)

Under the BOLR policy, a book of clients was typically valued on the basis of a four‑times multiple of ongoing revenue earned from those clients. The revenue subject to this four-times multiplier included the advice fees that had been automatically deducted from the client’s products in the   
12 months preceding the valuation.[[698]](#footnote-698)

Where AMP acquired a book of clients, it would seek to on-sell that book   
to another authorised representative. If the ongoing fee agreements with clients were terminated before the on-sale, AMP would not be able to realise the capitalised value of those ongoing fees and thus it would not recoup the price it had paid for the book.[[699]](#footnote-699) It was, therefore, in the financial interests of the AMP Advice Licensee, and of AMP as the intending vendor of the book of clients, to continue the ongoing fee arrangement with the client after the client book had been purchased by AMP.

Generally, if a client was on a register acquired by AMP under the BOLR policy, the client was moved into what was known as the ‘BOLR pool’. Mr Regan’s evidence was that, until very recently, AMP had no capacity to provide services to clients who were in the BOLR pool.[[700]](#footnote-700)

A practice developed within AMP to place clients into the BOLR pool, and not ‘dial down’ the fees charged to those clients. In this context ‘dial down’ was a euphemism for ‘stop charging’ the ongoing service fees. That is,   
AMP would intentionally keep the ongoing service fee arrangement on foot notwithstanding that it could not provide service to the BOLR pool clients.

In addition, even when AMP intended to ‘dial down’ fees for clients who were in the BOLR pool, it did not have adequate systems in place to ensure that this occurred.

AMP first reported to the Australian Securities and Investments Commission (ASIC) that it had systematically failed to ‘dial down’ ongoing service fees for clients in the BOLR pool in a report made under Section 912D(1B) of the Corporations Act 2001 (Cth) (the Corporations Act) on 15 January 2009.[[701]](#footnote-701) That breach report identified that the breach had occurred in September 2007, and that AMPFP first became aware of the breach in   
September 2008.

The fact that AMP reported that conduct to ASIC did not put a stop to the conduct.[[702]](#footnote-702) Internal AMP documents from 2013 and earlier suggest that,  
over time, a general rule developed where fees would be left on for clients for up to 90 days after the clients had been moved into the BOLR pool.[[703]](#footnote-703)

In January 2014, following the implementation of the FoFA reforms, a business rule referred to as the ‘90 Day Exception’ developed.[[704]](#footnote-704) Mr Regan referred to the 90 Day Exception as an exception to the BOLR policy granted by the Managing Director of the AMP Advice Licensee.[[705]](#footnote-705)

The nature of the 90 Day Exception may have changed over time; internal AMP documents created after January 2014 appear to describe the rule in different ways. It is unclear to what extent the 90 Day Exception was applied after January 2014. The evidence before me suggests that the 90 Day Exception ceased being applied in about November 2016.[[706]](#footnote-706) AMPFP did not, until 17 October 2016, notify ASIC of the deliberate decision to continue to charge fees for no service by application of the 90 Day Exception.

### 1.5 Ringfencing

There was a further business rule by which AMP made deliberate decisions to charge clients fees for the provision of no service. This was known as ‘ringfencing’. Ringfencing occurred as early as 2013. A formal process for ringfencing decisions was put into place in 2014 following the recommendations of an internal audit report.[[707]](#footnote-707) Ringfencing occurred where, for some books of clients purchased by AMP, AMP would make the decision to ‘ringfence’ the clients, meaning that they would not be placed into the BOLR pool and the register would be kept separate for later sale as a whole. The ‘ringfenced’ clients would continue to pay fees, without receiving any services, whilst they were held separate from the BOLR pool.[[708]](#footnote-708) It is unclear whether there was any 90-day limit on the period over which the clients would continue to pay fees.[[709]](#footnote-709) It appears that, at least from June 2015, joint approval of both the Managing Director of the relevant AMP Advice Licensee and the Head of Licensee Value Management was required for ringfencing a book of clients.[[710]](#footnote-710)

AMP did not report its ringfencing conduct to ASIC until 3 May 2017 – though, at that time, AMP did not describe the conduct as a business practice.[[711]](#footnote-711) It is not clear when the ringfencing practice ceased. Mr Regan’s evidence was that it ceased in November 2016.[[712]](#footnote-712) However, an email referred to in the report prepared by Clayton Utz dated 16 October 2017 (Clayton Utz Report), to which I will come, shows that the Managing Director of AMPFP approved a ringfencing exception on 18 January 2017.[[713]](#footnote-713)

### 1.6 Ongoing service fee conduct

By both the ringfencing conduct and the various permutations of the 90 Day Exception, AMP decided to continue to charge ongoing service fees to clients in circumstances where it would not be providing and could not provide services for those fees.

In addition, when AMP charged fees for service to clients in the BOLR pool because it did not have adequate systems in place to ‘dial down’ fees, AMP was accepting payment for financial servicesthat it had no reasonable grounds to believe it would supply to the clients.

In AMP’s initial submissions to the Commission in January and February 2018, it acknowledged that, ‘during the period from (relevantly)   
1 January 2013’:

• First, it had engaged in conduct of charging of ongoing service fees in circumstances where services were not and could not be provided. AMP said that this conduct was due, in part,[[714]](#footnote-714) to the application of the 90 Day Exception and ringfencing practices.[[715]](#footnote-715)

• Second, it had charged ongoing service fees to clients after an adviser’s authorisation had been terminated by an AMP Advice Licensee.[[716]](#footnote-716)

• Third, it had inadequate processes to ensure delivery of ongoing services where it bought a book of clients and the client was in the BOLR pool.[[717]](#footnote-717)

• Fourth, it had charged ongoing service fees in circumstances where the services would not be provided.[[718]](#footnote-718)

• Fifth, it had engaged in ‘possible misconduct’ in relation to the ‘extent   
and nature of AMP’s reporting to ASIC in relation to Fees for No   
Service (Licensees)’.[[719]](#footnote-719)

In its 13 February 2018 submissions to the Commission, AMP acknowledged that it had engaged in fees for no service conduct from   
1 January 2013, which, in its words, ‘involves possible contravention of Sections 180, 912A(1)(a), 952E, 961B, 961K, 962P, 1041H and 1308’ of   
the Corporations Act, and ‘Sections 12CA, 12CB, 12DA, 12DB, 12DF and 12DI’ of the Australian Securities and Investments Commission Act 2001 (Cth) (the ASIC Act).[[720]](#footnote-720) AMP stated that the breaches or contraventions may have been made by either of the relevant AMP Advice Licensee, or a director or an employee of AMP.

Since the 15 January 2009 breach report made to ASIC, AMP has issued five separate breach reports pursuant to Section 912D(1B) of the Corporations Act to ASIC, notifying it of breaches of Section 912A(1)(a) of the Corporations Act in relation to the charging of fees for no service: one on 27 May 2015, one on 5 December 2016, two on 3 May 2017 and one on 8 June 2017.[[721]](#footnote-721)

In his oral evidence, Mr Regan:

• accepted that there was no lawful basis for the carrying out of the 90 Day Exception or ringfencing business rules.[[722]](#footnote-722) Indeed, he accepted that it was obvious that charging clients fees for services that are intentionally and knowingly not being provided was both unlawful, and ethically and morally wrong;[[723]](#footnote-723)

• admitted that AMP had made 20 statements to ASIC regarding the ongoing service fee conduct that were false or misleading;[[724]](#footnote-724) and

• conceded that he felt a ‘level of discomfort’ in the fact that AMP had met with ASIC and represented to it that the Clayton Utz report was an external and independent report.[[725]](#footnote-725)

Despite all of this, in AMP’s 4 May submissions, AMP submitted that ‘mere knowledge of the existence of the 90 Day Exception should therefore be sufficient to understand that it was illegal’ was an ‘oversimplification of the position that AMP employees and executives found themselves in at the time’.[[726]](#footnote-726) AMP argued that ‘Mr Regan’s answers were given with the benefit of having seen legal advice on the question’[[727]](#footnote-727) and that the 90 Day Exception and ringfencing generally applied where there was an expectation that   
the client register would be on-sold to another adviser ‘within a   
reasonable timeframe’.[[728]](#footnote-728)

In those circumstances (the submission continued) ‘if there was an expectation that an incoming planner would be in a position to provide   
the service (that is, the annual review) within the timeframe that it was due to be provided (that is, within 12 months of the last review or initial advice) it is less obvious, in the absence of legal advice on the question, that a customer without an Adviser for a short period would be paying fees for a service they did not receive, in contravention of the law’.

These submissions by AMP are inconsistent with contemporaneous internal AMP communications. They are also inconsistent with the breach reports made to ASIC during the period 15 January 2009 to 8 June 2017, which each expressly acknowledged that the conduct was in breach of identified provisions of the Corporations Act or the ASIC Act.[[729]](#footnote-729)

In light of the admissions that I have referred to, and the evidence that   
I have set out above, I accept that, by applying the 90 Day Exception to clients in the BOLR pool, or ringfencing clients, AMP and the AMP Advice Licensees knew that they would continue to charge fees for services that they would not and could not provide. And I also accept that there was a failure to have adequate systems to turn off ongoing fees for all clients in   
the BOLR pool.

When clients subject to the 90 Day Exception or ringfencing paid fees for ongoing services, there was no authorised representative of the relevant AMP Advice Licensee assigned to supply those services. And in at least some of those cases, there was no basis for believing that the AMP Advice Licensees would, or would be able to, supply the agreed financial services before the clients in question were ‘sold’ to another authorised representative. And in at least some of those cases there was no basis   
for making any prediction about when a sale might happen.

In these circumstances, I consider that, as AMP recorded in its breach notifications to ASIC and in written submissions to the Commission,[[730]](#footnote-730) the AMP Advice Licensees may have breached their statutory obligations under Section 912A(1)(a),[[731]](#footnote-731) (c)[[732]](#footnote-732) and (ca)[[733]](#footnote-733) of the Corporations Act, and the AMP Advice Licensees may have engaged in conduct contrary to Sections 12DI(1) and 12DI(3)[[734]](#footnote-734) of the ASIC Act in relation to the acceptance of payment from clients subject to the 90 Day Exception and ringfencing and Section 12DI(3) of the ASIC Act in relation to acceptance of payment for advice services from any client in the BOLR pool.

The AMP Advice Licensees were aware of the application of a 90 Day Exception since January 2014. Despite lodging a report with ASIC about   
the conduct on 27 May 2015, the AMP Advice Licensees did not notify ASIC of the extent and the nature of the 90 Day Exception conduct until 26 November 2016. The AMP Advice Licensees were aware of the ringfencing conduct by at least May 2015 but did not notify ASIC of it until 3 May 2017. In each aspect of this matter there appears to have been significant delay in the AMP Advice Licensees reporting to ASIC the ongoing service fee conduct. It follows that AMP and the AMP Advice Licensees may have breached their statutory obligation under Section 912D(1B)[[735]](#footnote-735).

There is also evidence to suggest that, by charging fees to clients in the BOLR pool in circumstances where no service could be provided, AMP’s and its Advice Licensees’ conduct might have been, in all of the circumstances, unconscionable. This conduct may have been contrary to Section 12CB of the ASIC Act.

### 1.7 Culture and governance practices

Why then did AMP engage in the conduct that I have described?

The evidence of Mr Regan demonstrated that senior management and employees of AMP Advice Licensees were aware that the conduct was   
a breach of their financial services licenses but continued to engage in   
the conduct.[[736]](#footnote-736)

In particular, in June 2015, after AMP had made its first breach notification to ASIC, explicit reference to the fact that ringfencing a client was conduct that would breach AMPFP’s financial services licence was made in internal AMP communications: in an email seeking approval to ringfence a client, Ms Wolff, the Registers and Transfers Manager of AMP Advice, stated that ‘[p]lease ensure that when seeking approval from [Michael Guggenheimer, the then-Managing Director of AMPFP and Hillross] he acknowledges that by ring fencing the registers and not hav[ing] the ongoing fees dialled down that we are in breach of our licence’.[[737]](#footnote-737) That email was then sent on to Mr Guggenheimer by another employee, in which that employee again made clear that ‘[i]t must be noted that [the ringfencing] is in breach of our licence as fees are not dialled down’.[[738]](#footnote-738) Despite two clear statements of the position by those employees, Mr Guggenheimer, and Mr Morgan, the Head of Licensee Value Management of AMP, saw no issue with the conduct – Mr Guggenheimer approved the ringfencing request ‘so [AMP] did not lose the value of the service fees’.[[739]](#footnote-739)

These communications show that, despite attempts from more junior staff to convince senior management of AMP Advice Licensees to cease charging fees for no service, they continued to do so.[[740]](#footnote-740)

Mr Regan said that this conduct showed that the culture at AMP was ‘not   
as robust as it should be’. He agreed that it showed a culture in which conscious decisions were made to protect the profitability of AMP, and said that AMP had put the interests of shareholders first, at the expense both of the interests of clients and of complying with the law.[[741]](#footnote-741)

A further and important question is raised by the approach of AMP’s submission. It can be expressed as a question: Why did AMP place the emphasis it did in its submissions to the Commission upon whether an employee or executive had received legal advice explaining that it was unlawful to charge for fees for no service?

Unless the explanation is to be found in the culture of AMP’s business,   
it is not at all easy to understand why so many employees and executives   
at AMP were unable to recognise that to charge fees for services that will not, and cannot, be provided is not just unlawful, but also ethically and morally wrong. It was plain to Mr Regan. It is plain to anyone who pauses   
to think about the proposition.

Was it that the ongoing services were of no value? Was it that the maintenance of the flow of income was, without more, a sufficient answer to whether the customer should be charged the fees? Was it because, through the long-established system of receiving upfront and trail commissions, the receipt of payments from clients without the necessity to provide any accompanying service has been, and continues to be, fundamental to the way in which the financial advice industry does business?

As to commissions, evidence was received that a substantial proportion   
of AMP’s income in connection with its clients continues to come from grandfathered commissions.[[742]](#footnote-742) In that respect, the charging of fees for no service may to some extent be seen as analogous to the historical method of income generation by financial advice entities.

In AMP’s 4 May submissions, AMP accepted that it was open to the Commission to find that the fees for no service conduct was attributable, at least in part, to the culture and governance practices within AMP.[[743]](#footnote-743) I make that finding.

### 1.8 Ongoing service fee systems

Mr Regan was asked about AMP’s systems for determining whether ongoing service clients received the services to which they were contractually entitled. Mr Regan accepted that, unless there was a client complaint, the only way AMP could detect that advisers were not providing services in exchange for fees was through audits, which AMP did not consistently and regularly undertake.[[744]](#footnote-744)

In AMP’s 4 May submissions, AMP rejected the proposition that it was open to find that the fees for no service conduct was attributable to poor risk management practices within the AMP Advice Licensees.

AMP submitted that it has ‘made a series of enhancements to governance, systems, processes and controls to improve its detection of fees for no service activities’ as a result of external reviews undertaken by PwC in 2015 and 2017.[[745]](#footnote-745) AMP listed particular enhancements made to improve the detection of fees for no service activity, including the introduction of risk-based auditing approaches, where higher risk advisers are specifically targeted (using data analytics and the development of key risk indicators).

PwC’s 2017 review[[746]](#footnote-746) followed PwC’s earlier, 2015, review.[[747]](#footnote-747) The 2015 review was prompted by a request from AMP to PwC in September 2014 to evaluate the control framework that existed within the AMP Advice business.[[748]](#footnote-748) That review made a number of findings and recommendations.[[749]](#footnote-749) As a result of that review, AMP developed the ‘Advice Controls Improvement Program’ (ACI Program), the primary focus of which was to implement activities rated as ‘High Importance’ by PwC.[[750]](#footnote-750) Mr Regan could offer no details of work undertaken by AMP to address the issues that   
PwC identified.[[751]](#footnote-751)

The purpose of the PwC 2017 review was to review selected key processes to understand the effectiveness of the controls implemented as a result   
of the ACI Program and to consider the impact of the increased   
regulatory expectations.[[752]](#footnote-752)

In its review, PwC found that AMP had implemented or taken steps to implement a number of the recommendations included within the ACI Program.[[753]](#footnote-753) That included the development and use of key risk indicators, risk rating advisers to target monitoring and supervision efforts and the use of analytics to assess the key risk indicators.[[754]](#footnote-754) However, PwC also noted that the file audit process continued to form a critical part of AMP’s monitoring activity, and that there continued to be inconsistencies in the performance of audits.[[755]](#footnote-755)

PwC stated that AMP’s use of data analytics and key risk indicators, used to identify high-risk advisers and to inform audit focus, was in pilot phase at the time of the PwC 2017 review, and had been implemented post-PwC’s testing period.[[756]](#footnote-756) PwC noted that ‘[i]f this approach is successfully implemented and outlined to PwC during [the] review, it will deliver a market-leading monitoring and supervision capability’.[[757]](#footnote-757)

The key issue here is that, although there is evidence to support AMP’s submission that enhancements have been made to improve the detection   
of fees for no service conduct, AMP took a long time to make the changes   
it did.

### 1.9 Misleading statements conduct

The second line of inquiry pursued at the hearing concerned AMP’s reporting to or dealings with ASIC.

There were two types of conduct falling into this category: (1) statements made to ASIC regarding the ongoing service fee conduct; and (2) what was said to ASIC about the nature of the Clayton Utz Report. I will deal with these issues in turn.

In AMP’s initial submissions to the Commission, AMP admitted that it engaged in ‘[p]ossible misconduct in relation to the extent and nature of [its] reporting to ASIC in relation to’ the fees for no service conduct.[[758]](#footnote-758)

Those statements may be summarised as follows:

• Three statements were made to ASIC in the 27 May 2015 breach notification:

– It was said that the services that were not being provided, for which ongoing fees were being charged, ‘did not include the provision of personal advice by way of a review or any other scenario of personal advice’. Mr Regan accepted that this was not true.[[759]](#footnote-759)

– It was said that ‘[i]nternal protocols had been in place … to turn off fees when a financial planning register had been purchased by an advice licensee’ and that the ‘processes’ had failed in some instances. Mr Regan accepted that this was false or misleading and that AMP had made a deliberate decision to retain the fees of some of these clients.[[760]](#footnote-760)

– It was said that the issue was ‘initially identified’ about a month earlier ‘as it ha[d] taken some time to identify if there actually was an issue’. Again, Mr Regan accepted that this was not true.[[761]](#footnote-761)

• On 19 June 2015, following the 25 May 2015 breach notification, AMP sent a letter to ASIC. That letter made the following statements:

– First, that AMP was in the process of reviewing approximately 29,000 client files dating back to July 2010 on the basis that   
AMP’s ‘processes’ may have failed, which failures caused fees   
not to be turned off. Mr Regan accepted that this statement   
was misleading.[[762]](#footnote-762)

– Second, that’[i]nterim processes ha[d] been put in place to ensure that no new clients [were] added’ during the remediation period. Mr Regan accepted that this was, at the time, misleading. Mr Regan accepted that AMP continued to apply the 90 Day Exception and to engage in ringfencing.[[763]](#footnote-763)

• On 23 June 2015, AMP sent a letter to ASIC that contained the following statements:

– First, that an audit program conducted by PwC had ‘not identified any systemic issues regarding the provision of ongoing services by AMP advisers’. The audit being undertaken did not identify any systemic issues, because the audit was not conducted with the purpose or intention of seeking to identify systemic issues.[[764]](#footnote-764)

– Second, that the fees for which clients were continuing to be charged without receiving services ‘did not relate to providing personal advice or annual advice reviews but to services such as retainer services and other support services to clients’. Mr Regan accepted that the statement was not true.[[765]](#footnote-765)

• On 17 August 2015, AMP sent a letter to ASIC, in which it said that ‘[r]equests were made to product issuers by the licensees to have   
service fees turned off’ and that ‘fees continued to be deducted after   
the servicing arrangement had’ ended on the basis of errors. Again,   
Mr Regan accepted that this statement was misleading.[[766]](#footnote-766)

• On 31 August 2015, AMP sent a letter to ASIC, in which it said   
that ‘[s]ince January 2014 the commercial practice changed and   
fee arrangements have been cancelled immediately [when] the   
Licensee acquires the account’. Mr Regan accepted that this statement was not true.[[767]](#footnote-767)

• On 9 September 2015, AMP sent an email to ASIC saying that the breach (being the application of the 90 Day Exception) ‘relate[d] to an administrative error in not turning off the fees on terminated agreements’. Mr Regan accepted that this was false or misleading;[[768]](#footnote-768) the conduct   
was deliberate.

• A PowerPoint presentation prepared for a meeting between AMP and ASIC on 17 September 2015, regarding ongoing service fee remediation, contained the following statements:

– First, there was a statement in a template letter, which AMP said to ASIC would be sent to clients, that said ‘[a]s AMP will no longer be able to provide’ the client with all of the additional services it negotiated, ‘the planner service fee will be removed’. Mr Regan accepted that this was misleading as the letters were not sent to all relevant clients.[[769]](#footnote-769)

– Second, the PowerPoint presentation said that ‘[w]hen licensees purchase register rights, the normal process is for the ongoing service agreements to be terminated and the ongoing service   
fees to be turned off’. Mr Regan accepted that the statement   
was misleading.[[770]](#footnote-770)

• On 1 October 2015,[[771]](#footnote-771) AMP sent a letter to ASIC in response to a notice of direction issued under Section 912C(1) of the Corporations Act:

– The letter described various failures in administrative processes as the reasons why clients were charged fees for no service. However, as Mr Regan accepted, failures in administrative processes were not the reasons why some clients were charged fees for no service.[[772]](#footnote-772)

– The letter also said that, when authorised representatives of AMP sold their books of clients to AMP under the BOLR policy, the ongoing fee arrangements would terminate. But by reason of the 90 Day Exception and ringfencing, that was not always so.   
Mr Regan accepted that the statement was false.[[773]](#footnote-773)

• On 26 November 2015, AMP sent a letter to ASIC, which provided an assurance that ‘a process was in place to inform customers that services would no longer be provided’. Mr Regan accepted that the statement was false or misleading.[[774]](#footnote-774)

• On 14 December 2015, AMP sent a letter to ASIC:

– The letter attributed the conduct of continuing to charge clients ongoing service fees in circumstances where they were in the BOLR pool to an administrative error. But, as Mr Regan accepted, the statement was misleading[[775]](#footnote-775) because the conduct was in part due to the deliberate decision of AMP to continue to charge fees to those clients while knowing it could not provide services.

– The 14 December letter also said that the fact of the charging of ongoing service fees was due to the failure on the part of the client, who, after receiving a letter from AMP, was to contact the external provider to request that the fees be turned off. Mr Regan again accepted that the statements were misleading in two respects.[[776]](#footnote-776) The continued charging of ongoing fees was, in some cases, due to a deliberate decision of AMP and AMP had not sent all clients letters of the kind described.[[777]](#footnote-777)

• On 23 November 2016, AMP sent a letter to ASIC that failed to explain that there had been a change regarding the 90 Day Exception after January 2014, and failed to identify the ringfencing business practice of AMP. Mr Regan accepted that by failing to identify these matters, AMP made a misleading statement to ASIC.[[778]](#footnote-778)

• Finally, on 3 May 2017, AMP issued a further breach notification to ASIC. The breach notification said that AMP’s discovery of the ringfencing practice occurred only after it had started to investigate the 90 Day Exception. Mr Regan accepted that was false or misleading because ringfencing had been identified before the 23 November 2016 letter was sent to ASIC.[[779]](#footnote-779)

In AMP’s submissions to the Commission in respect of this case study   
dated 4 May 2018, AMP submitted that, on the evidence,[[780]](#footnote-780) AMP made seven misrepresentations in 12 communications to ASIC, rather than,   
as Counsel Assisting had submitted, and Mr Regan had accepted, 20 misleading statements or representations.[[781]](#footnote-781) AMP did not seek to explain why the misleading statements or representations, as characterised by Counsel Assisting, were not properly considered to be separate or distinct misleading statements or representations. As AMP’s proposition of seven misrepresentations in 12 communications shows, it seems that AMP sought to count only the number of different kinds of misrepresentation made rather than, as I think more relevant, the number of occasions on which AMP made false and misleading statements to ASIC.

### 1.10 What the case study showed

#### 1.10.1 Misleading statements as to ongoing service fee conduct

Through AMP’s dealings with ASIC regarding both the extent and nature of its fee for no service reporting, AMP adopted an attitude toward the regulator that appears to me, and at the time appeared to ASIC, not to be forthright and honest. Indeed, the statements made could be seen as a deliberate attempt to mislead.

I see no reason to doubt Mr Regan’s evidence that between 27 May 2015 and 3 May 2017, AMP and the AMP Advice Licensees may have made as many as 20 false or misleading statements to ASIC about ongoing service fee conduct.[[782]](#footnote-782)

The conduct described by Mr Regan both reflected and was attributable to the culture and governance practices of AMP. As later recorded in relation to the Clayton Utz Report, there were senior persons within AMP (I make no finding more precisely than that) who knew of the charging of fees for no service. Internal lawyers warned that it was a breach of law. Despite all of this, AMP provided ASIC with information that was false or misleading. Senior management and executives who contributed to the misleading of ASIC over a two-year period had knowledge of the true extent and nature of the conduct, and, in at least some cases, were warned by junior staff about it being a breach, but continued with a misleading narrative to ASIC.

The culture and governance practices within AMP revealed by the conduct reflects insufficient concern for adherence to the law. On its face it reflects a persistent and prevalent attitude of senior persons within AMP that it is acceptable to deal with ASIC other than frankly and candidly.

#### 1.10.2 Conduct in connection with the Clayton Utz Report

What AMP did not acknowledge, but which formed a large part of the cross‑examination of Mr Regan, was potential misconduct in connection with the Clayton Utz Report, a report, prepared for AMP by Clayton Utz and submitted to ASIC, about an investigation into the application of the BOLR policy and the misreporting of that conduct to ASIC.

On 5 June 2017, AMP appointed Clayton Utz to prepare a report into   
what can collectively be described as the ‘BOLR matters’. The letter of instructions, by which Clayton Utz were appointed, instructed the firm to ‘undertake an external and independent investigation’ into the BOLR matters. The letter said the investigation was to be ‘entirely independent of the business and [was] commissioned exclusively by the Board through [the Chair] and the CEO’.[[783]](#footnote-783)

The letter of instructions also stated that at ‘the conclusion of the investigation, Clayton Utz would provide to the AMP Board the final report which set out [its] findings and advice in accordance with the terms of reference provided to Clayton Utz’.[[784]](#footnote-784)

The central thrust of AMP’s 4 May submissions[[785]](#footnote-785) was directed to making two propositions:

• first that Clayton Utz were acting as AMP’s lawyers and were known to be AMP’s lawyers; and

• second, that there is nothing to suggest that Clayton Utz disagreed with any of the suggestions that had been made to it about the content of   
its report.

The conclusion that AMP sought to draw from these two propositions was that AMP had done nothing wrong. Yet, nowhere in its submissions did   
AMP address what would appear, on its face, to be an unresolved tension between saying, as it did, that the extent of the involvement that the then-Group General Counsel of AMP, Mr Salter, had in the preparation of the report was ‘surprising’ to the Board of AMP, that the Board was ‘unaware of the extent and the nature of the exchanges between Mr Salter and [Clayton Utz]’ and that the ‘Board had no reason to suspect that the report may not have been prepared in accordance with their instructions’, while at the same time impliedly asserting that Mr Salter’s numerous interventions in the drafting process were not untoward.[[786]](#footnote-786)

Nowhere in its submissions did AMP directly address whether the report that was handed to ASIC (with the letter of instructions originally given to Clayton Utz) was, as the instructions said, a report of ‘an external and independent investigation’ of the relevant matters ‘entirely independent of the business and … commissioned exclusively by the [B]oard through [the Chair] and CEO’. In particular, AMP did not make any submission that showed how it said the references to independence should be understood. Instead AMP made only the negative proposition that ‘[t]he relationship between AMP and Clayton Utz was such that there could be no expectation, by AMP or ASIC that any report prepared by Clayton Utz could have been intended to be independent within the meaning of [ASIC’s] Regulatory Guide 112’.[[787]](#footnote-787)

AMP’s reference to the Regulatory Guide is not unimportant. The guide explains how ASIC interprets the requirement that an expert is independent of the party that commissions an expert report.[[788]](#footnote-788) No reference had been made to the guide in evidence or in submissions by Counsel Assisting and it was raised for the first time by AMP. But the guide serves to emphasise the distinction that has long been drawn in company law[[789]](#footnote-789) between a report that is independent of the party commissioning it and a report that may set out views with which the author agrees but which are not formed independently of the party commissioning it.

Although AMP said (in effect) that references to independence in the letter of instructions was not to be understood as requiring a report that was independent of the party commissioning it, AMP offered no competing view of the meaning of the letter of instructions. And AMP made no submission denying that the letter of instructions was supplied to ASIC with the final Clayton Utz Report. (An email sent by AMP on the day after the relevant meeting with ASIC had attached, as ‘soft copies’, both the letter of instructions and the report as documents that had been produced to ASIC during the meeting.)[[790]](#footnote-790)

It may be accepted, for present purposes that, as AMP submitted, the Clayton Utz Report was ‘uncompromisingly direct and comprehensive in its assessment of the matter’[[791]](#footnote-791). It may further be accepted that the report was ‘the result of multiple employee interviews’[[792]](#footnote-792) and that the report may have been of material assistance to ASIC.[[793]](#footnote-793) It is also right to observe, as AMP did, that ASIC was not ‘required to accept or rely on any of [the report’s] findings, and was free to, and in fact did, continue with its investigation’.[[794]](#footnote-794) And although AMP did not make this point expressly, it may also be accepted that, as the solicitor retained by AMP, Clayton Utz were bound   
to act in accordance with the client’s lawful instructions.

Yet there is evidence that suggests that to describe the report as a report of an ‘external and independent’ investigation may not have been accurate:

• Clayton Utz provided AMP with numerous drafts of the report. (It was suggested to Mr Regan that 25 drafts were supplied. The better view appears to be, and I proceed on the assumption, that the correct figure   
is 22 different drafts.)

• AMP made many suggestions about the content of the drafts. Some of those suggestions were made in two telephone calls on 21 September 2017[[795]](#footnote-795) and a further telephone call after 25 September 2017. [[796]](#footnote-796)

• AMP sent numerous emails to Clayton Utz with marked up drafts or suggested amendments to the draft. [[797]](#footnote-797)

• The amendments proposed appear on their face to suggest alterations to what findings were made in the report about the extent of the knowledge and involvement of particular executives of AMP in the impugned ongoing service fee conduct.[[798]](#footnote-798)

• Particular changes were made with respect to references to Mr Meller, the then-CEO of AMP and with respect to Mr Caprioli, another senior executive of AMP.

• In drafts provided before 21 September 2017, it was said that Mr Meller had been interviewed.

• On 21 September 2017, Mr Regan and others from AMP discussed the then-draft report with Clayton Utz.[[799]](#footnote-799)

• On 24 September 2017, a further draft report was sent to AMP. The preceding draft had said that ‘After we commenced the investigation,   
we identified the following additional personnel involved in either the BOLR decision making and/or the internal process to report to ASIC following the 2015 Breach Report’. Mr Meller was named in the attached list. The new draft read ‘After we commenced the investigation, we identified the following additional personnel who we identified could assist us with our investigation’. Mr Meller’s name was the only name removed from the list.[[800]](#footnote-800)

• On 4 October 2017, a further draft was sent to AMP. This draft said that ‘it is likely that Mr Caprioli was shown or provided the information contained in Mr Morgan’s email of 19 May 2015 in this memorandum’ and that ‘Mr Caprioli does not appear to have received any of the internal legal advices. However, he was provided with Mr Morgan’s summary of the Turner 19 May advice email as explained in paragraph 83 to 85 above’. Following a number of communications between AMP and Clayton Utz, the first of these sentences was changed to read ‘It is possible that …’ and to add ‘though we have no direct evidence on this point’. The second sentence was changed by adding, after ‘internal legal advices’, ‘and he cannot recollect receiving any of them’. The third sentence, about Mr Caprioli having been provided with Mr Morgan’s summary of the Turner 19 May advice, was deleted. Clayton Utz proposed to add some additional qualifying sentences but these, too, were the subject of further suggestions from AMP.[[801]](#footnote-801)

• On 5 and 6 October there were still further exchanges between AMP and Clayton Utz about the text of the report.[[802]](#footnote-802)

• On 6 October 2017, Clayton Utz sent AMP a signed final report.[[803]](#footnote-803) On   
11 October 2017, an email was sent to Clayton Utz asking it to make some further changes to the report to include some words suggested by the then-Chair of the Board of AMP. Among other things, Clayton Utz were asked to ‘include a statement to the effect that [Mr Meller, the   
then-CEO] was unaware of the practices or their illegality’.[[804]](#footnote-804)

• A further signed final report was supplied to AMP on 16 October 2017.

On 15 October 2017, two days before the 17 October meeting between representatives of AMP and ASIC, Mr Salter, the then-Group General Counsel of AMP sent an email to the then-Chair and Deputy Chair of ASIC saying that they would recall being told that ‘the AMP Limited Board had instructed Clayton Utz to undertake an independent investigation of (in brief) the circumstances behind the continued charging of ongoing service fees’ to certain clients. The email said that the Chair of AMP and the author of the email ‘would like to meet with both [the Chair and Deputy Chair of ASIC] … to provide ASIC with a copy of the report’.[[805]](#footnote-805)

On 16 October 2017, AMP met with ASIC and presented the report from Clayton Utz and its letter of instructions to Clayton Utz. Given the sequence set out above, it may be open to find that AMP implicitly or explicitly misled ASIC as to the character of the Clayton Utz Report at that meeting.[[806]](#footnote-806) In producing the Clayton Utz Report and the letter of instructions to ASIC under a Section 33 notice on 16 October 2017, AMP may have represented to ASIC that the report was ‘external and independent’.[[807]](#footnote-807)

On the basis of the evidence set out above, I consider that AMP may have made false representations to ASIC about the character of the Clayton   
Utz Report.

In particular, having regard to the number and nature of the changes made to drafts of the report, it may be open to conclude that AMP knew that the report was not an independent report. Conduct of that kind, if established, might be misconduct.

As these matters are now under active consideration by ASIC, the entity having primary responsibility to enforce relevant provisions of the law,[[808]](#footnote-808)   
I need not consider whether it is appropriate to refer the matters to ASIC   
for consideration. Having not heard evidence from Ms Brenner, Mr Meller, Mr Salter, or from any partner of Clayton Utz, I make no findings about   
their conduct.

## 2 Fees for no service: CBA

### 2.1 Background

The second fees for no service case study concerned CBA.

Ms Marianne Perkovic gave evidence on behalf of CBA. Ms Perkovic is an Executive General Manager and a Director of Commonwealth Private Ltd.[[809]](#footnote-809) She previously had overall responsibility for each of CBA’s AFSL holding subsidiaries that together constitute the Advice Licensees, including:[[810]](#footnote-810)

• Commonwealth Financial Planning Limited (CFPL);

• Count Financial Limited (Count); and

• BW Financial Advice Limited (BWFA).

### 2.2 The Advice Licensees

CBA, through its Advice Licensees, conducts[[811]](#footnote-811) a very substantial financial advice business.

CBA’s largest Advice Licensee by number of employed financial advisers   
is CFPL. In each year between 31 December 2008 and 31 December 2017, CFPL employed more than 500 financial advisers,[[812]](#footnote-812) in some years more than 700. CFPL also had a smaller, but growing, number of authorised representatives.[[813]](#footnote-813) As at 31 December 2017, CFPL had 99   
authorised representatives.[[814]](#footnote-814)

Of CBA’s Advice Licensees, Count is the largest by number of authorised representatives. Between 31 December 2008 and 31 December 2017, it always had more than 500 authorised representatives, in some years many more.[[815]](#footnote-815) Count does not employ financial advisers.[[816]](#footnote-816)

BWFA was a subsidiary of Bankwest. Upon CBA’s acquisition of Bankwest, BWFA also became a wholly owned subsidiary of CBA. BWFA was a comparatively smaller business than CFPL and Count. It employed financial advisers but did not have authorised representatives. Between 2009 and 2016, when BWFA ceased trading, it generally employed between 20 and 40 financial planners.[[817]](#footnote-817)

### 2.3 Ongoing service arrangements

Each Advice Licensee offered ongoing service arrangements to its clients.

The fees payable by clients for all packages were generally deducted on a monthly basis from clients’ product accounts by the platform operator and then remitted to the relevant Advice Licensee.[[818]](#footnote-818)

I outline below the arrangements particular to the packages offered by each Advice Licensee.

#### 2.3.1 CFPL

CFPL’s ongoing service packages have changed over time. Between   
1 January 2008 and June 2013, it offered what was then known as the Ongoing Service package, but is now known as the Legacy Ongoing Service package. The exact services offered in that package varied from year to year, but always included an annual review meeting.[[819]](#footnote-819) Other services included investment monitoring, ‘priority access to financial planners’ and alerts to new investment opportunities.[[820]](#footnote-820) The Legacy Ongoing Service package was charged at different rates depending   
on the platform used, with rates being as high as 0.94% of funds   
under management.[[821]](#footnote-821)

For some of the period that the Legacy Ongoing Service package was offered, another ongoing service package, the ‘Standard Service’ package, was also offered. It consisted of three components: access to an adviser for routine administrative enquiries, notification by the adviser when a product on CFPL’s approved product list had been downgraded to ‘Sell’ or ‘Sell on Review’ and retention of client records by the adviser.[[822]](#footnote-822)

The Standard Service package fee was 0.44% of funds invested subject to a cap of ‘around $5,000 per annum’.[[823]](#footnote-823)

Between July 2013 and November 2016, CFPL offered the Central Ongoing Service package. It entitled clients to an ‘annual “health check” call and offer of a phone‑based review’, phone access to an adviser and e-newsletters.[[824]](#footnote-824) The Central Ongoing Service package was charged at a flat rate ranging from $400 to $1,499 per year. [[825]](#footnote-825)

The final package offered by CFPL is the ‘Local Ongoing Service’ package. That package has been available since June 2013 and was still offered when Ms Perkovic gave her evidence. The components of the package   
are the offer of an annual review, a mid-year ‘health check’ phone call, access to a financial adviser for service and support that is reasonably required, proactive contact regarding investments, and newsletters and invitations to seminars.[[826]](#footnote-826)

The Local Ongoing Service package is charged on a fixed fee that can range from $1,500 to $21,600 per annum.[[827]](#footnote-827) Ms Perkovic explained that a number of factors are taken into account by a computer ‘advice valuation tool’, which calculates the fee. Those factors include funds under management and the complexity of the advice required.[[828]](#footnote-828)

In the period from 2008, CFPL earned very significant amounts from ongoing service fees, ranging from in excess of $38 million in 2008 to more than $100 million in each of 2014 and 2015. In 2017 it earned more than $85 million in ongoing service fees.[[829]](#footnote-829)

In the year ending 31 December 2017, CBA had 582 financial advisers and during that year those advisers had more than 190,000 clients.[[830]](#footnote-830)

#### 2.3.2 BWFA

BWFA offered similar packages to CFPL from November 2010 until it ceased trading.

Each package included a phone-based annual review and ancillary services.[[831]](#footnote-831) The total value of ongoing service fees charged by BWFA ranged from approximately $216,000 in 2010 to approximately $1.3 million in 2015.[[832]](#footnote-832)

#### 2.3.3 Count

Count did not offer set ongoing service packages. Each adviser firm was free to structure ongoing service arrangements or packages in the way that it thought most appropriate.[[833]](#footnote-833)

The amount of ongoing service fees charged by Count was significant, ranging from more than $24 million in 2009 to more than $45 million   
in 2017.[[834]](#footnote-834)

### 2.4 The fees for no service conduct

In its response to the Commission’s initial letter, CBA identified the fee   
for no service issue in respect of CFPL, BWFA and Count and pointed   
to its breach notifications to ASIC. It said that deficiencies in the provision   
of ongoing advice had been an industry-wide issue, and gave some details about its remediation program and the amounts paid or offered at   
that date.[[835]](#footnote-835)

CBA attributed the conduct to ‘inadequate risk management framework   
and processes, which meant it was not possible to effectively monitor the provision of ongoing services.’[[836]](#footnote-836)

The clients who were charged fees for no service by CBA entities fell into two categories.

The first category comprised clients who were allocated to a financial adviser, but the financial adviser failed to provide ongoing services to the client,[[837]](#footnote-837) and for whom the relevant Advice Licensee had no systems in place to ensure the services were delivered.[[838]](#footnote-838) Both CFPL and BWFA had clients in this category.[[839]](#footnote-839)

The second category of clients charged fees for no service were ‘orphaned’ clients. Orphaned clients were no longer allocated to a planner and there was therefore no possibility that advice would be, or could be, provided to them. CFPL[[840]](#footnote-840), BWFA[[841]](#footnote-841) and Count[[842]](#footnote-842) each charged this category of client fees without providing services.

The extent of any conduct by Count within the first category is unclear. Count did not acknowledge a systemic problem with the charging of fees   
to this first category of clients.[[843]](#footnote-843) CBA maintained the position in the submissions it filed after the completion of the second round of hearings (‘CBA’s 4 May submissions’) that Count did not have a systemic problem that was separate to the orphan client issue raised in the notification it made to ASIC.[[844]](#footnote-844) However, the Commission received evidence about a number of Count advisers, identified in a Count Risk and Compliance Forum, who were not providing services in exchange for the fees they were charging.[[845]](#footnote-845) When questioned about this, Ms Perkovic said that, in 2014, ASIC had requested that CBA undertake sample testing in relation to both Count and another CBA licensee, Financial Wisdom.[[846]](#footnote-846) Work in response to this request was ongoing, but Ms Perkovic said that she understood the fail rates for both licensees to be less than 2%.[[847]](#footnote-847)

### 2.5 How the issue was identified and reported

Each of CFPL, BWFA and Count gave notice to ASIC pursuant to Section 912D of the Corporations Act of their possible breaches arising from their fees for no service conduct in the second half of 2014.[[848]](#footnote-848)

The first documented instance of a CFPL client paying for, but not receiving, service arose from a customer complaint in July 2008.[[849]](#footnote-849) CFPL received complaints in each of the years from 2008 to 2014 about fees being charged but no services being provided.[[850]](#footnote-850)

In April 2012, CBA conducted high level analysis with a view to determining whether there were any ongoing service fee issues within the CBA advice business, including CFPL.[[851]](#footnote-851) That analysis identified 257 clients who were paying ongoing service fees but were not attached to a planner. Various systemic failings were identified, including that:[[852]](#footnote-852)

• There was no supervision or monitoring to identify whether ongoing service obligations were being met by planners.[[853]](#footnote-853)

• There were CFPL clients who were not assigned to an active adviser.

• There was no single source of data by which the status of ongoing service fee clients could be identified.

• Financial planners were not required to maintain a register of their ongoing service clients.

• The position of ongoing service fee clients could only be ascertained through manual searches across a number of systems.

From at least May 2012, a number of senior people within the CBA advice business, including the Group Executive, were aware of these issues. The possible exposure arising from the issues was estimated at the time as being at least $6 million.[[854]](#footnote-854)

At around this time, Count was also asked to consider whether it could have similar issues.[[855]](#footnote-855)

In May 2012, Count identified that it had an orphan client list that earned fee income of between $1.5 and $2 million per annum, and that the clients on this list did not receive any type of review.[[856]](#footnote-856)

In June 2012, Deloitte issued a draft of a report commissioned by CBA that found that a potential issue for CFPL was that ‘[s]ystems to identify clients that have signed up to, and/or receive, ongoing service arrangements   
are inadequate.’[[857]](#footnote-857)

Deloitte issued a further report in July 2012. Deloitte concluded that clients in ongoing service programs were at risk of not receiving contracted services, and controls had not been designed to ensure the provision of ongoing reviews.[[858]](#footnote-858) Deloitte identified over $700,000 in ongoing service fees being charged on an annual basis to over 1,050 clients allocated in the system to over 50 inactive planners.[[859]](#footnote-859) The risk of ineffective provision of ongoing service was rated by Deloitte as ‘very high’.[[860]](#footnote-860)

Ms Perkovic agreed that, at the time of Deloitte’s July 2012 report, CBA did not know whether services were being provided or not. She agreed that:

• CFPL did not have effective controls in place to prevent ongoing service fees being charged inappropriately.

• CFPL did not have effective controls in place to assess whether clients were receiving the services for which they were being charged.

• CFPL did not know what advice was being given to clients who were paying for ongoing advice.

• CFPL did not have controls in place to ensure that, when an adviser left, the adviser’s clients were moved to a new adviser.

• CFPL did not have controls in place to stop ongoing service fees being charged to clients who became orphaned.

• CFPL did not have controls in place to ascertain whether clients were being notified of significant events that may require action to be taken   
to protect their position.

• CFPL used ad hoc systems to store data that could not be centrally checked except by manual processes.[[861]](#footnote-861)

CBA accepted in its 4 May submissions that it is open to find that before October 2013, CFPL did not have in place systems that enabled timely and comprehensive checks of whether services were being provided for ongoing service fees charged.[[862]](#footnote-862) CBA also accepted that it is open to find that before mid-2014, CFPL’s internal systems were inadequate to identify and report contravening conduct.[[863]](#footnote-863) In particular, CBA acknowledged that, by   
mid-2012, CFPL:

• was aware that its systems and controls for managing the provision of ongoing service required improvement;[[864]](#footnote-864) and

• other than by manually reviewing tens of thousands of client files, CFPL had no way to identify which clients were ongoing service clients, how many of those clients were attached to an active adviser or how many were not receiving services.[[865]](#footnote-865)

In addition to the two reports Deloitte had provided about CFPL (in June   
and July 2012) CBA asked Deloitte to provide a report in relation to Count. Deloitte issued a draft report on 20 November 2012, which noted that as at September 2012, Count had an orphan client book that held approximately 10,200 ‘policies’ (an expression that seemed to be used as a synonym   
for ‘clients’).[[866]](#footnote-866)

CFPL first notified ASIC of a suspected breach on 11 July 2014.[[867]](#footnote-867) That was not a formal notification pursuant to Section 912D of the Corporations Act, but an ‘early warning’. CFPL advised that it had identified 5,838 clients who had paid ongoing service fees amounting to $12.9 million in revenue and was investigating the circumstances of each customer.

CFPL then made a formal notification to ASIC pursuant to Section 912D on 13 August 2014.[[868]](#footnote-868)

Count made a formal notification on 9 September 2014.[[869]](#footnote-869)

### 2.6 What the case study showed

#### 2.6.1 Fees for no service: Misconduct and causes

The charging of fees without providing contracted services is self-evidently   
a breach of duty and a form of misconduct. Ms Perkovic’s evidence was that CBA had put in place extensive reforms to prevent, or at least minimise the prospect of, such conduct occurring again.

CBA acknowledged that the Advice Licensees engaged in misconduct   
by charging fees for no service and that the conduct contravened Section 912A(1)(a) of the Corporations Act.[[870]](#footnote-870) CBA also acknowledged that the conduct continued over an extended period.[[871]](#footnote-871) CBA further acknowledged that CFPL and BWFA did not have adequate supervisory arrangements to monitor the ongoing service obligations.[[872]](#footnote-872)

Ms Perkovic’s evidence was that CBA had paid or offered to pay about $118.5 million in refunds, including interest, to clients who had been charged fees for no service by CFPL, Count and BWFA.[[873]](#footnote-873)

In its 4 May submissions, CBA sought to contextualise the amount refunded, by explaining that it had remediated clients in circumstances where the evidence was inconclusive as to whether services had been provided, where the client had been offered an annual review but had declined, and where the financial adviser had not be able to contact   
the client to offer of the annual review.[[874]](#footnote-874) That is, and contrary to   
Ms Perkovic’s evidence, in framing its remediation program CBA did not   
act on the basis that an offer to conduct a review warranted charging the ongoing service fee.

The larger question is how it came to be that the Advice Licensees charged fees for no service to such a significant extent and over so long a period. Ms Perkovic accepted that CFPL’s remuneration and performance targets were not aligned so as to ensure delivery of service.[[875]](#footnote-875) An external audit by PwC in 2014 had identified this as an issue.[[876]](#footnote-876) In 2015 CFPL changed   
its remuneration policy in ways intended to align remuneration and performance targets to ensure delivery of service.

In CBA’s 4 May submissions, CBA pointed to the ‘Variable Remuneration Plan’ that CFPL has had in place since 1 July 2013, and to the changes that were later made to CBA’s Advice Licensees’ remuneration structures to implement a ‘balanced scorecard system’. Since 2015, the risk management component of the balanced scorecard has included ‘ensuring delivery of ongoing service to all customers’ as a mandatory threshold.[[877]](#footnote-877) While those remuneration structures properly emphasised the necessity for the delivery of contracted services, absent systems capable of monitoring that conduct, their utility is necessarily diminished.

The culture of the organisation, and the attitude of those charged with delivery and supervision of ongoing services is also of direct relevance to the question. There appears to have existed a cultural tolerance on the part of CBA and its Advice Licensees of risks and conduct that were potentially detrimental to clients but that were to the financial advantage of CBA through its Advice Licensees. CBA denied that the evidence established a culture where CBA directed, encouraged or tolerated the identified failings or a culture that led to their occurrence.[[878]](#footnote-878) However, the cultural tolerance   
is highlighted by several aspects of Ms Perkovic’s evidence.

Ms Perkovic agreed that CFPL not implementing a practice of providing fee disclosure statements during the period between enactment of the FoFA reforms and them coming into operation a year later reflected an attitude that, unless required by law to provide fee disclosure statements, CFPL would not do so.[[879]](#footnote-879) While such an attitude does not reveal misconduct – indeed on one view it reflects no more than a willingness to adhere to the law – it does bespeak an unwillingness to provide relevant information to clients in a readily comprehensible form without legislative intervention.   
That does not reflect what was described at various points in the hearings as a ‘customer centric’ culture.

Another aspect that may speak to the culture of CBA’s financial advice business is the attitude to grandfathered commissions. CFPL continues to receive grandfathered commissions from clients who entered into commission arrangements before 1 July 2013. Ms Perkovic said that CFPL has given no consideration to dialling down those commissions to zero. Her explanation was that ‘grandfathering arrangements allow us some relief’.[[880]](#footnote-880) Whilst Ms Perkovic said that CFPL was considering applying opt-in requirements to pre‑1 July 2013 clients, at the time of the hearing of the case study in April 2018, CFPL had been considering that possibility for   
six months without arriving at a decision.[[881]](#footnote-881) Again, there is nothing wrong   
in that conduct, but not deciding whether the ‘relief’ afforded by the law   
is appropriate, or whether there is a more appropriate way of managing historic **conflicted remuneration**, reveals a culture that is heavily   
weighted toward revenue maximisation while placing less emphasis on client outcomes.

Finally, in more recent years CFPL has acted in ways that appear likely to lessen, rather than increase, the prospects of clients receiving meaningful services. In the period from 2008 to 2017, the number of financial planners employed by CFPL fell by approximately 25% but the number of clients increased by almost 100%.[[882]](#footnote-882) The service packages offered by CFPL were also recast. Up to 2013, the critical element of the Legacy Ongoing Service package was an annual review. The equivalent package now offered by CFPL, and indeed the only package now offered by CFPL, the Local Ongoing Service package, provides for an offer of an annual review rather than an annual review.[[883]](#footnote-883)

Taken together, these matters suggest a culture at CFPL that is more focused upon maximising revenue streams than providing the best possible professional service to its clients.

By engaging in the fee for no service conduct identified above, the Advice Licensees failed to do all things necessary to ensure the financial services covered by its licence are provided efficiently, honestly and fairly. So much was acknowledged and accepted by CBA.[[884]](#footnote-884)

Moreover, there is ample evidence to support the finding that, at the time of the fees for no service conduct, the Advice Licensees did not have adequate resources to carry out their supervisory arrangements. By failing to implement systems capable of monitoring the provision of ongoing services, each Advice Licensee breached its obligation to have available adequate resources, including technological resources, to carry out supervisory arrangements.

In its 4 May submissions, CBA accepted that CFPL and BWFA (but not Count)[[885]](#footnote-885) had inadequate supervisory arrangements, namely IT systems, in place to monitor their ongoing service obligations.[[886]](#footnote-886) That acknowledgment was properly made and accorded with Ms Perkovic’s evidence that:

• CFPL did not have systems to supervise and monitor the effective provisioning of ongoing service;[[887]](#footnote-887)

• CFPL’s systems were so inadequate that it had no idea what was going on in its business;[[888]](#footnote-888) and

• as at 2012, the only system that CFPL had in place in respect of ongoing service arrangements that was effective in any way was a system for charging clients.[[889]](#footnote-889)

Ms Perkovic also sought to explain the failure to give earlier notification of significant breaches to ASIC as being due to a ‘known problem’ that some licensees had no systems to identify whether services had been delivered with the consequence that CBA could not know for how many clients its licensees had failed to deliver ongoing services.[[890]](#footnote-890) It follows from the evidence to which I have referred that CFPL and BWFA did not have available adequate resources, including technological and human resources, to carry out necessary supervisory arrangements. It follows that each of CFPL and BWFA may have contravened Section 912A(1)(d) of the Corporations Act.

In respect of orphan clients, it appears that at least CFPL and BWFA accepted payment for financial services that they were not then able to supply to the client.

CBA submitted that none of CFPL, BWFA or Count had breached Section 12DI(3) of the ASIC Act.[[891]](#footnote-891) CBA accepted that CFPL and BWFA had accepted payment for the ongoing services, but it denied that there were reasonable grounds at the requisite time for believing that either entity would not be able to supply the financial services within a reasonable time.[[892]](#footnote-892) CBA denied that Count accepted payment.[[893]](#footnote-893)

In light of the **enforceable undertaking** offered and accepted very shortly before the Commission began the relevant round of hearings, it is neither necessary nor appropriate to resolve these issues. Before dealing with   
that enforceable undertaking, one other feature of the matter should   
be considered.

#### 2.6.2 Reporting: Misconduct and causes

It would appear from Ms Perkovic’s evidence that, for at least 18 months before the breach notifications were given to ASIC, senior management of CBA, CFPL and Count were either aware of the fact that clients were being charged fees and not provided with services or aware of the likelihood that ongoing services were not being provided to clients who were being charged ongoing service fees.

In CBA’s 4 May submissions, it submitted that it was not open to find that CFPL or Count had breached Section 912D(1B).[[894]](#footnote-894) It did so on the basis that the evidence before me did not establish that either CFPL or Count had actual knowledge of a significant breach or likely significant breach.[[895]](#footnote-895) CBA did, however, acknowledge that the time taken to identify and address the ongoing service issues was conduct that may fall below community standards and expectations.[[896]](#footnote-896)

Ms Perkovic explained that determining the number of clients affected was important to determining the significance of the breach.[[897]](#footnote-897) Each of the CBA advice licensees has many clients, many more than the number of clients that a small independent operator would have. In the case of an authorised representative of Count, the evidence suggests that if that authorised representative was consistently failing to provide service to ongoing service clients then that might be a significant failure at the level of the individual authorised representative but would not be treated, under CBA’s governance practices, as a significant breach at the level of Count. Therefore, so the argument ran, the size of CBA may reduce the likelihood that ASIC received timely notice under Section 912D of risks to members of the public who were dealing with CBA or its subsidiary licensees.

In CBA’s 4 May submissions, it accepted that it was open to find that the number of advisers and clients within CBA’s licensees was a factor in the length of time it took those licensees to become aware that a significant breach had occurred.[[898]](#footnote-898) However, CBA submitted that this was contemplated and permitted by the legislative regime for breach reporting, as it then stood, because the size of the licensee is one of the factors that may inform the decision-making process of the particular licensee as to when a reportable breach has occurred.[[899]](#footnote-899) CBA further reasoned that, as   
no misconduct occurred with respect to CBA’s reporting of the misconduct, there was no causal relationship between the size of CBA’s Advice Licensees and any misconduct alleged.[[900]](#footnote-900)

As events have turned out, the amount of money paid as compensation for clients who had been charged fees for no service shows plainly that the breaches that occurred were significant by any measure. There would likely be a real and lively debate about when this was, or should have become, apparent to the management of CBA or the management of the relevant advice licensees. And there may well have been an equally real and lively debate about the proper construction of the relevant provisions of Section 912D.

It is, however, neither necessary nor appropriate for me to enter upon those issues. First, they have been overtaken by the enforceable undertaking negotiated between CBA and ASIC. Second, if the recommendations of the ASIC Enforcement Review are implemented, Section 912D will be amended. As noted elsewhere in this report,[[901]](#footnote-901) the negotiation of an enforceable undertaking as a response to the charging by CBA subsidiaries of fees for no service invites attention to whether the undertaking was a sufficient acknowledgment by the entities concerned that what they had done was contrary to law and contrary to basic standards of honesty. It also invites attention to whether the consequences exacted (a ‘community benefit payment’ of $3 million) were adequate. And when considering the adequacy of that payment it would be relevant to notice that ANZ, which had had to pay only about half the amount of compensation that CBA had to pay, was also required, under its enforceable undertaking, to make the same ‘community benefit payment’ of $3 million.

## 3 Bad advice: Westpac

### 3.1 Background

The Commission heard evidence about Westpac’s financial advice business, and the conduct of two financial advisers employed by Westpac: Mr Ramakrishnan Mahadevan and Mr Andrew Smith. Two witnesses gave evidence in relation to these matters: Mrs Jacqueline McDowall, who received financial advice from Mr Mahadevan in 2015; and Mr Michael Wright, who is the National Head of Westpac’s financial advice business,   
BT Financial Advice.

On 29 March 2018, before the second round of the Commission’s hearings began, the Solicitor Assisting the Commission wrote to Mr Smith and notified him that his conduct may be the subject of a case study to be heard by the Commission. The same day, the Commission spoke with Mr Smith and explained the substance of the evidence concerning his conduct. On   
11 April, the Commission sent Mr Smith an email attaching a copy of   
Mr Wright’s statement. On 13 April, Mr Smith was granted leave to appear at the hearings. Despite being granted leave, Mr Smith did not appear in person and was not represented during the hearings.

At the time of the second round of the Commission’s hearings,   
Mr Mahadevan was still employed by Westpac. He was notified of the evidence concerning his conduct through his employer.

### 3.2 Evidence

#### 3.2.1 Mr Mahadevan and Mr and Mrs McDowall

Mrs McDowall approached Westpac in April 2015 seeking financial advice about a retirement strategy for her and her husband.[[902]](#footnote-902) She was referred to Mr Mahadevan, a Senior Financial Planner with BT Financial Group.[[903]](#footnote-903)

On 29 April 2015, Mr and Mrs McDowall met with Mr Mahadevan at a suburban Westpac branch.[[904]](#footnote-904) At that meeting, they told Mr Mahadevan that they wanted to purchase a property that they could use to live in and operate a bed and breakfast in their retirement.[[905]](#footnote-905) They explained to Mr Mahadevan that they had a number of debts, including a mortgage over their home, and that the only money they had available to contribute to the purchase of the property was their combined superannuation balance of around $200,000.[[906]](#footnote-906) They told Mr Mahadevan that they wanted to establish a self-managed superannuation fund (SMSF) and use that fund to take out a loan to purchase the property to live and run the bed and breakfast in.[[907]](#footnote-907) They said that they expected the property would cost around $1 million.[[908]](#footnote-908)

At that meeting, Mr Mahadevan introduced Mr and Mrs McDowall to Mr Karl Sleiman, a business banker, who told them that they could borrow enough money to achieve their goal.[[909]](#footnote-909)

Following the meeting, Mr Mahadevan told Mr and Mrs McDowall to put their home on the market, which they did.[[910]](#footnote-910)

In June 2015, Mr Mahadevan provided Mr and Mrs McDowall with a statement of advice.[[911]](#footnote-911) He recommended that they establish an SMSF, roll over their existing superannuation balances into that fund, and each take out life insurance and income protection insurance (through Westpac insurance products) at a level that would cover the debt they expected to incur to purchase the bed and breakfast property.[[912]](#footnote-912) Mr Mahadevan did not expressly provide Mr and Mrs McDowall with any advice about whether their retirement strategy – borrowing through an SMSF to purchase a property to live in and operate a bed and breakfast – was viable.[[913]](#footnote-913)

For this advice, Mr Mahadevan proposed to charge Mr and Mrs McDowall up-front fees of $5,280, plus a $3,000 fee for ‘ongoing advice’.[[914]](#footnote-914) Mr Wright could not explain what the ‘ongoing advice’ would have involved. He said that the purpose of ongoing advice is to ‘hav[e] an adviser to help and reassure you to achieve your goals’,[[915]](#footnote-915) and that the $3,000 ongoing fee charged by Mr Mahadevan was ‘the charge that would be paid after the initial advice to help [Mr and Mrs McDowall] realise their dreams over the journey’.[[916]](#footnote-916) Mr and Mrs McDowall would also have to pay $3,905 to a third party to establish the SMSF.[[917]](#footnote-917)

In the course of preparing the statement of advice for Mr and Mrs McDowall, a paraplanner (who assisted planners by preparing draft statements of advice) had warned Mr Mahadevan that he should advise Mr and Mrs McDowall to delay establishing the SMSF and taking out new insurance policies until after a suitable property had been found, but Mr Mahadevan overrode the paraplanner.[[918]](#footnote-918)

Mr and Mrs McDowall authorised Mr Mahadevan to implement the advice,[[919]](#footnote-919) subject to a change to some of the recommended insurance policies.[[920]](#footnote-920) Westpac received $17,600 in upfront commissions as a result of the implementation of the advice,[[921]](#footnote-921) and this contributed to Mr Mahadevan receiving a monthly bonus following the implementation of the advice.[[922]](#footnote-922)   
Mr and Mrs McDowall sold their home in the expectation that they would soon purchase and move into the bed and breakfast property.[[923]](#footnote-923) They moved into short-term rental accommodation, and used the proceeds of the sale to pay off a number of their debts.[[924]](#footnote-924)

In November 2015, Mr and Mrs McDowall again met with Mr Mahadevan and Mr Sleiman. At that meeting, Mr and Mrs McDowall showed Mr Mahadevan and Mr Sleiman information about two properties that they were thinking of purchasing, but Mr Sleiman told them that they could not borrow enough to buy those properties.[[925]](#footnote-925) He told Mr and Mrs McDowall that they could only borrow around $200,000.[[926]](#footnote-926) Mrs McDowall gave evidence that:[[927]](#footnote-927)

I felt very upset. And I just said to them, ‘So what do we do now? Where do we go from here?’ And [Mr Mahadevan] said, ‘But you can still buy an investment property.’ I said, ‘Well, I don’t think that that makes any sense.’ I said, ‘We sold our family home on your advice. We now don’t have a family home to live in. So why would we then buy an investment property to rent to someone else when we haven’t even got a property to live in   
our self?’

Mr and Mrs McDowall’s retirement strategy was never viable.[[928]](#footnote-928) As they had told Mr Mahadevan, the only money that Mr and Mrs McDowall had available to contribute to the purchase of the bed and breakfast property was their combined superannuation balance of around $200,000.[[929]](#footnote-929) This was not sufficient to allow them to borrow to purchase a property worth   
$1 million, let alone to meet the added burdens imposed by the premiums on their new insurance policies.

Mr Wright accepted that Westpac’s best interests duty policy required Mr Mahadevan to explain to Mr and Mrs McDowall at the first opportunity that their strategy was not viable.[[930]](#footnote-930) He also accepted that the financial advice that Mr Mahadevan gave to Mr and Mrs McDowall was poor, and was not in their best interests.[[931]](#footnote-931)

Subsequently, Mr and Mrs McDowall made a complaint to Westpac   
about Mr Mahadevan’s advice.[[932]](#footnote-932) The complaint was assigned to a   
Westpac employee to investigate.[[933]](#footnote-933) On 22 December 2015, the Westpac employee investigating the complaint sent an email to her manager, in which she said:[[934]](#footnote-934)

I believe there are a number of issues with the advice. Overall, I think [Mr Mahadevan] has put the customers in a worse off position.

In another email to her manager in January 2016, the same Westpac employee expressed the view that ‘There isn’t any lender in the market that would provide credit for this type of purchase’.[[935]](#footnote-935)

In early 2016, Westpac made offers to settle the complaint, but Mr and   
Mrs McDowall rejected these offers.[[936]](#footnote-936)

In March 2016, Mr and Mrs McDowall made a complaint to the Financial Ombudsman Service (FOS).[[937]](#footnote-937) Almost 18 months later, in August 2017, FOS determined the complaint in Mr and Mrs McDowall’s favour, requiring Westpac to pay them $107,475.[[938]](#footnote-938)

In his evidence, Mr Wright accepted that Westpac’s complaints handling process ‘got it wrong’, and that the complaint ‘should never have gone   
to FOS’.[[939]](#footnote-939)

Although the Westpac employee who investigated Mrs McDowall’s complaint formed the view in December 2015 that Mr Mahadevan had   
put Mr and Mrs McDowall ‘in a worse off position’,[[940]](#footnote-940) and Westpac made offers to settle the complaint in early 2016,[[941]](#footnote-941) Westpac did not discipline   
Mr Mahadevan until October 2017, more than 18 months later.[[942]](#footnote-942) Mr Wright accepted that this was not adequate.[[943]](#footnote-943) Westpac did not report   
Mr Mahadevan’s conduct to a professional association or to ASIC.[[944]](#footnote-944)

#### 3.2.2 Mr Smith

Mr Smith was also a Senior Financial Planner employed by Westpac.[[945]](#footnote-945)

During the time that Mr Smith was employed by Westpac, between 2008 and 2015,[[946]](#footnote-946) there were several issues with the advice that he provided. Later investigations by Westpac concluded that, among other things, Mr Smith had: recommended strategies or investments that were too risky for customers; transacted without customers’ authority; charged ongoing advice fees without providing the promised services; and provided inappropriate financial advice to customers.[[947]](#footnote-947)

Westpac’s investigations of those matters were hampered by the ‘haphazard’ way in which Mr Smith kept his client files.[[948]](#footnote-948) In particular, contrary to Westpac’s internal policies, Mr Smith had failed to use Westpac’s electronic file management system.[[949]](#footnote-949) This made it difficult for the investigators to confirm conclusively that the advice given by Mr Smith was appropriate for his clients.[[950]](#footnote-950) The investigations found that Mr Smith’s client files showed: inadequate investigation into clients’ circumstances, needs and objectives; potential poor advice practices, particularly in relation to consideration of alternative strategies; inadequate record management; and failure to provide advice documents at the right time or at all.[[951]](#footnote-951)

The main points to be made about the financial advice provided by Mr Smith concern the consequences (or lack of consequences) that Westpac attached to his conduct.

Mr Wright gave evidence about Westpac’s consequence management policy, and how that policy applied to Mr Smith. Under the consequence management policy in force at the relevant time, financial advisers at Westpac began with a total of 60 points, and had points deducted for   
non-compliant activities, such as poor audit results.[[952]](#footnote-952) The number of points that an adviser had determined the adviser’s ‘risk rating’, which in turn determined the level of regional manager supervision to which the adviser was subject,[[953]](#footnote-953) and whether the adviser received a monthly bonus.[[954]](#footnote-954)

Between 2011 and 2015, Mr Smith was subject to a number of audits, and had points deducted as a result of poor ratings on a number of those audits.[[955]](#footnote-955) However, until 2015, the number of points deducted was never high enough for Mr Smith to be ineligible for a monthly bonus, or for   
Mr Smith to be subject to increased regional manager supervision.[[956]](#footnote-956)   
This was in part because these audits were held more than six months   
apart and, under the consequence management policy as it then stood, points deducted were restored every six months.[[957]](#footnote-957) Mr Wright agreed that Westpac’s monitoring and supervision failed in relation to Mr Smith.[[958]](#footnote-958)

In 2015, Mr Smith’s poor audit results caused him to be identified as ‘extremely high risk’.[[959]](#footnote-959) Westpac then conducted an investigation into   
Mr Smith’s conduct. Following that investigation, Westpac put a series   
of allegations of misconduct to Mr Smith,[[960]](#footnote-960) and Mr Smith resigned.[[961]](#footnote-961)

After Mr Smith’s resignation, Westpac continued to investigate the advice that Mr Smith had provided while employed by Westpac. As noted above, Westpac later found that Mr Smith had: recommended strategies or investments that were too risky for customers; transacted without customers’ authority; charged ongoing advice fees without providing the promised services; and provided inappropriate advice to customers.[[962]](#footnote-962) Westpac has since paid $1.6 million in remediation to 32 former clients of Mr Smith and has provisioned a further $600,000 to remediate a further   
59 former clients.[[963]](#footnote-963)

Although Westpac made allegations of misconduct against Mr Smith that could have resulted in his termination, it did not report Mr Smith to ASIC   
as a Serious Compliance Concern.[[964]](#footnote-964) Westpac did not file a significant breach notification with ASIC until November 2015, several months after receiving the reports of its investigations into Mr Smith.[[965]](#footnote-965) Mr Wright did   
not know whether Westpac reported Mr Smith’s conduct to any   
professional association.[[966]](#footnote-966)

When Mr Smith’s new licensee, Dover Financial Services, asked Westpac for information about Mr Smith’s conduct, Westpac did not provide any information, beyond stating that there was an ongoing investigation and Westpac had ‘concerns’ about Mr Smith’s conduct.[[967]](#footnote-967) Mr Wright was   
not aware of Westpac ever communicating the results of its investigations   
to Dover.[[968]](#footnote-968)

#### 3.2.3 Westpac’s financial advice business

Mr Wright also gave evidence about Westpac’s financial advice business more generally. Importantly, Mr Wright gave evidence that the current remuneration framework at Westpac – with its emphasis on revenue measures – could place the interests of customers at risk.[[969]](#footnote-969)

Mr Wright acknowledged that Westpac does not do enough to ensure that financial advisers are recognised and rewarded when they tell a customer that he or she is doing the right thing, and did not need to make any changes in their relevant financial arrangements.[[970]](#footnote-970)

Mr Wright gave evidence about some recent reports concerning Westpac’s financial advice business. One of these was a draft report prepared by Deloitte in April 2018.[[971]](#footnote-971) Westpac engaged Deloitte to assess the design of its advice and service delivery framework to determine whether the advice process and control environment were adequate to provide quality advice outcomes. The draft report identified issues with Westpac’s policies, including that policies are not ‘supported by practical guidance to enable advisers to understand what is required of them’.[[972]](#footnote-972) Mr Wright accepted   
that Westpac is ‘very poor’ at showing its advisers how to comply with   
its policies.[[973]](#footnote-973)

Another report was an internal report prepared in January 2018 that assessed the controls, processes and governance mechanisms in place across Westpac that could impact the provision of appropriate advice to customers.[[974]](#footnote-974) This report identified that there are still significant weaknesses in Westpac’s consequence management system.[[975]](#footnote-975)

The Commission also heard evidence that, despite the changes that Westpac has made to its risk and compliance systems since 2015, in January 2018, the Risk Forum for Westpac’s advice business assessed the residual risk of adverse consequences resulting from the provision of inappropriate advice to Westpac customers as remaining ‘High’[[976]](#footnote-976) – the same level at which the Risk Forum had assessed the risk of such consequences in July 2015.[[977]](#footnote-977) Further, the Risk Forum assessed the likelihood of those consequences as having increased in recent years  
 from ‘Possible’ to ‘Likely’ – that is, between 50% and 85%.[[978]](#footnote-978)

Mr Wright was asked some more general questions about the financial advice industry. He said that he saw the financial advice industry as being ‘on the cusp of becoming a true profession’.[[979]](#footnote-979) He accepted that the public do not place their trust in financial advisers in the same way they place their trust in other professions and said that this was because financial advisers ‘haven’t earned it yet’.[[980]](#footnote-980)

Mr Wright discussed the grandfathering arrangements in relation to the payment and receipt of conflicted remuneration. He said that the financial advice industry needed to have a debate about the grandfathering arrangements,[[981]](#footnote-981) and said that he ‘can’t wait [for] the day when [financial advisers] are fully fee for service for insurance and super’.[[982]](#footnote-982) However, Mr Wright noted that any organisation that unilaterally decided to stop paying grandfathered commissions would place itself at a significant competitive disadvantage.[[983]](#footnote-983) He also noted that removing grandfathered commissions might affect the viability of small businesses that employ financial advisers.[[984]](#footnote-984) The general tenor of his evidence was, however,   
that he saw the difficulties presented by retaining grandfathered conflicted remuneration and that he favoured removing those arrangements as soon as reasonably practicable.

### 3.3 What the case study showed

#### 3.3.1 Mr Mahadevan and Mr and Mrs McDowall

In its second submission to the Commission, in February 2018,   
Westpac acknowledged that the conduct of Mr Mahadevan amounted to misconduct.[[985]](#footnote-985) In his evidence, Mr Wright accepted that the financial advice that Mr Mahadevan gave to Mr and Mrs McDowall was not in their best interests.[[986]](#footnote-986) He described the advice as ‘poor’,[[987]](#footnote-987) noting that Mr Mahadevan should have – but did not – make it clear to Mr and Mrs McDowall that their retirement strategy was not viable.[[988]](#footnote-988)

In its submissions in response to this case study, Westpac accepted that the advice given by Mr Mahadevan to Mr and Mrs McDowall was poor and was inappropriate to their circumstances.[[989]](#footnote-989) It accepted that Mr Mahadevan’s failure to address whether Mr and Mrs McDowall’s plan was achievable had serious consequences for the McDowalls and accepted that Westpac was responsible for Mr Mahadevan’s advice.[[990]](#footnote-990)

Mr Wright’s characterisation of the advice provided by Mr Mahadevan is plainly right. It was poor advice and was not in Mr and Mrs McDowall’s best interests. Not only did Mr Mahadevan fail to explain to Mr and Mrs McDowall that their retirement strategy was not viable, he advised them to enter into new insurance policies – with high premiums – before it was necessary for them to enter into those policies. This advice contributed to Mr Mahadevan receiving a monthly bonus.

It follows that Mr Mahadevan may have breached his obligation under Section 961B(1) of the Corporations Act to act in the best interests of   
Mr and Mrs McDowall in relation to the advice that he gave to them, and may have breached his obligation under Section 961G of the Corporations Act only to provide advice to Mr and Mrs McDowall if it would be reasonable to conclude that the advice was appropriate to them.

#### 3.3.2 Mr Smith

In its second submission to the Commission, in February 2018, Westpac acknowledged that the conduct of Mr Smith amounted to misconduct.[[991]](#footnote-991)   
Mr Wright accepted that the financial advice that Mr Smith gave to certain clients was inappropriate, and that in other cases it was not possible to tell whether the advice that Mr Smith had given was appropriate.[[992]](#footnote-992) Among other things, Mr Wright accepted that Mr Smith recommended strategies   
or investments that were too risky for customers, transacted without customers’ authority, and charged ongoing advice fees without providing the promised services.[[993]](#footnote-993)

In its submissions in response to this case study, Westpac accepted that   
Mr Smith may have engaged in misconduct in connection with the giving of financial advice by: failing adequately to investigate clients’ circumstances, needs and objectives; failing to identify and take steps that were in the clients’ best interests; recommending investments or strategies that were inappropriate for clients because they were inconsistent with those clients’ risk profiles; and transacting without clients’ authority.[[994]](#footnote-994)

Although he did not appear at the hearings, or seek to cross-examine   
Mr Wright, Mr Smith did make a submission to the Commission. Mr Smith submitted that, although he is not without fault, he did not act dishonestly and at all times acted in the best interests of his clients.[[995]](#footnote-995) He accepted that his files were ‘inadequately kept’, but said that this was due to Westpac’s poor systems.[[996]](#footnote-996) He also said that, since leaving Westpac in 2015, there have been no complaints in relation to his conduct or capacity as a   
financial adviser.[[997]](#footnote-997)

I do not see any sufficient reason to doubt the evidence given by Mr Wright in relation to Mr Smith’s conduct while he was employed by Westpac.   
I agree that Mr Smith provided advice to certain clients that was inappropriate, and that in other cases it was not possible to tell whether   
the advice that Mr Smith had given was appropriate. It follows that   
Mr Smith may have breached his obligation under Section 961B(1)   
of the Corporations Act to act in the best interests of certain clients in   
relation to the advice that he gave to them, and may have breached his obligation under Section 961G of the Corporations Act only to provide advice to clients if it would be reasonable to conclude that the advice was appropriate to the clients.

#### 3.3.3 Westpac

Both Mr Mahadevan and Mr Smith gave inappropriate advice to clients. At the time they did so, they were both providing financial advice on behalf of Westpac. Westpac did not prevent Mr Mahadevan and Mr Smith from providing inappropriate advice.

Part of the reason that Mr Mahadevan and Mr Smith provided inappropriate advice was that, at the relevant times, Westpac had in place a remuneration system that rewarded the provision of advice of the kinds that   
Mr Mahadevan and Mr Smith gave their clients. As has been explained,   
the McDowalls’ acceptance of Mr Mahadevan’s advice resulted in significant financial benefits to Mr Mahadevan and to Westpac.

As Mr Wright explained, Mr Mahadevan and Mr Smith were both entitled to participate in an incentive scheme that rewarded financial advisers with a monthly bonus calculated as a percentage of the revenue that they generated above particular target thresholds.[[998]](#footnote-998) Financial advisers were entitled to up to 24% of the revenue that they generated above a target revenue hurdle, and entitled to up to 44% of the revenue that they generated above a separate high performance target hurdle.[[999]](#footnote-999) The revenue that counted towards this calculation included fees paid by customers and commissions paid to Westpac by product providers.[[1000]](#footnote-1000)

This remuneration scheme applied over the whole of the period covered by this case study. It created an incentive for financial advisers to recommend strategies and products to customers that increased the revenue earned by Westpac, and therefore increased the potential share of revenue earned by the financial adviser. By incentivising only the generation of revenue, it created a risk that customers would not be provided with financial advice that was in their best interests. Mr Wright said that, in his view, one of the reasons Mr Smith gave inappropriate advice was for the purpose of maximising his share of revenue under this scheme.[[1001]](#footnote-1001) Westpac also acknowledged this in its submissions in response to this case study.[[1002]](#footnote-1002)

As already noted, Mr Wright acknowledged that Westpac still does not do enough to ensure that financial advisers are recognised and rewarded when they tell a customer that he or she is doing the right thing, and needs to make no changes.[[1003]](#footnote-1003) And, until at least 2017, although financial advisers were disqualified from participating in the variable remuneration scheme if they failed certain compliance measures, those compliance measures were inadequate to prevent even high risk advisers like Mr Smith from receiving   
a share of revenue.

Another part of the reason that Mr Mahadevan and Mr Smith provided inappropriate advice was that, at the relevant times, Westpac’s internal systems failed to prevent them from providing poor advice.

In particular, until at least April 2017, Westpac’s consequence management system did not ensure that advisers who failed to follow Westpac’s policies and procedures, or failed to comply with financial services laws, were subject to increased regional manager supervision and appropriate disciplinary processes (including ineligibility to receive variable remuneration). Westpac did not structure its consequence management system in a way that would bring advisers who represented compliance concerns to the attention of management. This meant that, even where Westpac’s monitoring activities (such as compliance audits) identified advisers who represented a risk to customers, nothing was done to   
reduce that risk.

Mr Wright accepted that Westpac relied too heavily on its system of   
demerit points to identify financial advisers who represented compliance concerns.[[1004]](#footnote-1004) He also accepted that the system had design flaws,[[1005]](#footnote-1005) and that, particularly before the FoFA reforms, Westpac’s control environment in relation to financial advisers was not strong enough or robust enough.[[1006]](#footnote-1006) In its submissions in relation to this case study, Westpac accepted that there were failings in its consequence management system, some of which were illustrated by the evidence in relation to Mr Smith.[[1007]](#footnote-1007)

Further, in relation to Mr Mahadevan, the use of a paraplanner was not sufficient to prevent Mr Mahadevan from providing the poor advice. Although the paraplanner identified that, if Mr and Mrs McDowall were to pursue the course recommended to them, their interests would be better served by delaying the establishment of the SMSF and the implementation of new insurance policies until after a suitable property had been located,   
Mr Mahadevan overrode that the paraplanner’s recommendations.

It follows from the above that, at least in the cases of Mr Mahadevan and   
Mr Smith, Westpac may not have done all things necessary to ensure that the financial services covered by its financial services licence were provided efficiently, honestly and fairly. To the extent that other inappropriate advice was provided by representatives of Westpac in the same period, and is attributable to the same causes, the same conclusion could be drawn in relation to that advice.

Further, it may be arguable that the maintenance of a remuneration system that created a risk that customers would be provided with poor advice, coupled with the absence of effective measures to prevent the provision of poor advice, amounted to a failure by Westpac to take reasonable steps to ensure that its representatives complied with financial services laws – in particular, Sections 961B and 961G of the Corporations Act.

It follows from the above that, in the period of time considered in this case study, Westpac may have breached its obligation under Section 912A(1)(a) of the Corporations Act to do all things necessary to ensure that the financial services covered by its licence were provided efficiently, honestly and fairly, and its obligations under Sections 912A(1)(ca) and 961L of the Corporations Act to take reasonable steps to ensure that its representatives complied with Sections 961B and 961G of the Corporations Act.

In relation to Mr Smith, Westpac took a long time to provide a notification to ASIC under Section 912D of the Corporations Act. Mr Wright gave evidence that Westpac prepared one investigation report in relation to Mr Smith in May 2015 and another in July 2015, both containing findings about Mr Smith’s advice and practices.[[1008]](#footnote-1008) Westpac also prepared interim compliance assessments in May and September 2015, and a final compliance assessment in October 2015.[[1009]](#footnote-1009) However, it was not until after the final compliance assessment that Westpac reported a significant breach under Section 912D of the Corporations Act in relation to Mr Smith.

In circumstances where Westpac had a number of investigation reports and interim compliance reports identifying issues with Mr Smith’s advice and possible weaknesses in Westpac’s controls well before November 2015, it may be that Westpac breached its statutory obligation under Section 912D to report a significant breach to ASIC within 10 business days after becoming aware of the breach, in relation to the conduct of Mr Smith.

Further, having identified that Mr Smith had received consistently poor audit ratings and breached a number of internal Westpac policies, and having made serious allegations of misconduct against Mr Smith, Westpac:

• did not report Mr Smith to ASIC in response to a notice given by ASIC under Section 912C of the Corporations Act in July 2015; and

• did not provide any detailed information about those matters to Dover Financial Services Pty Ltd, Mr Smith’s new licensee. All it said was that it had ‘concerns’ and that it was investigating matters further.

These failures by Westpac fell below community standards and expectations. Where a **financial services licensee** identifies serious concerns in relation to the conduct of a financial adviser – as Westpac did in its letter to Mr Smith alleging that he had engaged in misconduct, and in its investigation report of May 2015 – the community expects the licensee to bring that conduct to the attention of the regulator in a timely manner, and to bring that conduct to the attention of any other financial services licensee that seeks information about the adviser. Minds may differ about the sufficiency of the information that Westpac gave to Dover. I cannot say that the community would have expected more. But, by contrast, I do think that the community would have expected better, and more timely, communication with the regulator.

### 3.4 Causes of the conduct

As explained above, one of the causes of the inappropriate advice provided by Mr Mahadevan and Mr Smith was Westpac’s remuneration practices for its employed financial advisers.

Although in March 2018 Westpac announced plans to shift to a new   
variable remuneration model for financial advisers, the new system will   
not commence operation until October 2018.[[1010]](#footnote-1010) Further, that variable remuneration model will continue to have a component – 20% – that directly rewards the generation of revenue by employed financial advisers.

Further, as explained above, another of the causes of the inappropriate advice provided by Mr Mahadevan and Mr Smith was the inadequacy of Westpac’s internal controls – in particular, in the case of Mr Smith, Westpac’s consequence management system. In its submissions in response to this case study, Westpac pointed out that it had taken steps to improve its consequence management system. In 2017, it increased the number of demerit points received for a ‘requires improvement’ audit result, and it has put in place a monthly review of advisers’ consequence management points over a longer (two year) period.[[1011]](#footnote-1011)

### 3.5 Effectiveness of mechanisms for response and redress

Westpac did not adequately respond to the detriment suffered by Mr and Mrs McDowall. Having identified that Mr Mahadevan provided advice to   
Mr and Mrs McDowall that left them ‘in a worse off position’, Westpac:

• made inadequate offers of compensation, resulting in Mr and Mrs McDowall needing to make a complaint to FOS to attain appropriate redress; and

• did not impose any disciplinary consequences on Mr Mahadevan until almost two years after Mrs McDowall made a complaint.

In its submissions in response to this case study, Westpac accepted that its offers of compensation to Mr and Mrs McDowall were inadequate and that this resulted in Mr and Mrs McDowall needing to make a complaint to FOS in order to obtain appropriate redress. Westpac accepted that, in that regard, its conduct fell below community standards and expectations.[[1012]](#footnote-1012)

## 4 Bad Advice: ANZ

### 4.1 Background

The Commission heard evidence about ANZ’s financial advice business, and the conduct of three financial advisers: Mr John Doyle, who was an authorised representative of RI Advice Group Pty Ltd (RI Advice Group);   
Mr Christopher Harris, who was an authorised representative of Millennium3 Financial Services Pty Ltd (Millennium3); and ‘Mr A’, who was also an authorised representative of Millennium3.

At the times relevant to this case study, ANZ provided financial advice services to its customers through four entities: ANZ Financial Planning, which operated under ANZ’s financial services licence,[[1013]](#footnote-1013) and three ‘Aligned Dealer Group’ entities owned by ANZ: RI Advice Group, Millennium3 and Financial Services Partners Pty Ltd.[[1014]](#footnote-1014) Both RI Advice Group and Millennium3 were wholly owned subsidiaries of ANZ, and each had its own financial services licence.[[1015]](#footnote-1015)

Three witnesses gave evidence in relation to these matters: Mr Darren Whereat, the General Manager Aligned Licensees and Advice Standards at ANZ; Ms Kylie Rixon, the Chief Risk Officer for Digital & Wealth Australia at ANZ; and Mr Kieran Forde, the head of Wealth Solutions and Partnerships at ANZ.

On 2 April 2018, before the second round of the Commission’s hearings began, the Solicitor Assisting the Commission wrote to Mr Doyle and notified him that his conduct may be the subject of a case study to be heard by the Commission. On 4 April, the Commission spoke with Mr Doyle and explained the substance of the evidence concerning his conduct. On   
10 April, the Commission sent Mr Doyle an email attaching a copy of   
Mr Whereat’s statement. On 13 April, Mr Doyle was granted leave to   
appear at the hearings. Despite being granted leave, Mr Doyle did not appear in person and was not represented during the hearings.

On 29 March 2018, the Solicitor Assisting the Commission wrote to   
Mr Harris and notified him that his conduct may be the subject of a case study to be heard by the Commission. On 3 April, the Commission spoke with Mr Harris and explained the substance of the evidence concerning his conduct. On 10 April, the Commission sent Mr Harris an email attaching a copy of Mr Whereat’s statement. Mr Harris did not seek leave to appear at the hearings, and did not provide submissions.

Before the second round of the Commission’s hearings began, the Solicitor Assisting the Commission took steps to contact Mr A, but was unable to contact him. As a result, the Commissioner made a non-publication direction in relation to information revealing the identity of Mr A.

### 4.2 Evidence

#### 4.2.1 Mr Doyle

In around March and April 2013, shortly before the date on which the FoFA reforms would come into effect with the ban on many forms of conflicted remuneration, RI Advice Group actively sought to recruit Mr Doyle and other financial advisers who were authorised representatives of another financial services licensee, Australian Financial Services Pty Ltd.[[1016]](#footnote-1016) The targeted advisers were selected because they held $677 million in funds under management in a product issued by an entity associated with ANZ, and ANZ wanted to retain those funds in ANZ products.[[1017]](#footnote-1017) The targeted advisers included Mr Doyle, who had $60 million in funds under management in the product.[[1018]](#footnote-1018) RI Advice Group offered these advisers monetary incentives, including upfront payments, to move to RI Advice Group.[[1019]](#footnote-1019)

At the time it pursued these advisers, RI Advice Group was aware that ASIC had imposed additional conditions on Australian Financial Services’ licence as a result of adviser misconduct.[[1020]](#footnote-1020) In April 2013, ASIC contacted RI Advice Group to express concerns about the recruitment of these advisers, and RI Advice Group assured ASIC that it would only ‘on-board’ advisers who met enhanced due diligence standards.[[1021]](#footnote-1021) One element of the enhanced due diligence standards that ANZ said it would apply was a competency and knowledge test, which was to be administered before RI Advice Group entered into agreements with advisers.[[1022]](#footnote-1022)

In May 2013, after entering into a Commitment Deed under which RI Advice Group agreed to pay Mr Doyle an upfront payment for becoming an authorised representative,[[1023]](#footnote-1023) Mr Doyle entered into an Authorised Representative Agreement with RI Advice Group.[[1024]](#footnote-1024) It was only a few months later, in July 2013, that Mr Doyle completed a competency and knowledge test. Mr Doyle failed the test and was assessed as not yet competent.[[1025]](#footnote-1025)

Despite ASIC having contacted RI Advice Group to convey its concerns about former Australian Financial Services advisers in April 2013,[[1026]](#footnote-1026)   
despite Mr Doyle having failed his competency test in July 2013, and despite RI Advice Group having received a complaint about Mr Doyle   
in August 2013,[[1027]](#footnote-1027) RI Advice Group did not apply any enhanced   
monitoring or supervision of Mr Doyle after he commenced as an   
authorised representative.[[1028]](#footnote-1028)

Indeed RI Advice Group did not audit any files of Mr Doyle until February 2015, nearly two years after he commenced with RI Advice Group.[[1029]](#footnote-1029) Contrary to ordinary practice, Mr Doyle selected the files to be audited.[[1030]](#footnote-1030) Even so, Mr Doyle failed this audit, receiving the worst possible rating.[[1031]](#footnote-1031)   
Mr Doyle’s poor audit results were so significant that they skewed the audit results across the RI Advice Group business.[[1032]](#footnote-1032) Issues identified with   
Mr Doyle’s advice included recommendation of products not included on RI Advice Group’s approved product list,[[1033]](#footnote-1033) which RI Advice Group had deemed inappropriate due to their complexity.[[1034]](#footnote-1034)

As a result of the February 2015 audit, RI Advice Group required Mr Doyle to submit all of his advice documents to a vetting officer for review, prior to the advice being provided to clients.[[1035]](#footnote-1035) It also required that Mr Doyle be subject to more frequent supervision by his practice development manager.[[1036]](#footnote-1036) Mr Whereat agreed, however, that the increased supervision was not successful.[[1037]](#footnote-1037)

In May 2015, there was a further targeted audit of Mr Doyle’s client files.[[1038]](#footnote-1038) The results of this audit were worse than the February 2015 audit.[[1039]](#footnote-1039) Again, an issue identified by the audit was the recommendation of products that were not on RI Advice Group’s approved product list.[[1040]](#footnote-1040)

Following the May 2015 audit, Mr Doyle recommended that a number of his clients invest in Macquarie Flexi 100 structured products.[[1041]](#footnote-1041) These products were not on RI Advice Group’s approved product list at the time Mr Doyle recommended them. They were not on the approved product list because of the degree of complexity and risk associated with the products,[[1042]](#footnote-1042) and ANZ later found that these products were not appropriate for the clients to whom Mr Doyle recommended them.[[1043]](#footnote-1043)

In June 2015, RI Advice Group gave notice that it terminated the authorised representative status of Mr Doyle’s company Carrington Corporation Pty Ltd, with effect from December 2015.[[1044]](#footnote-1044) Mr Whereat said that RI Advice Group gave six months’ notice of the termination (as would be required under the agreement for termination without cause) because it could not work out at the time whether it had reason to terminate for cause.[[1045]](#footnote-1045) With the benefit of hindsight, Mr Whereat accepted that RI Advice Group in fact had sufficient information in June 2015 to terminate for cause.[[1046]](#footnote-1046) Mr Whereat also accepted that, at that time, RI Advice Group could have exercised its right under Mr Doyle’s Individual Representative Deed to suspend Mr Doyle with immediate effect.[[1047]](#footnote-1047) Mr Whereat was not sure why RI Advice Group did not take this course.[[1048]](#footnote-1048)

In August 2015, following another audit that had been conducted in July 2015, and that had identified further issues, RI Advice Group suspended   
Mr Doyle’s appointment under the Individual Representative Deed with immediate effect.[[1049]](#footnote-1049) However, contrary to the terms of the Individual Representative Deed,[[1050]](#footnote-1050) RI Advice Group permitted Mr Doyle to continue providing advice to approximately 700 of his existing clients while he was suspended.[[1051]](#footnote-1051) Mr Whereat accepted that it was ‘a mistake’ and ‘unacceptable’ to allow Mr Doyle to continue to provide advice to clients during this period.[[1052]](#footnote-1052)

During the period when he was suspended, RI Advice Group required   
Mr Doyle to submit any advice that he provided to existing clients to a vetting officer.[[1053]](#footnote-1053) Yet by this time, RI Advice Group had already identified that pre-vetting of advice was not an effective control because it could be and had been circumvented.[[1054]](#footnote-1054) And, in fact, Mr Doyle did circumvent this control, by providing advice to clients without submitting it for pre-vetting.[[1055]](#footnote-1055) Mr Whereat accepted that the measures that RI Advice Group put in place to protect Mr Doyle’s clients while he was suspended were inadequate.[[1056]](#footnote-1056)

When Mr Whereat gave evidence, RI Advice Group had not yet completed its review and remediation of Mr Doyle’s clients.[[1057]](#footnote-1057) It had assigned this task a low priority, and at the time Mr Whereat gave evidence RI Advice Group had contacted only a very small number of Mr Doyle’s clients to determine whether they had suffered detriment.[[1058]](#footnote-1058) Mr Whereat acknowledged that it was unacceptable that it had taken two to three years to identify and remediate clients found to have been given inappropriate advice.[[1059]](#footnote-1059)

#### 4.2.2 Mr Harris

Mr Harris became an authorised representative of Millennium3 in   
October 2008.[[1060]](#footnote-1060)

In July 2013, Millennium3 conducted an audit of Mr Harris’ files, for which Mr Harris received the lowest available score.[[1061]](#footnote-1061) As a result of the audit,   
Mr Harris was required to submit his advice for pre-vetting.[[1062]](#footnote-1062) Mr Harris’ conduct was discussed at at least six Consequence Management Committee meetings held in 2013 and 2014.[[1063]](#footnote-1063) In July 2014, Mr Harris passed an audit, and in August 2014 the Consequence Management Committee decided to ‘close the incident’ in relation to Mr Harris.[[1064]](#footnote-1064)   
Mr Harris was not audited again until July 2015.[[1065]](#footnote-1065)

Mr Whereat gave evidence about the financial advice that Mr Harris gave to two clients in the period between the July 2014 and July 2015 audits.[[1066]](#footnote-1066) The first of these clients was an elderly widow, who received advice from   
Mr Harris in April 2015 in relation to the investment of a $32,000 term deposit.[[1067]](#footnote-1067) Mr Harris’ advice was to invest in a wrap account, the result of which was that the client incurred high upfront and ongoing costs, with no distinguishable benefits.[[1068]](#footnote-1068) The second client was advised to roll her superannuation into a new account in order to save approximately $238 per year. Mr Harris charged $3,330 for this advice and signed the client up to a $3,790 ongoing service fee.[[1069]](#footnote-1069) Mr Whereat agreed that the advice given to both of these clients was inappropriate.[[1070]](#footnote-1070)

Mr Whereat also gave evidence that, between the July 2014 and July 2015 audits, a customer had made a complaint about Mr Harris, questioning the fee she was charged and claiming the advice she received did not meet her needs.[[1071]](#footnote-1071) Following this complaint, a State Development Manager met with Mr Harris.[[1072]](#footnote-1072) She expressed concerns after this meeting about the risk that Mr Harris posed to Millennium3 and about Mr Harris’ attitude to compliance,[[1073]](#footnote-1073) and noted that she had raised these concerns previously. These concerns were forwarded to the CEO and COO of Millennium3.[[1074]](#footnote-1074) Despite the recommendation of the State Development Manager that   
Mr Harris’ authorisation be terminated, Millennium3 instead decided to issue Mr Harris with a letter of censure, which imposed certain requirements on Mr Harris, including pre-vetting of his advice.[[1075]](#footnote-1075) Mr Whereat acknowledged that Mr Harris did not always comply with the requirement to submit advice for pre-vetting.[[1076]](#footnote-1076)

In February 2016, further concerns were raised about Mr Harris’ practices, including a failure to provide ongoing services for which clients were paying fees.[[1077]](#footnote-1077) Millennium3 attempted to access the files of Mr Harris but was unable to do so for over a year.[[1078]](#footnote-1078) Mr Whereat acknowledged that it took Millennium3 ‘far too long’ to access the client files, and that the process they adopted to gain access to the files was not ‘strong enough’.[[1079]](#footnote-1079) Despite being on Millennium3’s watch list for two to three years, receiving the lowest possible scores on at least two audits and the serious concerns raised by the State Development Manager, Mr Harris was permitted to continue providing advice to clients during the 13 months that Millennium3 was attempting to access Mr Harris’ files.[[1080]](#footnote-1080)

In 2016 and early 2017, there were a number of meetings at which   
Mr Harris was discussed. The report of a targeted review, which had been requested in November 2016, was not provided until April 2017. It identified a number of issues with Mr Harris, including non-delivery of ongoing services, failure to provide fee disclosure statements, and the provision of inappropriate advice and advice outside authorisation.[[1081]](#footnote-1081) It also identified that, of the 28 client files reviewed, there was potential client detriment in relation to 25 of those files.[[1082]](#footnote-1082)

Millennium3 decided to terminate Mr Harris’ status as an authorised representative in April 2017.[[1083]](#footnote-1083) In July 2017, Millennium3 sent a letter to ASIC about Mr Harris’ conduct, but did not identify that conduct as involving a significant breach under Section 912D of the Corporations Act.[[1084]](#footnote-1084)

As at the time of Mr Whereat’s evidence, none of Mr Harris’ clients had been remediated for inappropriate advice or for having been charged fees without receiving services.[[1085]](#footnote-1085) This included the two clients to whom Mr Harris gave inappropriate advice in April and May 2015.[[1086]](#footnote-1086) Mr Whereat acknowledged that it had taken Millennium3 far too long to remediate   
Mr Harris’ clients, and apologised for that.[[1087]](#footnote-1087)

After Millennium3 terminated its relationship with Mr Harris, Mr Harris became an authorised representative for Dover Financial Services Pty Ltd.[[1088]](#footnote-1088) In response to a request by Dover for information about Mr Harris in May 2017,[[1089]](#footnote-1089) Millennium3 referred to instances of inappropriate charging of fees, client complaints, failure to provide ongoing services, and issues with fee disclosure statements.[[1090]](#footnote-1090) However, Millennium3 did not mention that   
Mr Harris had three audits with the lowest possible ratings, that there had been a targeted review of 28 client files that found that there was potential client detriment in relation to 25 of those files, or that Millennium3 had made a notification to ASIC in relation to Mr Harris.[[1091]](#footnote-1091) Mr Whereat could not explain why these matters had been omitted.[[1092]](#footnote-1092) He was also not aware of any evidence that Millennium3 had reported Mr Harris’ conduct to any professional association.[[1093]](#footnote-1093)

#### 4.2.3 Mr A

Mr A became an authorised representative of Millennium3 in 2009.[[1094]](#footnote-1094)

Although Millennium3 did not permit Mr A to provide advice to customers to invest in particular properties,[[1095]](#footnote-1095) he contacted a number of his clients in 2011, in his capacity as an authorised representative of Millennium3, in relation to a potential property investment.[[1096]](#footnote-1096) Mr A informed the clients that, although the initial price of the property was over $2 million, he had negotiated a lower purchase price,[[1097]](#footnote-1097) and believed that the property could soon be sold at a profit. He told the clients that he required $600,000 from investors for the deposit and stamp duty.[[1098]](#footnote-1098)

Mr A convinced five of his clients to invest through their SMSFs: four invested $100,000 and the fifth $200,000.[[1099]](#footnote-1099) The clients believed that they were subscribing for units in a unit trust that would acquire the property.[[1100]](#footnote-1100) However, Mr A acquired the property in the name of a company of which he was the sole director,[[1101]](#footnote-1101) and not the unit trust.

The Commission heard evidence about audits of Mr A’s practice that had been conducted shortly prior to these events. In February 2011, Millennium3 audited five of Mr A’s files, each of which was rated as ‘very poor advice’,[[1102]](#footnote-1102) the lowest possible rating.[[1103]](#footnote-1103) Mr A did not face any disciplinary consequences as a result of these results.[[1104]](#footnote-1104) In November 2011, four files were rated ‘very poor advice’ and the fifth was rated ‘poor advice’.[[1105]](#footnote-1105) Again, Mr A did not face any disciplinary consequences as a result of this audit result. The only step Millennium3 took was to require Mr A to submit his advice for pre-vetting before providing it to clients.[[1106]](#footnote-1106)

In 2012, after a further poor audit, Mr A’s status as an authorised representative of Millennium3 was terminated.[[1107]](#footnote-1107) Despite the poor audit results and the termination of Mr A’s authorised representative status, Millennium3 did not investigate any of Mr A’s other client files to determine whether any of his clients had been given inappropriate advice.[[1108]](#footnote-1108)

In September 2013, one of the clients who had invested $100,000 in the purchase of the property sent a complaint to Millennium3 about Mr A, noting that they had lost the $100,000.[[1109]](#footnote-1109) In December 2013 and January 2014, Millennium3 identified the four other SMSFs that were listed as unitholders in the unit trust and were clients of Mr A’s when he was an authorised representative of Millennium3.[[1110]](#footnote-1110) Neither Millennium3 nor ANZ attempted to contact those clients or to investigate whether they had suffered any loss,[[1111]](#footnote-1111) but instead left it to those clients to come forward and prove they had suffered loss.[[1112]](#footnote-1112) Mr Forde said this had occurred because Millennium3 had prioritised its commercial interests of the interests of its clients.[[1113]](#footnote-1113) Neither ANZ nor Millennium3 had access to Mr A’s files, which Mr Forde accepted would have made it very difficult to determine whether any of Mr A’s clients had suffered loss.[[1114]](#footnote-1114)

In 2016 and 2017, further complaints were made by former clients of Mr A, relating to unauthorised withdrawals from SMSFs and investments in the unit trust.[[1115]](#footnote-1115)

In August 2017, ANZ appointed McGrathNicol to conduct an investigation into Mr A’s conduct.[[1116]](#footnote-1116) Following receipt of their report, ANZ decided to have its Advice Review Team review advice given by Mr A to 103 customers during his time as an authorised representative of Millennium3.[[1117]](#footnote-1117) When   
Mr Forde gave evidence (in April 2018), ANZ was still reviewing the files and had not determined how many customers were affected by   
Mr A’s conduct.[[1118]](#footnote-1118)

In February 2018, ANZ notified the Western Australian police of allegations made by three of Mr A’s clients, that he withdrew funds totally $234,590 from their accounts between March 2011 and February 2012 without   
their authority.[[1119]](#footnote-1119)

#### 4.2.4 ANZ’s financial advice business

Ms Rixon gave evidence about the remuneration and incentives that apply to advisers employed by ANZ Financial Planning. Until 2018, the calculation of bonuses for advisers included a component determined by the revenue that the financial adviser generated.[[1120]](#footnote-1120) Further, leaderboards were published that ranked advisers on various criteria, including amount of revenue generated.[[1121]](#footnote-1121) Ms Rixon accepted that this reflected a culture of emphasising the growth of business more than the best interests of the client.[[1122]](#footnote-1122) The Commission also heard that the calculation of bonuses for management within the advice business still includes a revenue component, as does the calculation of bonuses for advisers in ANZ’s Aligned   
Dealer Groups.[[1123]](#footnote-1123)

Ms Rixon also gave evidence about the importance of uniformity between advice practices in monitoring the control environment.[[1124]](#footnote-1124) She said that some controls are more difficult to implement in the Aligned Dealer Group businesses than with employed financial advisers.[[1125]](#footnote-1125) She acknowledged that, during the 18 months before she gave evidence, ANZ had recognised how important it was for advisers in the Aligned Dealer Groups to be on a centralised advice system.[[1126]](#footnote-1126) Mr Whereat explained that it would not be   
until 30 June 2018 that it would be mandatory for all advisers in the Aligned Dealer Groups to use ANZ’s electronic document management system, XPLAN.[[1127]](#footnote-1127) Ms Rixon acknowledged that ANZ could have commenced its program to move Aligned Dealer Group advisers onto XPLAN earlier than   
it did.[[1128]](#footnote-1128)

Mr Rixon gave evidence about the decline in the number of financial advisers employed or authorised by ANZ and the Aligned Dealer Group businesses over the past 10 years. She said that part of the explanation   
for this was that the standards expected of new advisers have changed. She considered that this change in standards was a response to the regulatory requirements, as well as ANZ’s own desire to create a client-centric culture. She acknowledged that ANZ had not always had such a culture in the past.[[1129]](#footnote-1129)

Ms Rixon acknowledged that, in some instances, and for some periods, ANZ’s compliance systems and processes had deficiencies.[[1130]](#footnote-1130) She also acknowledged that, in some cases, there had been a lack of investment by ANZ in the systems and processes needed to ensure compliance.[[1131]](#footnote-1131)   
She gave the delays in encouraging all advisers to use XPLAN as an example, and accepted that that could have occurred as early as 2013.[[1132]](#footnote-1132)

The audit results across ANZ Financial Planning and the Aligned Dealer Group businesses between 1 June 2013 and 30 June 2015 showed that, over that period, around 5% of the files sampled from ANZ Financial Planning, RI Advice Group and Millennium3 failed to meet the requirement that the advice is likely to be in the best interests of the client.[[1133]](#footnote-1133) Over the same period, around 10% of the files sampled from Millennium3 failed to meet the requirement that the adviser had taken appropriate steps to conduct relevant product research.[[1134]](#footnote-1134) Ms Rixon acknowledged that the files sampled were intended to be representative of what was occurring across the business.[[1135]](#footnote-1135) She said that these results were very regrettable, and acknowledged that the results indicated that, in the period prior to 2015, there were deficiencies in many of ANZ’s systems and processes to ensure that customers received appropriate advice.[[1136]](#footnote-1136)

Ms Rixon gave evidence that, at the time of her evidence to the Commission, ANZ had sold the majority of the businesses that made up   
its Wealth division to purchasers. She said that this was part of ANZ’s strategy to return to its core business of banking, and to improve its   
capital efficiency.[[1137]](#footnote-1137)

### 4.3 What the case study showed

#### 4.3.1 Mr Doyle

ANZ acknowledged in its 13 February 2018 submission to the Commission that conduct engaged in by Mr Doyle amounted to misconduct.[[1138]](#footnote-1138)   
Mr Whereat accepted that the advice that Mr Doyle gave to certain clients to invest in the Macquarie Flexi 100 products was inappropriate.[[1139]](#footnote-1139) These products were too complex and risky for the clients to whom Mr Doyle recommended them.[[1140]](#footnote-1140) Mr Whereat also accepted that the advice that   
Mr Doyle gave to certain clients in April 2016 to remain invested in InStreet products was inappropriate.[[1141]](#footnote-1141) In both of these cases, Mr Doyle provided advice to clients without preparing the required advice document.

In its submissions in response to this case study, RI Advice Group did not make any substantive submissions about the findings that could be made in relation to Mr Doyle.[[1142]](#footnote-1142)

Mr Doyle denied that the advice he gave was inappropriate.[[1143]](#footnote-1143) Nonetheless, I see no sufficient reason to doubt Mr Whereat’s characterisation of the advice provided by Mr Doyle. The advice that Mr Doyle gave to his clients to invest in the Macquarie Flexi 100 products, and to remain invested in the InStreet products, was seen by Mr Whereat as advice that was not in the best interests of those clients, and was not appropriate for those clients because the products were too complex and risky for those clients.

In the circumstances, I consider that the material I have shows that   
Mr Doyle may have breached his obligation under Section 961B(1) of the Corporations Act to act in the best interests of the relevant clients in relation to the advice that he gave to them, and may have breached his obligation under Section 961G of the Corporations Act only to provide advice to those clients if it would be reasonable to conclude that the advice was appropriate to them.

Further, I accept Mr Whereat’s evidence that, in providing advice to those clients about the Macquarie Flexi 100 products and the InStreet products, Mr Doyle did not provide the required advice documents. If that is so, it would follow that Mr Doyle may also have breached his obligation   
under Section 946A(1) of the Corporations Act to give those clients a statement of advice.

#### 4.3.2 RI Advice Group

At the time Mr Doyle provided the advice described above, he was providing financial advice on behalf of RI Advice Group. RI Advice Group did not stop Mr Doyle providing the advice he gave.

Mr Whereat acknowledged that RI Advice Group needed to accept responsibility for the fact that Mr Doyle provided the advice that Mr Whereat considered to be inappropriate.[[1144]](#footnote-1144) He accepted that:

• because Mr Doyle had been recruited from Australian Financial Services Pty Ltd, there was a need for increased vigilance in relation to Mr Doyle from the start of his time with RI Advice Group, but RI Advice Group failed to impose that increased vigilance;[[1145]](#footnote-1145)

• RI Advice Group should not have permitted Mr Doyle to provide advice in circumstances where he had failed his competency test at the start of his time with RI Advice Group;[[1146]](#footnote-1146)

• RI Advice Group had not audited Mr Doyle’s client files for two years after Mr Doyle joined RI Advice Group;[[1147]](#footnote-1147)

• when Mr Doyle was audited, and received very poor results, this should have resulted in stronger action from RI Advice Group. In particular, it should have resulted in immediate suspension, and not merely the giving of six months’ notice of an intention to terminate his authorisation;[[1148]](#footnote-1148)

• when RI Advice Group did suspend Mr Doyle, it should have stopped him from providing advice to clients, as its contractual documents required, instead of allowing him to continue to provide advice to existing clients;[[1149]](#footnote-1149)

• requiring Mr Doyle to submit his advice to pre-vetting was not an effective control mechanism for Mr Doyle;[[1150]](#footnote-1150) and

• RI Advice Group took longer than it should have to identify clients of Mr Doyle who required remediation and to remediate them.[[1151]](#footnote-1151)

In the case of Mr Doyle, RI Advice Group did not do all things necessary to ensure that the financial services covered by its financial services licence were provided efficiently, honestly and fairly.

Further, in the case of Mr Doyle, it is arguable that the failings of RI Advice Group acknowledged by Mr Whereat – especially the failure to audit   
Mr Doyle in his first two years with RI Advice Group, and the failure to prevent Mr Doyle from providing advice to clients after RI Advice Group had identified serious deficiencies in his advice – amounted to a failure by RI Advice Group to take reasonable steps to ensure that its representatives complied with financial services laws – in particular, Sections 946A, 961B and 961G of the Corporations Act.

RI Advice Group submitted that it was not open to the Commission to find that it might have breached its obligations under Sections 912A(1)(a), 912A(1)(ca), 961L or 952H of the Corporations Act. In relation to Sections 912A(1)(a), 912A(1)(ca) and 961L, it submitted that the fact that additional steps might now, with the benefit of hindsight, be identified as having been desirable did not mean that RI Advice Group had breached its obligations at the time of Mr Doyle’s conduct.[[1152]](#footnote-1152) In relation to Section 952H, it submitted that RI Advice Group took reasonable steps to ensure that Mr Doyle provided statements of advice to clients.[[1153]](#footnote-1153)

There may be force in what RI Advice Group says about some of these provisions. I need not decide, however, more than that I consider that, during the time considered in this case study, RI Advice Group may have breached its obligation under Section 912A(1)(a) of the Corporations Act to do all things to ensure that the financial services covered by its licence were provided efficiently, honestly and fairly.

I also consider that RI Advice Group’s failure to prevent Mr Doyle from providing advice to existing clients after it had repeatedly identified issues with Mr Doyle’s advice was conduct that fell below community standards and expectations. The community expects that, when a financial services licensee identifies issues with an adviser’s conduct that are sufficient for the licensee to suspend the adviser’s authority, the licensee will not allow the adviser to continue providing financial advice under its licence while the suspension remains in force. Allowing Mr Doyle to continue to provide advice placed the commercial interests of RI Advice Group and Mr Doyle ahead of the interests of Mr Doyle’s existing clients.

Despite Mr Whereat’s acknowledgment that, when RI Advice Group did suspend Mr Doyle, it should have stopped him from providing advice to clients,[[1154]](#footnote-1154) RI Advice Group submitted in response to this case study that it had taken adequate steps to protect clients of Mr Doyle from receiving inappropriate advice after it had repeatedly identified issues with his advice.[[1155]](#footnote-1155) I do not agree with that submission.

I also consider that the conduct of RI Advice Group in connection with the review and remediation of Mr Doyle’s clients fell short of community standards and expectations. In its submission in response to this case study, RI Advice Group accepted that it was open to me to make this finding.[[1156]](#footnote-1156) RI Advice Group has taken too long to implement a review and remediation program. The majority of Mr Doyle’s clients’ files had not yet been reviewed when the Commission took evidence about these matters, two years after RI Advice Group decided to terminate Mr Doyle’s authorised representative status. The community expects that, when a licensee identifies that an adviser may have provided inappropriate advice, the licensee will investigate the matters and, if appropriate, take any necessary remedial action in a more timely manner.

#### 4.3.3 Mr Harris

ANZ acknowledged in its 13 February 2018 submissions to the Commission that conduct engaged in by Mr Harris amounted to misconduct.[[1157]](#footnote-1157) In its submissions in response to this case study, Millennium3 did not make any substantive submissions about the findings that could be made in relation   
to Mr Harris.[[1158]](#footnote-1158)

Mr Whereat accepted that the advice the Mr Harris gave to one client in April 2015 in relation to a term deposit, and the advice that he gave to another client in May 2015 in relation to a superannuation account,   
was inappropriate.[[1159]](#footnote-1159)

I agree with Mr Whereat. The advice given in April 2015 was not in the client’s best interests. It resulted in the client investing her money in an account with high up-front and ongoing fees for no discernible benefit.   
The advice given in May 2015 was also not in the client’s best interests,   
as Mr Harris charged the client more than $3,000 in up-front fees for advice that would save her less than $250 per year.

It follows from the above that Mr Harris may have breached his obligation under Section 961B(1) of the Corporations Act to act in the best interests of those clients, and may have breached his obligation under Section 961G of the Corporations Act only to provide advice to those clients if it would be reasonable to conclude that the advice was appropriate to them.

#### 4.3.4 Mr A

ANZ acknowledged in its submissions to the Commission that conduct engaged in by Mr A amounted to misconduct.[[1160]](#footnote-1160) In its submissions in response to this case study, Millennium3 did not make any substantive submissions about the findings that could be made in relation to Mr A.[[1161]](#footnote-1161)

The evidence before the Commission showed that Mr A convinced a number of his clients to invest in units in a unit trust, on the basis that the unit trust would purchase a property at a marina, which could be re-sold at a profit. Contrary to what Mr A had told the investors, the property was not purchased by the trustee of the unit trust, but instead by another company associated with Mr A. Mr A later told the customers that their money had been lost. The evidence before the Commission also indicated that Mr A had made unauthorised withdrawals from accounts belonging to some of   
his clients.

Mr A’s conduct in telling the clients that the property would be purchased through the unit trust – when in fact it was purchased by a different company associated with Mr A – appears to have been misleading and deceptive, and may have been dishonest.

It follows from the above that Mr A may have breached his obligation under Section 1041H(1) of the Corporations Act and Section 12DA of the ASIC Act not to engage in conduct that is misleading or deceptive or likely to mislead or deceive. Further, Mr A may have breached his obligation under Section 1041G(1) of the Corporations Act not to engage in dishonest conduct in relation to a **financial product** or financial service.

#### 4.3.5 Millennium3

At the time Mr Harris and Mr A provided the advice described above, they were both providing financial advice on behalf of Millennium3. Millennium3 did not stop Mr Harris from providing the advice he gave, and did not stop Mr A from providing the advice he gave or engaging in the conduct he did.

#### 4.3.6 Mr Harris

Mr Whereat acknowledged a number of failings on the part of Millennium3 in connection with the advice given by Mr Harris.

Despite the poor audit results that Mr Harris received between 2013 and 2015, and strong concerns raised by Mr Harris’ State Development Manager about his conduct, the only disciplinary action that Millennium3 took in relation to Mr Harris in 2015 was to send him a letter of censure, requiring him to submit his advice for pre-vetting.[[1162]](#footnote-1162) This letter was sent only a month after ANZ had identified pre-vetting as an ineffective control,[[1163]](#footnote-1163) and Mr Whereat acknowledged that the letter of censure was not an appropriate response to the concerns raised by Mr Harris’ State Development Manager.[[1164]](#footnote-1164) Mr Whereat also accepted that, like Mr Doyle, Mr Harris did not always comply with the requirement to submit advice for pre-vetting.[[1165]](#footnote-1165)

After further issues with Mr Harris’ practice were identified in February 2016, it then took Millennium3 over a year to gain access to Mr Harris’ client files for the purpose of conducting a review.[[1166]](#footnote-1166) Mr Whereat acknowledged that it took Millennium3 ‘far too long’ to access the client files, and that the process they adopted to gain access to the files was not ‘strong enough’.[[1167]](#footnote-1167) Part of the reason why it took so long for Millennium3 to access these files was because Mr Harris did not store the relevant information in XPLAN. It was not mandatory at that time for Millennium3 advisers to use XPLAN. Ms Rixon acknowledged that ANZ should have commenced its program to move Aligned Dealer Group advisers onto XPLAN earlier than it did,[[1168]](#footnote-1168) and accepted that this could have occurred as early as 2013.[[1169]](#footnote-1169)

During the whole period that Millennium3 was attempting to access   
Mr Harris’ client files, it did not suspend Mr Harris or terminate his authorisation.[[1170]](#footnote-1170) Instead, it allowed him to continue providing advice to clients. During this time, a number of internal forums and bodies discussed whether further steps should be taken, but no decision was made to terminate Mr Harris’ authority until April 2017, after the client files had been accessed and a targeted review had been conducted.[[1171]](#footnote-1171) Mr Whereat agreed that it was ‘absolutely not’ acceptable that it had taken so long for Millennium3 to terminate Mr Harris’ authorisation.[[1172]](#footnote-1172) He could not explain why action was not taken sooner.[[1173]](#footnote-1173)

In its submissions in response to this case study, Millennium3 submitted that it was not open to the Commission to find that it might have breached its obligations under Sections 912A(1)(a), 912A(1)(ca), 912A(1)(d) or 912A(1)(h) of the Corporations Act, or ASIC class order CO 14/923.[[1174]](#footnote-1174)   
In relation to Sections 912A(1)(a) and 912A(1)(ca), it submitted that the fact that different decisions could have been made with the benefit of hindsight did not mean that the steps taken at the time involved a breach of those provisions.[[1175]](#footnote-1175) In relation to Section 912A(1)(h), it submitted that the conduct of Mr Harris did not throw light on the adequacy of its risk management systems.[[1176]](#footnote-1176) In relation to CO 14/923, it submitted that it was sufficient for Millennium3 to rely on its contractual right to access Mr Harris’ records.[[1177]](#footnote-1177)

In the case of Mr Harris, Millennium3 did not do all things necessary to ensure that the financial services covered by its financial services licence were provided efficiently, honestly and fairly.

Further, the maintenance of a consequence management system under which serious concerns about an adviser could be met with inadequate responses, coupled with an inability to access client files for the purposes   
of review and remediation, might amount to a failure by Millennium3 to   
take reasonable steps to ensure that its representatives complied with financial services laws – in particular, Sections 961B and 961G of the Corporations Act.

It follows that, contrary to Millennium3’s submissions, in the period of time considered in this case study, Millennium3 may have breached its obligation under Section 912A(1)(a) of the Corporations Act to do all things to ensure that the financial services covered by its licence were provided efficiently, honestly and fairly, and its obligations under Sections 912A(1)(ca) and   
961L of the Corporations Act to take reasonable steps to ensure that   
its representatives complied with Sections 961B and 961G of the Corporations Act.

Further, Millennium3’s inability to access Mr Harris’ client files appears, in itself, to have fallen short of the standards of record-keeping required of financial services licensees. As early as September 2011, ASIC expressed concerns about licensees relying on contractual arrangements with advisers to ensure that the licensees had access to client records.[[1178]](#footnote-1178) In July 2013, ASIC recommended that licensees take steps such as using electronic storage platforms to ensure that they had access to client records.[[1179]](#footnote-1179) In respect of the period after October 2016, Millennium3 may have breached its statutory obligation under Section 912G of the Corporations Act – set out in ASIC Class Order (CO 14/923) – to ensure that it kept client records in such a way that they were accessible to Millennium3 at all times in a way that enabled Millennium3 to produce the records.

As discussed above, the community expects that, when a licensee identifies that an adviser may have provided inappropriate advice, the licensee will investigate and remediate in a more timely manner. Mr Whereat acknowledged that it had taken Millennium3 far too long to remediate   
Mr Harris’ clients, and apologised for that.[[1180]](#footnote-1180) The conduct of Millennium3 in connection with the review and remediation of Mr Harris’ clients fell short of community standards and expectations. In its submissions in response to this case study, Millennium3 accepted that it was open to the Commission to make this finding.[[1181]](#footnote-1181)

#### 4.3.7 Mr A

Mr Forde acknowledged a number of failings on the part of Millennium3 in connection with the advice given by Mr A.

After Millennium3 terminated Mr A’s authorised representative status, it did not conduct an investigation into his client files to see whether any of his clients had been given inappropriate advice.[[1182]](#footnote-1182) Mr Forde could not explain why this was not done. He accepted that, given Mr A’s very poor audit results, Millennium3 should have conducted a review of Mr A’s files at that time.[[1183]](#footnote-1183)

After Millennium3 received a complaint from one of the clients of Mr A who had invested in the unit trust, it identified the four other SMSFs that were listed as unitholders in the unit trust and were clients of Mr A’s when he was an authorised representative of Millennium3.[[1184]](#footnote-1184) However, Millennium3 did not attempt to contact those clients or to investigate whether they had suffered any loss,[[1185]](#footnote-1185) but instead left it to those clients to come forward and prove they had suffered loss.[[1186]](#footnote-1186) Mr Forde said this had occurred because Millennium3 had prioritised its commercial interests of the interests of its clients.[[1187]](#footnote-1187) Mr Forde acknowledged that Millennium3 should have reached out to those clients and found out more information about their circumstances,[[1188]](#footnote-1188) and that, if it had done so, it could have identified Mr A’s misconduct earlier than it did.[[1189]](#footnote-1189) He accepted that, where an adviser is terminated with extremely poor audit results and there are complaints that the adviser has misled and deceived customers, the community would expect the licensee to conduct an investigation.[[1190]](#footnote-1190) In its submissions in response to this case study, Millennium3 accepted that it was open to me   
to find that its conduct in not taking steps to investigate whether any of   
Mr A’s clients had suffered detriment as a result of his advice fell short   
of community standards and expectations in respect of the period up   
to May 2017.[[1191]](#footnote-1191)

Neither ANZ nor Millennium3 had access to Mr A’s files, which Mr Forde accepted would have made it very difficult to determine whether any of Mr A’s clients had suffered loss.[[1192]](#footnote-1192) Mr Forde accepted that Millennium3 should have retained copies of the customer files when it terminated Mr A’s authorised representative status.[[1193]](#footnote-1193)

I consider that Millennium3’s failure to retain copies of Mr A’s client files, and its repeated failures to investigate whether any of Mr A’s clients may have suffered detriment as a result of inappropriate advice provided by   
Mr A, amount to conduct falling short of community standards and expectations. In its submissions in response to this case study, Millennium3 accepted that it was open to me to make this finding in respect of the period from December 2013 to May 2017 in relation to clients who invested in the unit trust.[[1194]](#footnote-1194) Millennium3 should have conducted such an investigation when it terminated Mr A’s authorisation. That it did not do so even after it had identified specific clients who were likely to have suffered detriment fell well short of the standards that the community would expect.

### 4.4 Causes of the conduct

#### 4.4.1 Risk management practices

One cause of the inappropriate advice provided by Mr Doyle and Mr Harris was the inadequacy of the risk management and control systems of ANZ and its Aligned Dealer Groups.

Ms Rixon gave evidence that, since January 2014, the residual risk of adverse consequences resulting from customers of ANZ and its Aligned Dealer Groups receiving inappropriate financial advice has remained ‘High’.[[1195]](#footnote-1195) For a period of more than four years, covering the whole of the period in which Mr Doyle and Mr Harris provided the advice that was the subject of the case study, ANZ’s risk management committee continued to accept that ‘High’ risk, and to approve risk treatment plans that, as events turned out, did not reduce that risk below its ‘High’ level.[[1196]](#footnote-1196) Ms Rixon accepted that it was ‘very regrettable’ that ANZ had recognised that there was a high systemic risk and continued to approve treatment plans that did not reduce the risk over four consecutive years.[[1197]](#footnote-1197)

These continuing high levels of risk were at least in part the result of underinvestment by ANZ in the systems and processes necessary to improve its control environment and ensure that customers of ANZ,   
RI Advice Group and Millennium3 were receiving appropriate advice.   
In November 2016, more than two years after ANZ first approved a risk treatment plan in relation to the risk of adverse consequences resulting from customers receiving inappropriate financial advice, an internal audit report noted that a ‘quantum shift in investment’ was required to enable the Aligned Dealer Groups to meet regulatory expectations, deliver on customer remediation programs and improve the control environment.[[1198]](#footnote-1198)

Ms Rixon acknowledged that one example of where there had been a lack of investment by ANZ in the systems and processes needed to ensure compliance was the delays in encouraging all advisers to use XPLAN.[[1199]](#footnote-1199)

#### 4.4.2 Adequacy of internal control systems

Another cause of the inappropriate advice provided by Mr Doyle and Mr Harris was the inadequacy of the internal control systems of RI Advice Group and Millennium3. As explained above:

• both RI Advice Group and Millennium3 allowed high risk advisers to continue to provide advice to customers subject to a requirement that the advice be subject to pre-vetting, in circumstances where they knew that pre-vetting could be circumvented and was ineffective as a control;

• because of the complex internal structure for decision-making about consequence management, Millennium3 delayed imposing consequences on Mr Harris, even after he was identified as being a high risk to customers; and

• Millennium3 did not take adequate steps to ensure that its authorised representatives kept client files in a way that would enable them to be easily reviewed to identify whether inappropriate advice had been provided to customers.

#### 4.4.3 Recruitment practices

Another cause of the inappropriate advice provided by Mr Doyle was the inadequacy of RI Advice Group’s recruitment processes.

As explained above, RI Advice Group actively sought to recruit Mr Doyle and other authorised representatives of Australian Financial Services Pty Ltd,[[1200]](#footnote-1200) because they held $677 million in funds under management in a product issued by an entity associated with ANZ, which ANZ wanted to retain.[[1201]](#footnote-1201) RI Advice Group was aware at the time it pursued these advisers that ASIC had imposed additional conditions on Australian Financial Services’ licence as a result of adviser misconduct.[[1202]](#footnote-1202) Although RI Advice Group assured ASIC that it would only ‘on-board’ advisers who met enhanced due diligence standards,[[1203]](#footnote-1203) it failed to apply those standards in relation to Mr Doyle, and did not carry out enhanced monitoring or supervision of Mr Doyle after he commenced with RI Advice Group.[[1204]](#footnote-1204)

### 4.5 Effectiveness of response and redress

Neither RI Advice Group nor Millennium3 responded effectively or adequately to the potential detriment suffered by customers of Mr Doyle,   
Mr Harris and Mr A.

In the case of Mr Doyle, RI Advice Group assigned the review and remediation of his customers a ‘low’ priority, in circumstances where it had not yet taken adequate steps to determine whether Mr Doyle’s customers had suffered detriment. As a result, the files of the majority of Mr Doyle’s customers have not yet been reviewed, over two years after an internal investigation identified that there was a risk that Mr Doyle’s clients had suffered detriment as a result of his advice.

In the case of Mr Harris, despite audit reports over a period of several years indicating serious deficiencies in the adviser’s processes and practices, it was not until March 2017 that Millennium3 undertook a targeted review of Mr Harris’ client’s files. That review identified the potential for client detriment in almost all of the files reviewed, but ANZ’s remediation program in respect of Mr Harris’ clients remains in the ‘scoping and investigation’ stage over a year later. As Mr Whereat acknowledged, it took Millennium3 far too long to remediate Mr Harris’ clients, and Mr Whereat apologised   
for that.[[1205]](#footnote-1205)

In the case of Mr A:

• having terminated Mr A in circumstances where he had received extremely poor audit results, Millennium3 took no steps to investigate whether any of his clients had suffered detriment as a result of his advice; and

• even after identifying specific clients of Mr A who may have suffered loss because of Mr A’s conduct, Millennium3 took no steps to contact those clients or investigate whether they had suffered detriment as a result of Mr A’s advice.

The responses made by RI Advice Group and Millennium3 were inadequate.

## 5 Bad advice: AMP

### 5.1 Background

The Commission heard evidence of the conduct of three authorised representatives of AMP’s financial advice business: Mr E, who was an authorised representative of AMP Financial Planning Pty Ltd; Ms Jennifer Coleman, who was an authorised representative of Charter Financial Planning Ltd (Charter); and Mr Adam Palmer, who was an authorised representative of Genesys Wealth Advisers Ltd (Genesys).

At the times relevant to the evidence, AMP Financial Planning, Charter and Genesys were each wholly owned subsidiaries of AMP, and each had its own financial services licence.[[1206]](#footnote-1206)

One witness gave evidence in relation to these matters: Ms Sarah Britt, Head of Compliance at AMP Limited.

Before the second round of the Commission’s hearings began, the Solicitor Assisting the Commission took steps to contact Mr E, but was unable to contact him. As a result, the Commissioner made non-publication directions in relation to information revealing the identity of Mr E.

On 3 April 2018, before the second round of the Commission’s hearings began, the Solicitor Assisting the Commission wrote to Ms Coleman and notified her that her conduct may be the subject of a case study to be heard by the Commission. On 9 April, the Commission spoke with Ms Coleman and explained the substance of the evidence concerning her conduct. On   
10 April, the Commission sent Ms Coleman an email attaching a copy of   
Ms Britt’s statement. Ms Coleman did not seek leave to appear at the hearings and did not provide submissions.

On 3 April 2018, the Solicitor Assisting the Commission wrote to Mr Palmer and notified him that his conduct may be the subject of a case study to be heard by the Commission. On 10 April, the Commission spoke with   
Mr Palmer and explained the substance of the evidence concerning his conduct. The same day, the Commission sent Mr Palmer an email attaching a copy of Ms Britt’s statement. Mr Palmer did not seek leave to appear at the hearings but did provide submissions.

### 5.2 Evidence

#### 5.2.1 Mr E

In November 2016, Mr E provided advice to a married couple, who were seeking advice to improve the performance of their superannuation funds to meet their long-term goal of accumulating more wealth.[[1207]](#footnote-1207) Mr E recommended that the married couple roll over their superannuation benefits from their existing funds (which were not owned by AMP) into MyNorth Super, a fund owned by AMP.[[1208]](#footnote-1208) The effect of that advice was that the husband sacrificed approximately $16,000, close to 25% of the balance of the fund, on the transfer to MyNorth Super.[[1209]](#footnote-1209) Ms Britt conceded that, in making this recommendation, there was no attempt by Mr E to compare the husband’s likely returns if he were to remain in his current funds with the likely returns from moving to MyNorth Super.[[1210]](#footnote-1210) Another consequence of the advice was that the wife would be required to pay a higher ongoing fee than she was required to pay to her existing superannuation fund.[[1211]](#footnote-1211)

Ms Britt acknowledged that Mr E’s advice was inappropriate,[[1212]](#footnote-1212) and that it resulted in financial detriment to the clients.[[1213]](#footnote-1213)

Mr E was first audited by AMP Financial Planning in September 2016, about two months before giving the advice to the married couple.[[1214]](#footnote-1214) He received a C rating for that audit, on a scale of A (the highest rating) to E (the lowest rating).[[1215]](#footnote-1215) Although the audit revealed deficiencies in Mr E’s advice of the same kind as affected the advice that he ultimately provided to the married couple, Ms Britt accepted that the remedial action that followed the audit   
did not prevent Mr E from continuing to provide inappropriate advice.[[1216]](#footnote-1216) Mr E was audited again in March 2017, and this time received an E rating.[[1217]](#footnote-1217) Following this audit, Mr E failed to comply with the required remedial actions.[[1218]](#footnote-1218)

Subsequently, Advice Governance (a body internal to AMP that provides advice and guidance on regulatory and compliance issues)[[1219]](#footnote-1219) recommended that Mr E’s personal authorisation be revoked and his agreement with AMP Financial Planning be terminated immediately.[[1220]](#footnote-1220) However, AMP Financial Planning did not support the recommendation to terminate the adviser.[[1221]](#footnote-1221) Ms Britt conceded that there was ‘certainly some discomfort’ around that decision.[[1222]](#footnote-1222) After a further review of Mr E’s files identified further inappropriate advice provided by Mr E, Mr E’s employer (an authorised representative of AMP Financial Planning) decided to terminate his employment.[[1223]](#footnote-1223) After this occurred, AMP Financial Planning revoked Mr E’s personal authorised representative status.[[1224]](#footnote-1224)

At the time that Ms Britt gave evidence, AMP Financial Planning had   
been aware of Mr E’s misconduct for over 12 months. Despite this, when   
Ms Britt gave evidence, AMP Financial Planning had not even contacted   
the clients who had been given the advice, let alone offered to remedy   
the consequences.[[1225]](#footnote-1225) Ms Britt acknowledged that it was not acceptable   
that these clients had not yet been told that they had received   
inappropriate advice.[[1226]](#footnote-1226)

#### 5.2.2 Ms Coleman

In February 2016, Ms Coleman gave financial advice to a de facto couple.[[1227]](#footnote-1227) The couple had recently had a child, and they were seeking insurance advice to ensure that their family would be secure in the event anything happened to either parent.[[1228]](#footnote-1228) Ms Coleman recommended that the male client replace each of his existing insurances (with a non-AMP insurer), with AMP insurance policies said to be cheaper by just less than $1,000 per annum.[[1229]](#footnote-1229) However, Ms Coleman’s advice:

• misquoted the insurance premiums – they were higher than the amounts stated in the advice;[[1230]](#footnote-1230)

• did not disclose that the premiums were going to be paid by way of withdrawals from the couples’ superannuation funds;[[1231]](#footnote-1231)

• did not disclose the exit fees that would apply to each withdrawal from the clients’ superannuation funds to pay the insurance premiums;[[1232]](#footnote-1232) and

• did not disclose that Ms Coleman may receive an activation payment (a commission) in respect of one of the products that she recommended.[[1233]](#footnote-1233)

Ms Britt accepted that Ms Coleman ‘got it wrong’,[[1234]](#footnote-1234) and, in particular, accepted that the clients had been misled by Ms Coleman about the amount of money it would cost to replace their existing insurance policies with the ones recommended by Ms Coleman.[[1235]](#footnote-1235)

Ms Britt accepted that Ms Coleman had not documented the scope of the advice, or the clients’ needs and circumstances.[[1236]](#footnote-1236) Ms Britt acknowledged that this meant it was not possible to determine whether the advice was in the best interests of the clients.[[1237]](#footnote-1237)

On 6 June 2016, Charter audited Ms Coleman.[[1238]](#footnote-1238) She received a D rating.[[1239]](#footnote-1239) This was Ms Coleman’s third consecutive D rating.[[1240]](#footnote-1240) Following this audit, the Issues Panel (a body internal to AMP that reviews adviser and practice issues)[[1241]](#footnote-1241) determined to revoke Ms Coleman’s authorisation.[[1242]](#footnote-1242) Ms Coleman’s corporate authority was terminated in June 2016,[[1243]](#footnote-1243) and Ms Coleman resigned from Charter in July 2016.[[1244]](#footnote-1244)

On 6 July 2016, the matter of Ms Coleman was passed to the AMP Review and Remediation program for review.[[1245]](#footnote-1245) At the time of Ms Britt’s evidence, almost two years had passed since the matter was referred. However, when Ms Britt gave evidence, none of Ms Coleman’s clients had been contacted by AMP about the advice they received from Ms Coleman, and none had been offered any compensation.[[1246]](#footnote-1246) Ms Britt agreed that, if the insurance policies were renewable annually, that, by the time she gave evidence, the couple would have missed their opportunity to elect not to renew the policies.[[1247]](#footnote-1247) Ms Britt also agreed that, if the policies were being renewed annually, it would be better for the clients to know about the inappropriate advice they received before renewal, so that they may be able to make decisions about whether or not to renew the policies.[[1248]](#footnote-1248) But none of this   
was possible when the clients had not been told that the advice given   
was inappropriate.

#### 5.2.3 Mr Palmer

Mr Palmer became an authorised representative of Genesys in   
May 2013.[[1249]](#footnote-1249) Before joining Genesys, Mr Palmer was an authorised representative of Australian Financial Services Pty Ltd, the same licensee as Mr Doyle in the ANZ case study. As already noted, ASIC had imposed restrictions on Australian Financial Services’ licence in 2011 as a result of misconduct by its advisers.[[1250]](#footnote-1250)

Mr Palmer had a significant and valuable client base that he was willing to transfer to Genesys – he indicated this to Genesys in his application form by recording that he had $30 million worth of funds under management.[[1251]](#footnote-1251)

Ms Britt accepted that the interview and appointment process of Genesys conducted with respect to Mr Palmer was deficient.[[1252]](#footnote-1252) Among other things, as discussed in more detail below, Mr Palmer had disclosed that he was not qualified to provide financial advice in relation to particular areas in which he said he intended to provide advice. Despite this, Mr Palmer was not required to submit any files for vetting until February 2014, approximately   
10 months after he commenced with Genesys.[[1253]](#footnote-1253) There was no audit of his files until July 2014, over 12 months after he started with Genesys.[[1254]](#footnote-1254)

In the July 2014 audit, Mr Palmer received an E rating,[[1255]](#footnote-1255) the lowest possible rating.[[1256]](#footnote-1256) In one of the files the subject of the audit, Mr Palmer had given advice to a couple who wanted to renovate their home. He advised the couple to establish an SMSF, roll over their superannuation into the fund, and purchase an investment property.[[1257]](#footnote-1257) The audit identified a number of problems with this advice, including that:[[1258]](#footnote-1258)

• there was no evidence of any assessment of the couple’s risk tolerance;

• the advice fell outside the scope of Mr Palmer’s accreditations (as he did not have SMSF or gearing accreditations); and

• Mr Palmer was providing advice that could be deemed property advice (again, an area of advice for which he was not qualified and for which he was not authorised).

The audit also identified that, when giving the advice to buy an investment property, Mr Palmer had a conflict of interest. Mr Palmer had a direct interest (60% ownership) in a property business, which acted as a buyer’s advocate, and to which he referred clients to assist with the purchase   
of properties.[[1259]](#footnote-1259)

Ms Britt accepted that Mr Palmer’s conduct could be interpreted as dishonest.[[1260]](#footnote-1260) Ms Britt also agreed that Mr Palmer’s case was an example where, had Genesys followed adequate procedures at the time or immediately after Mr Palmer was made an authorised representative of Genesys, it would have rung alarm bells.[[1261]](#footnote-1261)

Following the audit in July 2014, Mr Palmer’s matter was considered by the AMP Issues Panel, and a decision was made to terminate Mr Palmer. However, Mr Palmer resigned before he was terminated.[[1262]](#footnote-1262)

In October 2014, Mr Palmer moved to Dover Financial Advisers Pty Ltd.[[1263]](#footnote-1263) Ms Britt was not aware of any evidence that Dover requested a reference in relation to Mr Palmer, and had not seen anything to indicate that Genesys reached out to Dover to inform it of Mr Palmer’s conduct.[[1264]](#footnote-1264) In 2016 and 2017, ASIC conducted a review of Mr Palmer’s files at Dover and identified multiple breaches of the Corporations Act in connection with those files.[[1265]](#footnote-1265)

In October 2014, a member of the Issues Panel prepared a breach assessment in respect of Mr Palmer. The assessment was that Mr Palmer’s conduct did not constitute a breach reportable under Section 912D of the Corporations Act, and AMP did not resolve to report his conduct as a Serious Compliance Concern. Ms Britt accepted that the decision not to report Mr Palmer’s conduct as a Serious Compliance Concern was not   
‘a decision [she] would [make] today, based on everything [she] has   
seen’, particularly as he was later notified to ASIC as a Serious   
Compliance Concern.[[1266]](#footnote-1266)

In July 2015, in response to a request by ASIC for information about advisers in respect of whom Genesys had identified serious compliance concerns, Genesys reported Mr Palmer’s conduct to ASIC.[[1267]](#footnote-1267) The report was made 12 months after Mr Palmer had received the E rated audit.

Ms Britt accepted that Genesys’ process for conducting due diligence   
on Mr Palmer failed. She also accepted that Genesys failed to provide adequate training to Mr Palmer regarding the best interests duty and related obligations,[[1268]](#footnote-1268) and that Genesys’ process for ensuring that Mr Palmer only provide advice in areas for which he was accredited to provide advice   
had failed.[[1269]](#footnote-1269)

Since terminating Mr Palmer’s authorisation in September 2014, no client has received remediation for inappropriate advice given by Mr Palmer.[[1270]](#footnote-1270) Although AMP has commenced its review of Mr Palmer’s files, a number are still yet to be received and Ms Britt could not provide a date for when the assessment of those files will be complete.[[1271]](#footnote-1271) Ms Britt’s evidence was that AMP has not made any specific provision for compensation for any of Mr Palmer’s clients.[[1272]](#footnote-1272)

### 5.3 What the case study showed

#### 5.3.1 Mr E

Ms Britt accepted that the advice that Mr E gave to the married couple referred to above was inappropriate,[[1273]](#footnote-1273) and that it resulted in financial detriment to the clients.[[1274]](#footnote-1274) AMP acknowledged in its submissions to the Commission that Mr E’s conduct more generally had given rise to serious compliance concerns.[[1275]](#footnote-1275) I agree that the advice that Mr E gave to the married couple was inappropriate. It was not in their best interests and caused them detriment. In giving that advice, Mr E may have breached his obligation under Section 961B(1) of the Corporations Act to act in the best interests of his clients, and may have breached his obligation under Section 961G of the Corporations Act only to provide advice if it would be reasonable to conclude that the advice was appropriate to the clients. In   
its submissions in response to this case study, AMP accepted that it   
was open for the Commission to find that Mr E had breached his   
statutory obligations.[[1276]](#footnote-1276)

#### 5.3.2 AMP Financial Planning

At the time that Mr E gave the inappropriate advice referred to above, he was an authorised representative of AMP Financial Planning. AMP Financial Planning did not prevent Mr E providing the inappropriate advice.

AMP acknowledged this in its submissions in response to this case study.   
It also acknowledged that, with the benefit of hindsight, the remedial actions required of Mr E following the September 2016 audit did not appear to be adequate. However, AMP did not accept that the evidence in relation to   
Mr E provided a basis for finding that there was a systemic inadequacy   
in AMP Financial Planning’s systems that could amount to a breach of Sections 912A(1)(a), 912A(1)(ca), 912A(1)(h) or 961L of the   
Corporations Act.[[1277]](#footnote-1277)

Ms Britt gave evidence that audits are the principal method by which   
AMP ensures that appropriate advice is given by AMP’s authorised representatives.[[1278]](#footnote-1278)

One cause of Mr E providing the inappropriate advice he did was the inadequacy of the audit processes within AMP Financial Planning.

In particular, although an audit conducted two months before Mr E provided the inappropriate advice identified similar deficiencies in other advice provided by Mr E, Mr E received a C rating for that audit. Ms Britt accepted that the remedial action that AMP Financial Planning required Mr E to undertake following that audit did not prevent Mr E from continuing to provide inappropriate advice of that kind.[[1279]](#footnote-1279)

A review conducted by PwC in November 2017 of AMP’s advice control framework identified file audits and vetting as two high priority areas for improvement.[[1280]](#footnote-1280) In particular, PwC expressed concerns about inconsistencies between the audit scores reached by the AMP auditor and the audit scores reached by PwC.[[1281]](#footnote-1281) PwC’s conclusion was that the approach was very sensitive, and the difference between an A, B and C result could be quite subjective – in PwC’s words, ‘a small discrepancy in interpretation [could] lead to a vastly different audit outcome’.[[1282]](#footnote-1282)

PwC concluded that this was because auditors had a discretion to determine the materiality of different issues in an audit. That is, if a ‘High’ weighted issue – such as a failure to demonstrate compliance with the best interests obligation – was not regarded as material, this could result in the adviser receiving a substantially better grade than if the ‘High’ weighted issue was regarded as material.[[1283]](#footnote-1283) And this is what occurred in the case of the C rating that Mr E received in September 2016.[[1284]](#footnote-1284) The auditor decided that Mr E had failed to comply with the best interests duty but that the   
failure was not a material issue. Ms Britt said that she could not justify   
that decision.[[1285]](#footnote-1285)

As PwC observed, the file audit process is critical to AMP’s monitoring activity, and said that ‘if its consistency and quality varies, then it has the potential to undermine a significant portion of AMP’s monitoring and supervision activity’.[[1286]](#footnote-1286)

In Mr E’s case, AMP Financial Planning may not have done all things necessary to ensure that the financial services covered by its financial services licence were provided efficiently, honestly and fairly.

Although AMP submitted to the contrary, I consider that it is arguable that, by maintaining an audit system that had the characteristics identified by PwC, AMP Financial Planning failed to maintain adequate risk management systems, and failed to take reasonable steps to ensure that its representatives complied with financial services laws – in particular, Sections 961B and 961G of the Corporations Act.

AMP Financial Planning’s conduct in not contacting the couple who received advice from Mr E, despite forming the view that the advice was not appropriate, fell short of what the community would expect. To allow more than 12 months to elapse was not what the community would expect. To not even contact the clients before the matter was examined, when coupled with the already long delay in raising the matter with them shows little or no care or concern for the financial well-being of the clients.

#### 5.3.3 Ms Coleman

Ms Britt conceded that Ms Coleman misled the de facto couple referred to above about the amount of money it would cost to replace their existing insurance policies with the ones recommended by Ms Coleman.[[1287]](#footnote-1287) As already noted, Ms Britt acknowledged that, because Ms Coleman failed to document the scope of the advice, or the clients’ needs and circumstances, it was not possible to determine whether the advice was in the best interests of the clients.[[1288]](#footnote-1288) AMP accepted in its submissions to the Commission that Ms Coleman’s conduct more generally had given rise to serious compliance concerns.[[1289]](#footnote-1289) In its submissions in response to this case study, AMP accepted that it was open for the Commission to find that Ms Coleman had breached her statutory obligations.[[1290]](#footnote-1290)

In circumstances where Ms Coleman did not document the scope of the advice, or the clients’ needs and circumstances, misquoted insurance premiums, and failed to disclose a number of material matters, it is not possible to say on the evidence that the advice would have satisfied the ‘safe harbour’ requirements in Section 961B(2) of the Corporations Act prescribing steps that, if taken, will satisfy the best interests duty. It is troubling that one of the matters that Ms Coleman failed to disclose was that she would receive an activation payment, and it is also troubling to observe that the client was advised to terminate non-AMP policies and take out new AMP policies. However, it is not possible to say on the evidence that   
Ms Coleman did not act in the clients’ best interests.

It is enough to say that I consider that AMP was right to acknowledge that Ms Coleman’s conduct had given rise to serious compliance concerns. The events described in evidence may or may not be particular examples of those concerns.

#### 5.3.4 Charter

At the time that Ms Coleman gave the advice referred to above, she was an authorised representative of Charter. Charter did not prevent Ms Coleman from giving the advice described in evidence or engaging in the conduct that underpinned AMP’s giving notice of serious compliance concerns.

At the time that Ms Coleman provided the advice, the audit processes used by Charter were relevantly the same as those used by AMP Financial Planning, as described above. The conclusions that have been expressed about those processes apply equally to Charter and need not be repeated.

Further, I consider that Charter’s failure to remediate the de facto couple, or even to contact them about the advice that they received, despite having referred the matter to the AMP Review and Remediation program almost two years ago, amounts to conduct falling short of community standards and expectations. This is particularly so in circumstances where, if the insurance policies were renewable annually, the clients would now have missed their opportunity to elect not to renew the policies.

#### 5.3.5 Mr Palmer

Ms Britt accepted that there were several deficiencies in relation to the advice that Mr Palmer provided to the couple who wanted to renovate their home. She accepted that there was no evidence of Mr Palmer having assessed the clients’ risk tolerance,[[1291]](#footnote-1291) that Mr Palmer was not accredited to provide the advice that he gave to the couple,[[1292]](#footnote-1292) and that Mr Palmer had failed to disclose his conflict of interest in relation to the advice that he gave.[[1293]](#footnote-1293) She also accepted that Mr Palmer had engaged in similar conduct in respect of nine other clients.[[1294]](#footnote-1294)

AMP also acknowledged in its submissions to the Commission that   
Mr Palmer’s conduct more generally had given rise to serious compliance concerns.[[1295]](#footnote-1295) Further, in its submissions in response to this case study, AMP accepted that it was open for the Commission to find that Mr Palmer had breached his statutory obligations.[[1296]](#footnote-1296)

Mr Palmer submitted that no findings of misconduct should be made against him because the matters in question were investigated by ASIC in 2017.   
Mr Palmer said that, other than requiring remediation of four client files, ASIC took no further action following that investigation.[[1297]](#footnote-1297)

In circumstances where Mr Palmer did not assess the clients’ risk tolerance, failed to disclose his conflict of interest, and stood to benefit through his property business if the clients implemented the advice, it is not possible to say on the evidence that the advice would have satisfied the ‘safe harbour’ requirements in Section 961B(2) of the Corporations Act. Further, it is arguable that, in providing advice to these clients, Mr Palmer gave priority to his own interests, and the interests of his property business, over his clients’ interests. However, it is not possible to say on the evidence that Mr Palmer did not act in the clients’ best interests.

It is enough to say that I consider that AMP was right to acknowledge that Mr Palmer’s conduct had given rise to serious compliance concerns. The events described in evidence may or may not be particular examples of those concerns.

#### 5.3.6 Genesys

At the time that Mr Palmer gave the advice referred to above, he was an authorised representative of Genesys. Genesys did not prevent Mr Palmer from providing that advice, or other advice that it identified as having   
been inappropriate.

At the time that Mr Palmer provided the advice, the audit processes used   
by Genesys were relevantly the same as those used by AMP Financial Planning and Charter, as described above. The conclusions that have been expressed about those processes apply equally to Genesys and need not be repeated.

Further, Ms Britt accepted that the interview and appointment process that Genesys conducted in relation to Mr Palmer was deficient.[[1298]](#footnote-1298)

In particular:

• At the interview in December 2012, Mr Palmer disclosed that he did not hold the relevant qualifications for the services he was to carry out.[[1299]](#footnote-1299) He did not provide at interview, as later, a copy of his previous audit or the audit rating achieved.[[1300]](#footnote-1300) He disclosed that he was the subject of a complaint.[[1301]](#footnote-1301) Despite all this, the interviewer recommended that Mr Palmer ‘proceed to application stage’.[[1302]](#footnote-1302)

• In Mr Palmer’s authorised representative application form, in respect of the areas of advice that he wished to appear on his **Financial Services Guide** (FSG), Mr Palmer ticked most areas, including SMSFs.[[1303]](#footnote-1303) The form required that specialist qualifications accompany the application for this area of advice. Mr Palmer did not however provide any evidence of specialist qualifications.[[1304]](#footnote-1304) Indeed, he did not list any financial planning industry qualifications in his application form.[[1305]](#footnote-1305)

• Mr Britt accepted that it was inadequate to take Mr Palmer at his word on what his last audit rating was, and not to exercise greater care in circumstances where Mr Palmer was coming from Australian Financial Services Pty Ltd.[[1306]](#footnote-1306)

Despite the fact that Genesys was aware of these issues at the time   
Mr Palmer commenced as an authorised representative of Genesys, Mr Palmer was not required to submit any files for vetting until February 2014, approximately 10 months after he commenced with Genesys.[[1307]](#footnote-1307) There was no audit of his files until July 2014, over 12 months after he started with Genesys.[[1308]](#footnote-1308)

In its submissions in response to this case study, AMP accepted that: there were errors in the way in which Mr Palmer was accepted as an authorised representative of Genesys; as a result of these errors, Genesys was unaware that Mr Palmer may have provided inappropriate advice before joining Genesys, and that he was not accredited to provide SMSF advice; following Mr Palmer’s acceptance as a Genesys adviser, he was erroneously not required to undertake mandatory training in the best interests duty; and, when Mr Palmer failed to submit information for vetting, this was not followed up as it should have been.[[1309]](#footnote-1309)

Although AMP accepted that these failings were serious, it submitted   
that they were not systemic or representative of the normal operation of Genesys’ systems and processes at the time. On this basis, AMP   
submitted that there was no basis to find that Genesys breached its statutory obligations.[[1310]](#footnote-1310)

The fact remains that the failings identified above occurred, and Genesys’ systems and processes did not prevent them. By allowing Mr Palmer to provide advice about self-managed superannuation without the necessary accreditation, at least in his case, Genesys failed to ensure that its representatives were adequately trained to provide the financial services under its licence. Further, by maintaining a recruitment system that had the deficiencies identified in relation to Mr Palmer’s recruitment, it is arguable that Genesys may have breached its general obligation under Section 912A(1)(f) of the Corporations Act to ensure that its representatives are adequately trained, and are competent, to provide the financial services under its licence.

Further, I consider that Genesys’ failure to finish reviewing Mr Palmer’s client files, or make any specific provision for compensation for any of his clients – despite having terminated Mr Palmer’s authorisation in September 2014 – is conduct that falls short of community standards and expectations. In its submissions in response to this case study, AMP acknowledged that there had been an unacceptable delay in identifying and remediating clients who have suffered financial loss as a result of inappropriate advice, and accepted that it was open to the Commission to find that this amounted to conduct falling short of community standards and expectations.[[1311]](#footnote-1311)

### 5.4 Causes of the conduct

As explained above, one of the causes of the inappropriate or deficient advice given by Mr E was the issues with the audit processes within   
AMP’s licensees.

Further, as also explained above, one of the causes of the inappropriate or deficient advice given by Mr Palmer was the issues with Genesys’ recruitment processes in relation to Mr Palmer.

### 5.5 Effectiveness of mechanisms for response and redress

AMP and its licensees did not respond adequately to the detriment suffered by the clients of the advisers considered in this case study.

As noted earlier, AMP and its licensees have not remediated any of the clients considered in this case study:

• In the case of Mr E, at the time of Ms Britt’s evidence, AMP Financial Planning has been aware of the conduct for over 12 months, yet no notification has been given to them of the inappropriate advice, and no remediation of the clients has occurred.

• For Ms Coleman’s clients who received inappropriate advice, almost two years have passed with no contact, or remediation, from Charter about this conduct.

• For Mr Palmer’s clients, nearly four years have passed since Genesys became aware of the inappropriate advice that potentially required customer remediation, and no client has yet received remediation for his conduct. AMP offered Mr Palmer’s clients who were the subject of this case study a review of their advice, but did not explain to the clients that they may be entitled to compensation.[[1312]](#footnote-1312)

Ms Britt gave evidence that the remediation program of AMP was moving very slowly. She attributed this to the size and scale of the remediation program at AMP, and the complexity of some of the remediation issues.[[1313]](#footnote-1313) Ms Britt was able to say that AMP had completed the remediation of   
14 adviser books, but was unable to give any specific information about   
how many further clients were in the pool, yet to be remediated or contacted about the possible inappropriate advice of which they had been the victim.[[1314]](#footnote-1314) Essentially, as Ms Britt put it, AMP had ‘underestimated’ the size of the task.[[1315]](#footnote-1315)

As noted above, in its submissions in response to this case study, AMP acknowledged that there had been an unacceptable delay in identifying   
and remediating clients who have suffered financial loss as a result   
of inappropriate advice.[[1316]](#footnote-1316) AMP was right to describe the delay   
as ‘unacceptable’.

## 6 Bad advice: NAB

### 6.1 Background

The Commission heard evidence about the incorrect witnessing of binding beneficiary nomination forms by financial advisers at NAB. One witness gave evidence in relation to this matter: Mr Andrew Hagger, the Chief Customer Officer in the Consumer Banking and Wealth Management Division at NAB.

### 6.2 Evidence

The incorrect witnessing of beneficiary nomination forms by financial advisers at NAB was first identified as an issue in connection with the conduct of one particular financial adviser, Mr Bradley Meyn.

On 10 April 2018, before the second round of the Commission’s hearings began, the Commission spoke with Mr Meyn and notified him that his conduct may be the subject of a case study to be heard by the Commission. On the same day, the Commission sent Mr Meyn a copy of Mr Hagger’s statement. Mr Meyn did not seek leave to appear at the hearings and did not provide submissions.

In 2016, Mr Meyn met with two customers, who agreed that Mr Meyn   
would provide them with advice in relation to their superannuation and insurance.[[1317]](#footnote-1317) Mr Meyn presented the customers with a statement of advice,[[1318]](#footnote-1318) including a recommendation to reduce their level of life insurance cover to $200,000, and switch to paying the premiums for that cover through their superannuation.[[1319]](#footnote-1319)

The customers completed insurance application forms.[[1320]](#footnote-1320) In those forms, they chose to make non-lapsing binding death benefit nominations, each nominating the other as the beneficiary under the life insurance policy.[[1321]](#footnote-1321) However, the customers did not fill in the space in the form identifying   
the portion of the benefit that the other should receive.[[1322]](#footnote-1322) Although the   
form required that the customers’ signatures on the binding nomination   
be witnessed by two people, only Mr Meyn witnessed the   
customers’ signatures.[[1323]](#footnote-1323)

Subsequently, Mr Meyn’s client service officer noticed that the forms had not been witnessed by the required second witness. Even though the client service officer was not present at the time the customers signed the forms, Mr Meyn asked her to witness their signatures, which she did. She also noticed that the customers had not completed the percentage of benefit in relation to their nominations.[[1324]](#footnote-1324) Mr Meyn completed this figure himself, and wrote the clients’ initials against the information he added (in fact he wrote the husband’s initials on the wife’s form and vice versa).[[1325]](#footnote-1325)

The failure to comply with the witnessing requirements for a non-lapsing binding death nomination created the potential for the beneficiary nomination form to be treated as invalid, and opened up the possibility   
that the trustee would allocate funds differently to the wishes expressed   
by the client.[[1326]](#footnote-1326)

The following month, during a routine compliance check of Mr Meyn’s files,[[1327]](#footnote-1327) a Regional Wealth Executive noticed the irregularity in the initialling on the forms.[[1328]](#footnote-1328) Mr Meyn admitted to initialling the forms himself and to asking the client service officer to witness the forms even though she was not present when they were signed.[[1329]](#footnote-1329) NAB suspended Mr Meyn, and later it terminated his employment. [[1330]](#footnote-1330)

In January 2017, NAB’s Breach Review Committee considered Mr Meyn’s conduct. It determined that his conduct did not fit the Serious Compliance Concern criteria, and did not report him to ASIC at this time.[[1331]](#footnote-1331) Mr Hagger said that he thought this decision was wrong, and accepted that NAB should have reported Mr Meyn’s conduct to ASIC as a Serious Compliance Concern at this time.[[1332]](#footnote-1332) NAB did not report Mr Meyn’s conduct to the Financial Planning Association of Australia (FPA).[[1333]](#footnote-1333)

Between February and May 2017, NAB identified other financial advisers who had been involved in incorrectly witnessing beneficiary nomination forms.[[1334]](#footnote-1334)

On 23 May 2017, a memorandum was prepared for NAB’s Breach Review Committee.[[1335]](#footnote-1335) The memorandum recorded that NAB employees believed that incorrect witnessing of beneficiary nomination forms was ‘common practice’ and that employees ‘did not understand the seriousness of their actions’.[[1336]](#footnote-1336) Mr Hagger said that the incorrect witnessing of beneficiary nomination forms had become a ‘social norm’ within NAB.[[1337]](#footnote-1337) He accepted that such behaviour was evidence of a failure of discipline and a failure of culture at NAB.[[1338]](#footnote-1338) He did not accept that it was a failure of education because, in his view, the requirement to have two witnesses was very clear from the beneficiary nomination form.[[1339]](#footnote-1339) However, he acknowledged that the conduct of the advisers – including disobeying a clear instruction on the face of the form – was very serious.[[1340]](#footnote-1340)

On 31 May 2017, NAB’s Breach Review Committee decided that the incorrect witnessing of beneficiary nomination forms represented a significant breach and was therefore reportable to ASIC.[[1341]](#footnote-1341) On 5 June 2017, about six months after it had terminated Mr Meyn’s employment, NAB included Mr Meyn in a list that it gave to ASIC naming advisers about   
whom there were compliance concerns.[[1342]](#footnote-1342) Mr Hagger said that NAB made   
a wrong judgment in not reporting Mr Meyn’s conduct to ASIC earlier.[[1343]](#footnote-1343)

On 15 June 2017, NAB lodged a significant breach notification with ASIC   
in relation to the issue of invalid binding nomination witnessing, on the basis that there had been a breach or likely breach of NAB’s obligations under Sections 912A(1)(a) and 1041H of the Corporations Act and Section 12DA of the ASIC Act.[[1344]](#footnote-1344) By this time, NAB had identified 325 staff who were involved in incorrectly witnessing beneficiary nomination forms, 204 of whom were financial advisers employed by NAB. Mr Hagger accepted that, by issuing a notification under Section 912D, NAB had acknowledged that the conduct in relation to beneficiary nomination forms was at least partly attributable to failings by NAB.[[1345]](#footnote-1345)

In March 2018, NAB provided a further update to ASIC about this matter.   
By that time, NAB had identified that 2,520 clients were affected by invalid binding nomination witnessing.[[1346]](#footnote-1346)

Mr Hagger gave evidence about the steps that NAB then took to   
obtain re-execution of forms, thus ensuring that the incorrect witnessing   
of beneficiary nomination forms did not affect clients’ estate   
planning wishes.[[1347]](#footnote-1347)

Mr Hagger also gave evidence about the consequences that have been imposed on financial advisers and their managers at NAB as a result of this conduct. Financial advisers who self-reported having been involved in incorrect witnessing received an irreversible Amber Conduct Gate, which reduced their short term incentive payment for one year by 25%.[[1348]](#footnote-1348) Managers in NAB’s financial advice business also had their bonuses reduced as a result of the incorrect witnessing of beneficiary nomination forms.[[1349]](#footnote-1349) There were different reductions for managers at different levels   
of seniority, from the Regional Wealth Executives who directly managed financial advisers, to more senior members of the leadership team in NAB’s financial advice business, to Mr Hagger himself.[[1350]](#footnote-1350) Those who were involved in the issue had somewhere between 20% and 100% of their bonuses reduced for the year.[[1351]](#footnote-1351)

### 6.3 What the case study showed

NAB terminated Mr Meyn’s employment on the basis that he had falsified details on the beneficiary nomination forms for two clients, had forged those clients’ initials in an attempt to represent that the clients had considered and approved the amendments, had failed to have the beneficiary nomination forms correctly witnessed, and had requested a colleague to sign the forms as a witness despite acknowledging that she was not present when the clients signed the forms.[[1352]](#footnote-1352) Mr Hagger did not dispute that Mr Meyn engaged in that conduct, and I accept that it occurred.

In its notification to ASIC under Section 912D of the Corporations Act concerning the incorrect witnessing of beneficiary nomination forms at NAB, NAB indicated that there had been a breach or likely breach of Sections 912A(1)(a) and 1041H of the Corporations Act and Section 12DA of the ASIC Act.[[1353]](#footnote-1353) As noted above, Mr Hagger accepted that the widespread incorrect witnessing of beneficiary nomination forms represented a failure   
of discipline and failure of culture at NAB.[[1354]](#footnote-1354) Further, NAB acknowledged   
in its submissions to the Commission in January 2018 that the incorrect witnessing of beneficiary nomination forms might have amounted   
to misconduct.[[1355]](#footnote-1355)

In its submissions in response to this case study, NAB said that it did not necessarily follow from the fact that NAB had made a notification under Section 912D that NAB had in fact breached its obligations under Section 912A(1)(a) or Section 912A(1)(ca).[[1356]](#footnote-1356) Although it said that it did not seek   
to resile from the position that the beneficiary nomination event ‘raised concerns’ about the adequacy of its supervision and monitoring process,[[1357]](#footnote-1357) NAB said that the principal reason that the issue remained undetected for   
a period of time was that the conduct was difficult to detect.[[1358]](#footnote-1358)

The fact that over 200 financial advisers engaged in the incorrect witnessing of beneficiary nomination forms, coupled with the fact that advisers described the incorrect witnessing of such forms as ‘common practice’, points towards NAB not having done all things necessary to ensure that the financial services covered by its licence were provided efficiently, honestly and fairly. It also indicates that it is at least arguable that NAB did not take reasonable steps to ensure that its representatives complied with the financial services laws – in particular, Section 1041H or the Corporations Act and Section 12DA of the ASIC Act.

### 6.4 Causes of the conduct

NAB recognised that the widespread incorrect witnessing of beneficiary nomination forms within its financial advice business was attributable to   
the internal culture of the financial advice business. As discussed above,   
Mr Hagger described the incorrect witnessing of beneficiary nomination forms as having become a ‘social norm’ within NAB.[[1359]](#footnote-1359) He accepted that such behaviour was evidence of a failure of discipline and a failure of culture at NAB.[[1360]](#footnote-1360) It was at least partly in recognition of this failure of culture that NAB took steps to impose consequences on the leaders of the financial advice business, who were responsible for that culture.

In its submissions in response to this case study, NAB submitted that these matters do not provide a sufficient evidentiary basis on which a finding could be made about a broader culture within NAB’s advice business.[[1361]](#footnote-1361)

In November 2015, NAB received a report of a review it had commissioned from ThreeSixty Research (a part of NAB that does research into products). The review looked at conflicts of interest within ThreeSixty Research and conflicts between ThreeSixty Research and its internal stakeholders.[[1362]](#footnote-1362)   
The review also examined the culture of each of the organisations with which ThreeSixty dealt. The reviewer found that there was a ‘widespread absence of knowledge of [NAB’s] Code of Conduct and expected behaviour standards’. The report also noted that ‘[t]here is a prevailing assumption that employees are driven by their own sense of what is right and wrong rather than being driven by how the organisation has defined appropriate conduct’.[[1363]](#footnote-1363) Mr Hagger gave evidence that he was not provided this report in 2015[[1364]](#footnote-1364) and had only recently become aware of its existence.[[1365]](#footnote-1365) Mr Hagger agreed that, in understanding the culture of an organisation, it is relevant to know whether the organisation positively shows its employees how commonly accepted standards apply and are to be given effect in commonly encountered circumstances, particularly in a context where the employees are engaged to give advice to third parties.[[1366]](#footnote-1366)

Although the incorrect witnessing of beneficiary nomination forms was first identified in connection with one adviser, it later became clear that the practice of incorrectly witnessing such forms was widespread in NAB’s financial advice business. Many employees explained that they engaged   
in the practice of incorrectly witnessing beneficiary nomination forms   
– or asked others to do so – because they believed that it was   
‘common practice’.

A culture of non-compliance can develop even though what is required   
is obvious. What is revealed is that culture depends on showing that compliance always matters. There are no short cuts.

## 7 Bad advice: Henderson Maxwell

### 7.1 Background

The Commission heard evidence about the financial advice that Ms Donna McKenna received from Henderson Maxwell, and Ms McKenna’s subsequent complaint to the FPA. Three witnesses gave evidence in relation to these matters: Ms Donna McKenna, who received financial advice from Henderson Maxwell in 2016; Mr Sam Henderson, who at the time he gave evidence was the Chief Executive Officer of Henderson Maxwell, and had provided the advice to Ms McKenna; and Mr Dante   
De Gori, the Chief Executive Officer of the Financial Planning Association   
of Australia.

### 7.2 Evidence

In late 2016, Ms McKenna approached Henderson Maxwell for financial advice. She had seen Mr Henderson on television and had read articles he had written in publications.[[1367]](#footnote-1367) Ms McKenna told Mr Henderson that she was seeking advice about her superannuation contributions ahead of the changes in taxation laws that were to take effect on 1 July 2017. She also sought advice about potentially buying property.[[1368]](#footnote-1368)

In November 2016, Ms McKenna met with Mr Henderson and provided him with details about her financial situation, including details about her State Authorities Superannuation Scheme (SASS) account.[[1369]](#footnote-1369) At that meeting,   
Mr Henderson asked Ms McKenna whether she would be interested in establishing an SMSF. Ms McKenna said that she told Mr Henderson that she had no interest in establishing such a fund,[[1370]](#footnote-1370) but that Mr Henderson persisted in promoting the benefits of SMSFs.[[1371]](#footnote-1371)

Following the meeting, one of Mr Henderson’s employees telephoned   
Ms McKenna’s superannuation fund to confirm the details of her accounts. The Commission heard an edited audio recording of that conversation in which Mr Henderson’s employee impersonated Ms McKenna while speaking with SASS. The SASS representative explained that, if   
Ms McKenna were to access the funds in her SASS account earlier than age 58, she would be entitled to about $500,000 less than if she were to wait until age 58 and be permanently retired.[[1372]](#footnote-1372) Mr Henderson’s employee impersonated Ms McKenna in several other telephone calls to superannuation funds.[[1373]](#footnote-1373)

Mr Henderson did not conduct any other research into superannuation funds for Ms McKenna and did not conduct any research into whether managed accounts other than the Henderson Maxwell managed account might be more suitable in Ms McKenna’s particular circumstances.[[1374]](#footnote-1374)

In December 2016, Mr Henderson presented Ms McKenna with a statement of advice.[[1375]](#footnote-1375) Mr Henderson recommended that Ms McKenna establish a SMSF, roll over her superannuation into the fund, and set up a Henderson Maxwell managed account.[[1376]](#footnote-1376) Had Ms McKenna implemented this advice, she would immediately have forfeited her entitlement to around $500,000   
in her SASS account.[[1377]](#footnote-1377) Ms McKenna described the advice as ‘risible’.[[1378]](#footnote-1378)

For this advice, Mr Henderson charged a plan preparation fee of $4,950. Had the plan been implemented, he would have charged an establishment fee to set up the Henderson Maxwell managed account of $1,980, brokerage fees of $4,105 and an ongoing fee of $14,642 for investment management services.[[1379]](#footnote-1379) The fee for investment management services was materially higher than the fees Ms McKenna was paying on her existing superannuation accounts. [[1380]](#footnote-1380)

Ms McKenna met with Mr Henderson again in January 2017.[[1381]](#footnote-1381)   
Ms McKenna said that, at this meeting, Mr Henderson accepted that his advice would have caused Ms McKenna to lose about $500,000.[[1382]](#footnote-1382) However, Mr Henderson claimed the statement of advice was only a draft, and told Ms McKenna she could still implement the advice when she turned 58.[[1383]](#footnote-1383) Mr Henderson offered Ms McKenna a refund of her advice fees.[[1384]](#footnote-1384)

Ms McKenna made a complaint about Mr Henderson to the FPA.[[1385]](#footnote-1385) In responding to this complaint, Mr Henderson described Ms McKenna as aggressive and nit-picking.[[1386]](#footnote-1386) While the complaint was being investigated, Mr Henderson contacted Mr de Gori saying he was very disappointed with the process and the FPA’s treatment of members. Mr Henderson described the complaint as ‘a seemingly minor matter’.[[1387]](#footnote-1387)

In October 2017, the FPA’s investigating officer concluded that that   
Mr Henderson had a case to answer in relation to a number of breaches of the FPA Code of Ethics and Practice Standards.[[1388]](#footnote-1388) The investigating officer said, among other things:[[1389]](#footnote-1389)

In all the circumstances I contend there is a strong and reasonable inference that the Member’s conduct stemmed from a lack of objectivity or a conscious decision to place his own interests before those of the client, when the client trusted otherwise. It is not apparent that the Member would not have made the same recommendations, if not for his conflicts.   
It is not apparent that the Member based all judgements on the Complainant’s relevant circumstances.

Mr Henderson provided a response to the investigating officer’s report.[[1390]](#footnote-1390) Despite asking for his response, Ms McKenna was not provided with the document, or given an opportunity to be heard in connection with the disciplinary proceedings.[[1391]](#footnote-1391)

In November 2017, the FPA commenced disciplinary proceedings against Mr Henderson.[[1392]](#footnote-1392) Following a negotiation, Mr Henderson agreed to accept a number of findings, including that he had failed to take due care in delivering professional services, failed to consider whether Ms McKenna’s current superannuation strategy could have reasonably met her objectives, needs and priorities, and failed to identify why the Henderson Maxwell managed account service was suitable for Ms McKenna.[[1393]](#footnote-1393) Mr Henderson also agreed to a series of sanctions on the basis that the FPA would not publish his name in connection with the disciplinary proceedings.[[1394]](#footnote-1394)

In March 2018, that negotiated agreement was submitted to the Conduct Review Commission, the independent disciplinary body connected with   
the FPA.[[1395]](#footnote-1395) The Chair of the Conduct Review Commission proposed an additional sanction that Mr Henderson not be permitted to engage in public media appearances for 12 months.[[1396]](#footnote-1396) Mr Henderson asked for some modification to that sanction and later resiled from his previous acceptance of the proposed findings against him.[[1397]](#footnote-1397) Instead, he proposed that the Conduct Review Commission would not make any findings against him, and that the matter would be summarily disposed of ‘on the basis that the FPA expresses concerns regarding Mr Henderson’s conduct and that he acknowledges those concerns and agrees to certain sanctions’.[[1398]](#footnote-1398)

At the time of Mr Henderson’s evidence, there had not been a   
formal resolution to Ms McKenna’s complaint in the Conduct   
Review Commission.[[1399]](#footnote-1399)

### 7.3 What the case study showed

Mr Henderson provided financial advice to Ms McKenna that, if implemented, would have caused Ms McKenna immediately to forfeit her entitlement to approximately $500,000. For that reason alone, the advice was not in Ms McKenna’s best interests. Mr Henderson acknowledged this in his oral evidence.[[1400]](#footnote-1400)

In addition, Mr Henderson recommended that Ms McKenna invest in a Henderson Maxwell managed account. That product had significantly higher fees than Ms McKenna’s existing superannuation accounts, and Mr Henderson did not conduct any adequate research to determine whether any benefits associated with the Henderson Maxwell managed account would have justified that increase in fees. Mr Henderson did not seek to explain why that product was otherwise suitable for Ms McKenna.

Further, although one of the main reasons that Ms McKenna came to   
Mr Henderson for financial advice was to find out about changes she could make to the contributions to her current superannuation account,   
Mr Henderson did not provide Ms McKenna with advice about this.   
He acknowledged that he ‘probably’ should have done so.[[1401]](#footnote-1401)

In his submissions in response to this case study, Mr Henderson submitted that he had satisfied the ‘safe harbour’ requirements in Section 961B(2) in relation to the advice that he gave to Ms McKenna.[[1402]](#footnote-1402) Despite having acknowledged in oral evidence that the statement of advice was presented to Ms McKenna as his recommendations,[[1403]](#footnote-1403) Mr Henderson submitted that the statement of advice was not ‘advice’, because it was a ‘draft’ and had not been signed by Ms McKenna.[[1404]](#footnote-1404)

I do not accept those submissions. In particular, I do not accept that a financial adviser can avoid responsibility for defective advice by claiming that the advice is a ‘draft’. A financial adviser has an obligation to exercise due care and skill in the preparation of advice. A customer is entitled to expect that, when he or she is presented with a statement of advice that is ready to be signed, the statement of advice will contain the advice prepared by the adviser. The statement of advice that Mr Henderson presented to   
Ms McKenna on 14 December 2016 represented the advice that he intended to give to her. For the reasons given above, that advice was not   
in Ms McKenna’s best interests, and was not appropriate to Ms McKenna.

If Ms McKenna had implemented Mr Henderson’s advice, Mr Henderson would have benefited from it. Not only would his company, Henderson Maxwell, have received up-front fees of almost $7,000 and brokerage of over $4,000, it would have received ongoing investment management fees of over $14,000 per annum. Further, if Ms McKenna had elected to use the services of Henderson Maxwell Accounting Pty Ltd to open an SMSF, that company would also have received fees for providing that service.[[1405]](#footnote-1405)

Mr Henderson’s recommendations to Ms McKenna if accepted, would have increased the fees payable to his companies. The investigating officer of the FPA concluded that there was a strong and reasonable inference that   
Mr Henderson’s conduct stemmed from a lack of objectivity or from a conscious decision to prefer his own interests to those of the client. Whether consciously or carelessly, Mr Henderson’s advice did prefer his interests to those of the client.

It follows from the above that Mr Henderson may have breached his obligation under Section 961B(1) of the Corporations Act to act in the best interests of Ms McKenna in relation to the advice that he gave her, and his obligation under Section 961G of the Corporations Act only to provide advice to Ms McKenna if it would be reasonable to conclude that the advice was appropriate to her. Mr Henderson may also have breached his obligation under Section 961J(1) of the Corporations Act to give priority to Ms McKenna’s interests over his own interests and the interests of Henderson Maxwell.

The Commission received in evidence a FSG issued by Henderson Maxwell, dated 20 January 2016.[[1406]](#footnote-1406) The FSG stated, among other things, that Mr Henderson had a Masters of Commerce.[[1407]](#footnote-1407) However, Mr Henderson accepted that he did not have a Masters of Commerce at that time, and   
that the FSG was inaccurate.[[1408]](#footnote-1408) Henderson Maxwell may have committed an offence under Section 952E(1) of the Corporations Act, by giving a defective FSG.

Henderson Maxwell’s conduct fell short of community standards and expectations in another important respect.

Mr Henderson accepted that an employee of Henderson Maxwell had made a number of telephone calls to Ms McKenna’s superannuation funds, in which the employee impersonated Ms McKenna.[[1409]](#footnote-1409) He accepted that the conduct was ‘inexcusable’, and ‘most definitely the wrong thing to do’, and that the employee engaged in that conduct ‘under [his] responsibility’.[[1410]](#footnote-1410)   
It is unacceptable for an employee of a **financial services entity** to impersonate a client in a telephone call. As Mr Henderson accepted in his oral evidence[[1411]](#footnote-1411) (albeit not in his submissions in response to this case study), the employer, Henderson Maxwell, must take responsibility for these actions of its employee.

Contrary to Mr Henderson’s submissions in response to this case study, Mr Henderson’s conduct in response to the complaint made against him to the FPA, in particular his failure to provide adequate assistance to the FPA with its investigation, and his personal criticisms of Ms McKenna, also fell below community standards and expectations. Mr Henderson rightly accepted in his oral evidence that it was not constructive for him to respond to the FPA in that way, and that it was unfair.[[1412]](#footnote-1412)

In June 2018 it was announced that Mr Henderson would leave the financial advice industry. At that time Henderson Maxwell merged operations with another business owned by AZ NGA, Pride Advice.

## 8 Bad advice: Dover

### 8.1 Background

The final case study in the second round of hearings concerned Dover Financial Advisers Pty Ltd (Dover). Dover has more than 400 authorised representatives, making it one of the largest licensees in Australia. Dover’s head office is in Cheltenham in Melbourne. It also has an office in Vietnam.

The Commission heard evidence from Terrence McMaster, the sole owner and one of three responsible managers of Dover Financial Advisers Pty Ltd. Mr McMaster collapsed during cross-examination. His evidence must be understood in that light.

Senior Counsel Assisting’s closing submissions focused upon Dover’s conduct in two respects: first, in respect of the recruitment of new   
authorised representatives; second: in respect of dealing with client complaints and with its liability or potential liability to the clients of authorised representatives.

### 8.2 Evidence

#### 8.2.1 Conduct in respect of recruitment

In cross-examination, Mr McMaster was asked about three cases in which Dover had authorised persons as its representative without having first made contact with the licensee for whom the person had previously worked.

The first relevant authorised representative was Adam Palmer who, as noted earlier, had previously worked as an authorised representative of Genesys. Mr Palmer first made contact with Dover before 25 September 2014, the day on which he gave notice to Genesys of his intention to move to Dover.[[1413]](#footnote-1413) Mr Palmer forwarded that email to Dover within a minute of sending the email to Genesys. The irresistible inference is that Mr Palmer had been told before that day that Dover would accept his application.   
Two weeks later, on 14 October 2014, Mr Palmer completed a reference checking form in which he disclosed that his files were the subject of an audit by Genesys.[[1414]](#footnote-1414) Mr McMaster’s evidence was that before that date   
Mr Palmer had disclosed to Dover that he was also under investigation for matters connected with direct property investment, and that Dover had determined this would not present a problem provided those matters were disclosed in Mr Palmer’s FSG and conflict register.[[1415]](#footnote-1415) Notwithstanding   
Mr Palmer’s written and oral disclosures, Dover sought no reference check from Genesys until 26 December 2014, two months after the date that   
Mr Palmer was authorised by Dover and three months after Mr Palmer had been told that he would be authorised by Dover.[[1416]](#footnote-1416)

The second relevant authorised representative was Julie Hamilton.   
Ms Hamilton was advised by Mr McMaster that she could become an authorised representative of Dover within two hours of her advising   
Mr McMaster that her current licensee, Financial Wisdom, intended to report her to ASIC for a ‘significant breach’. Mr McMaster’s response was ‘I am not unduly troubled by this’. He said that ‘it could not have happened at Dover because we read over every SoA [statement of advice] twice, and we would have picked up any compliance concerns early in the piece’. He offered for Dover to take Ms Hamilton on as an authorised representative ‘with immediate effect’.[[1417]](#footnote-1417)

The third relevant authorised representative was Koresh Houghton.   
Mr Houghton had advised Dover that Financial Wisdom had concerns   
about advice he had provided while an authorised representative.[[1418]](#footnote-1418) Dover appointed Mr Houghton as a representative on 22 January 2015.[[1419]](#footnote-1419) Dover first contacted Financial Wisdom by letter on 10 February 2015.[[1420]](#footnote-1420)

Both Ms Hamilton and Mr Houghton were subsequently the subject of banning orders by ASIC, in Ms Hamilton’s case for three years[[1421]](#footnote-1421) and   
in Mr Houghton’s case, permanently.[[1422]](#footnote-1422) The banning orders related to conduct engaged in before she or he became an authorised representative of Dover. It follows that the disclosures made by Ms Hamilton and   
Mr Houghton to Dover about ‘compliance’ concerns were of matters that proved to be very serious.

The circumstances of the recruitment of each of the three authorised representatives I have mentioned demonstrates that while Dover had policies in place in respect of the recruitment and engagement of authorised representatives, the rationale for those policies was to attempt to meet the expectations of ASIC; they did not represent an opinion within Dover   
that proper background checking was important to any particular   
recruitment decision.[[1423]](#footnote-1423)

In each case, circumstances had been disclosed to Dover that would cause a reasonable licensee, acting properly, to take further steps before deciding to authorise the person. Dover’s failure to undertake further investigations before authorising the representatives demonstrated, at the least, a lack of care and an insufficiently cautious view of the importance of authorised representatives being capable of discharging their duties professionally   
and ethically.

#### 8.2.2 Conduct in respect of liability to and complaints by clients

Mr McMaster was also asked about Dover’s practices and conduct in respect of liability to and complaints by clients.

Two pieces of evidence in particular suggested an attitude of Mr McMaster, and consequently a culture within Dover, that paid insufficient regard to the interests of clients in obtaining meaningful redress for poor advice.

The first was a letter sent by FOS to ASIC in which FOS pointed to potential serious misconduct by Dover in the handling of a consumer complaint and possible systemic issues in Dover’s provision of financial services ‘efficiently, honestly and fairly’.[[1424]](#footnote-1424)

The misconduct identified by FOS arose in this way. A former client of   
a Dover authorised representative complained to FOS about the advice provided by the authorised representative. The client claimed that the advice provided was inappropriate. During the course of the dispute Dover, in a letter addressed to the applicant, said that making false complaints about financial advisers can give rise to an action in defamation and similar proceedings. It was also alleged that contrary to the rules governing the handling of complaints to FOS, Dover had issued correspondence to a third party identifying details of the dispute. FOS further alleged that Dover addressed a letter to Centrelink identifying the applicant and the third party making allegations of fraud. Issues about the correspondence to third parties not having been fully explored with Mr McMaster, I make no finding about them.

Mr McMaster did agree, however, that he had drafted and signed the   
letter alluding to defamation proceedings.[[1425]](#footnote-1425) He conceded that in so   
doing he acted contrary to FOS’s terms of reference as interpreted by its operative guidelines. He further conceded that it was an ‘error’ to draft and sign the letter.[[1426]](#footnote-1426)

The second matter bearing upon Dover’s practices and conduct that is relevant to liability to and complaints by clients is the Dover Client Protection Policy.[[1427]](#footnote-1427) That policy was in place until April 2018. By the policy, Dover sought to erect an elaborate web of contractual exclusions of liability for the conduct of its authorised representatives.

It is necessary to mention two provisions of the Corporations Act before coming to the terms of the policy. The first is Section 917B, which provides that a licensee is responsible, as between the licensee and the client, for the conduct of the licensee’s authorised representatives, whether or not that conduct is within authority.

The second is Section 917D, which provides that, in specified circumstances, a licensee is not liable for the conduct of their representative. The circumstances are: if the conduct is not within the authorised representative’s authority, that fact is disclosed by the authorised representative to the client before the client relies on the conduct, and that the clarity and prominence of the disclosure is such as a person would reasonably require for the purpose of deciding whether to acquire the financial advice.

Dover’s Client Protection Policy began by stating that the document ‘sets out a number of important client protections designed to ensure every Dover client gets the best possible advice and the maximum protection available under the law.’ A significant number of the operative clauses of the policy stood in direct opposition to that statement. By way of illustration only, Clause 1.3 stated that:

Under the Corporations Act, Dover is not responsible for anything done   
by your adviser which is not within the authority provided by Dover in these circumstances.

Clause 1.4 provided that:

Your adviser is only authorised to provide advice that complies with the Corporations Act and the related regulations and regulatory guidelines. Your adviser cannot provide advice or do anything else which breaches   
a law or an ASIC regulation …

Clause 1.5 then set out a large number of matters not included within the authority of Dover’s authorised representatives. That list included failing to adequately research a recommended financial product, failing to consider the client’s circumstances when recommending a financial product or service, failing to provide personal advice in the form required by the Corporations Act, recommending a financial service that a reasonable financial adviser would not recommend, failing to advise of a negative consequence of a recommendation and, most expansively, any act that would breach the law of Australia or of an Australian State, including the law of negligence and any ASIC regulation or guideline.

Clause 4.13 of the Client Protection Policy purported to record the agreement of the client that Dover is not responsible for any losses incurred for any reason after six months from the date of the most recent statement of advice. And Clause 4.16 purported to make the client responsible for the timely implementation of any advice ‘notwithstanding [that] you may have engaged us to implement it for you’.

The scope of the exclusions on the authority of Dover’s authorised representatives could hardly have been more extensive. When read as   
a whole, it is difficult to identify any circumstance where, if the policy was legally effective, Dover would be liable for the conduct of its authorised representatives. It would be odd to read Section 917D as permitting such   
an extensive negation of the operation of Section 917C. It is not necessary, however, to explore that question further.

Mr McMaster accepted that Dover’s position was to seek to obtain the maximum exclusion possible. He said that it sought that level of exclusion even if some clauses of the Client Protection Policy were ultimately found   
to be unlawful.[[1428]](#footnote-1428)

### 8.3 What the case study showed

Dover did not take up the Commission’s invitation to disclose misconduct in which it or its authorised representatives had engaged since 2013. Nor did it admit any misconduct in its submissions filed after the round of hearings was complete.

I consider that Dover’s conduct in respect of the Dover Client Protection Policy may have amounted to misconduct within the meaning of the Terms of Reference. When regard is had to the terms of that document and the effect of those terms if enforced, it may have been misleading and deceptive to describe the document as a Client Protection Policy. The wider the lawful operation of the claimed exemptions, the easier it may be to argue that the description misled or deceived. Further, by incorporating the Client Protection Policy into contracts between its authorised representatives and their clients, Dover may have failed to comply with the financial services laws, namely Section 1041H of the Corporations Act, Section 12DA of the ASIC Act or both. If that were so, Dover may have contravened Section 912A(1)(c) of the Corporations Act.

Dover’s recruitment processes fell short of what the community would expect. In the three cases considered in evidence, Dover took no step to find out whether the person it appointed as an authorised representative was a person who appeared likely to be able to do the job professionally and ethically. Even if Dover did read every statement of advice twice, Dover could not reasonably be satisfied that the adviser was a proper person to act as its authorised representative.

In June 2018, ASIC and Dover announced that Dover would give up its AFSL and cease providing financial advice. Mr McMaster said that he would not take any further part in the financial advice industry. In these circumstances, it is for ASIC to decide whether taking any further steps in relation to the conduct that I have identified as possible misconduct would be worthwhile.

# Case studies: Small and medium enterprises

## 1 Third party guarantees: Ms Flanagan and Westpac

### 1.1 Background

In December 2010, Carolyn Flanagan gave a guarantee to Westpac and   
a mortgage over her home, in order to secure a business loan obtained by   
a company established by her daughter and her daughter’s partner.[[1429]](#footnote-1429) When Ms Flanagan gave the guarantee and mortgage, she was suffering from a number of serious medical conditions, including nasopharyngeal cancer   
and poor eyesight. In 2004, part of her tongue had been removed as part   
of her cancer treatment and, as a result, she has difficulty speaking.[[1430]](#footnote-1430) At the time she gave the guarantee, Ms Flanagan was unemployed and on a disability pension.[[1431]](#footnote-1431)

Some facts surrounding Ms Flanagan’s signing of the guarantee and related documents were not as clear as would be expected. In particular, there was room for debate about when Ms Flanagan signed the relevant documents and who witnessed her signature. I consider that the most likely chain   
of events was that Ms Flanagan attended a Westpac branch on   
8 December 2010 with her daughter and later signed the guarantee[[1432]](#footnote-1432) and mortgage[[1433]](#footnote-1433) on 10 December 2010 in the presence of a solicitor. There was room for debate about this being the sequence of events because the documents appeared to have been ‘pre-signed’ by the relevant Westpac banker as witness to Ms Flanagan’s signature but the banker’s signature as witness was crossed out.[[1434]](#footnote-1434)

It is clear on the face of the documents that the banker completed the answers to the various questions in an acknowledgment form that Westpac required to ensure that Ms Flanagan was properly advised and understood the guarantee.[[1435]](#footnote-1435) It follows from the fact that the guarantee and acknowledgment were signed by Ms Flanagan when she attended a solicitor on 10 December that the banker had filled in these answers before Ms Flanagan saw the solicitor. Mr Alastair Welsh, General Manager, Commercial Banking at Westpac, who gave evidence to the Commission, said it was not uncommon for forms to be ‘pre-filled’ by the banker.[[1436]](#footnote-1436)

The answers given in the acknowledgment were to be answers given by   
the intended guarantor before the guarantee was signed. The answers recorded on the acknowledgment that Ms Flanagan signed (and was dated   
8 December 2010) were internally inconsistent. Question 3 in the document noted that the ‘Warning’ box on the front page of the guarantee stated that, before signing the guarantee, the guarantor ‘should get advice from [their] own lawyer and from [their] own financial adviser (such as an accountant)’.[[1437]](#footnote-1437) With this introduction, the question then required the guarantor to answer ‘Yes’ alongside ‘one of the following that is true’.[[1438]](#footnote-1438) Two choices were given: first, ‘You got that advice’ (which is to say both legal and financial advice),   
or second, ‘You got advice from your own lawyer but not from your financial adviser’. The banker wrote ‘Yes’ against the first statement, thus indicating that Ms Flanagan had taken both legal and financial advice.[[1439]](#footnote-1439) But nothing   
in the evidence suggests that she had ever taken financial advice and Westpac did not submit that she had. The next question in the form said that it needed to be answered only if the guarantor had answered ‘Yes’ to the second statement.[[1440]](#footnote-1440) Even so, the banker answered the question and wrote ‘Yes’ to a question asking ‘Do you understand that is your risk?’[[1441]](#footnote-1441) The reference to ‘that’ in the question can be understood only as meaning not taking financial advice.

### 1.2 The loan goes into default

From early 2012, Westpac sent Ms Flanagan several notices that the loan she had guaranteed was in default. In May 2014 Westpac commenced proceedings in the Supreme Court of New South Wales seeking vacant possession of Ms Flanagan’s home.[[1442]](#footnote-1442) Ms Flanagan went to the Penrith Legal Aid office for help.

Ms Dana Beiglari, a senior solicitor from NSW Legal Aid, gave evidence   
to the Commission that she assisted Ms Flanagan in relation to Westpac’s claim. In particular, with Ms Beiglari’s help, Ms Flanagan made a complaint to the Financial Ombudsman Service (FOS).[[1443]](#footnote-1443) Ms Flanagan wanted FOS to negotiate a hardship arrangement with Westpac so that she could continue to live in her home for the duration of her life.[[1444]](#footnote-1444) Westpac rejected that request during the FOS process.[[1445]](#footnote-1445) FOS made a determination that Westpac had complied with its obligations to Ms Flanagan when it obtained the guarantee and was entitled to enforce the guarantee against Ms Flanagan in accordance with its terms.[[1446]](#footnote-1446) In particular, FOS found that Ms Flanagan had been provided with independent legal advice in relation to the guarantee.[[1447]](#footnote-1447) Ms Flanagan sought a review of the determination but that   
was unsuccessful.[[1448]](#footnote-1448)

Following the FOS determination, NSW Legal Aid approached a senior contact at Westpac to seek a resolution that would permit Ms Flanagan to remain in her home until her death. Ms Flanagan proposed that, on her death or her selling her home, $160,000 plus interest at 3% would be paid to Westpac.[[1449]](#footnote-1449) Westpac responded with a proposal to like effect but requiring that the principal amount payable be $170,000 rather than $160,000.[[1450]](#footnote-1450) Westpac and Ms Flanagan subsequently entered into a deed of release   
to that end.[[1451]](#footnote-1451) Mr Welsh accepted that Westpac should have reached this result sooner than it did and that it had thus made an error in applying its hardship policy.[[1452]](#footnote-1452)

Mr Welsh told the Commission that he saw no problem with Westpac’s processes governing the taking of guarantees and that, more particularly, he saw no problem with Westpac accepting a guarantee from Ms Flanagan.[[1453]](#footnote-1453) In its written submission about the case study, Westpac maintained this position, submitting that it was ‘appropriate in all the circumstances to accept and rely upon the guarantee from Ms Flanagan’.[[1454]](#footnote-1454)

### 1.3 Categories of guarantors

When Westpac took the guarantee from Ms Flanagan, its policies provided (and still provide) that one ‘acceptable third party relationship’ for taking a guarantee is ‘Parents guaranteeing a consumer loan for one or more of their children’.[[1455]](#footnote-1455) As it was written, the policy suggested that all other guarantee proposals were generally not acceptable ‘unless a direct benefit [to the guarantor] can be established.’ But, read as a whole, the policy contemplated that parents might provide voluntary guarantees of the business borrowings of children. In particular, the policy provided (and   
still provides):

Exercise extreme caution where parents are offering to guarantee the business borrowings of their children. Before accepting these types of guarantees make sure that the guarantor demonstrates that they are making a fully informed decision and that they are fully aware of their potential liability. The account manager and credit officer are to be satisfied that the guarantor has the means (realisable assets/cash flow) upon which they could rely if called upon to clear the borrower’s liabilities to Westpac.[[1456]](#footnote-1456) (emphasis added).

The policy divided (and divides) guarantors into two categories. For present purposes, it is enough to note that the first category included individuals who are both a director and a shareholder of the borrowing entity and who meet three requirements (active participation in management, obtaining ‘a direct financial benefit from the transaction/facility provided’ and not being shown to be under the influence of other parties to the transaction). If a guarantor did not (or now does not) meet these criteria the guarantor falls into the second category. If the guarantor was (or is) in this second category, the policy provided (and provides) that the borrower must be told three things: that Westpac ‘[r]equires guarantors to obtain independent legal advice to ensure that they understand the nature and effect of the guarantee’, that Westpac will require a solicitor’s certificate to that effect, and that Westpac will need to interview the guarantor personally to provide a copy of the security documents, a copy of the facility letter, and if the Code of Banking Practice applies, other information concerning the borrower’s accounts.[[1457]](#footnote-1457)

There was some debate, in the course of Mr Welsh’s evidence, whether Ms Flanagan could have been regarded as obtaining a direct financial benefit from the loan made to the company and whether she was in the first or second category of guarantors. Mr Welsh observed that Ms Flanagan was recorded as a shareholder.[[1458]](#footnote-1458) And Westpac submitted that ‘Ms Flanagan had a clear and tangible interest in the business which was the subject of the loan’.[[1459]](#footnote-1459) Contrary to this submission, I consider it much more probable than not that Ms Flanagan obtained no financial benefit of any kind from the transactions in question. Her holding one of two issued shares in the company falls far short of demonstrating her receiving or being likely to receive any benefit from the company. Her references in earlier statements she had made to being ‘a silent partner’ in the business revealed no understanding of what that might mean. And, so far as the evidence went, there was no suggestion that she ever received anything from the business. Although I do not think anything turns on it, even if Ms Flanagan did stand to gain some benefit from the business, not being a director of the borrower, she would still not have met the criteria to fall within the first category of guarantors identified in Westpac’s policy. Hence, even if she was not a volunteer, Westpac’s policy would still have required that she obtain independent legal advice.

### 1.4 A fully informed decision?

As has been noted, Westpac’s policy required that the banker be sure that the guarantor demonstrates that they are making a fully informed decision and that they are fully aware of their potential liability. Mr Welsh agreed that there were warning signs that the banker ought to have observed in interviewing Ms Flanagan ‘and assessing whether or not Ms Flanagan demonstrated making a fully informed decision and that she was fully aware of her potential liability’.[[1460]](#footnote-1460) Those warning signs included Ms Flanagan obviously suffering debilitating health conditions, her difficulty speaking, her apparent inability to read or write, the presence of her daughter during her attendance at the branch, and the fact that she would be rendered homeless if Westpac was to call on the guarantee.[[1461]](#footnote-1461) Mr Welsh said that he would have expected the banker to observe these matters and record them on the file.[[1462]](#footnote-1462) None of these issues were documented on Westpac’s file.[[1463]](#footnote-1463) More particularly, Mr Welsh said that he would have expected the banker   
to be ‘really clear’ that Ms Flanagan ‘had to get both independent legal and … financial advice.[[1464]](#footnote-1464) There was no record of the banker telling Ms Flanagan anything about getting legal or financial advice.[[1465]](#footnote-1465) But there was Ms Flanagan’s statutory declaration dated 10 December 2010, made before a solicitor that she had ‘received independent legal advice regarding the loan and security documents’ between the borrower and Westpac and that ‘[a]fter receiving that advice’ she had ‘freely and voluntarily signed’   
the mortgage and guarantee and indemnity produced for signature before the solicitor.[[1466]](#footnote-1466)

As Westpac pointed out in its submissions, the then applicable solicitors’ professional conduct rules ‘made clear what advice a solicitor should provide’ when asked to provide independent advice to an intending guarantor.[[1467]](#footnote-1467) Among other things, the rules required the solicitor to tell the intending guarantor, where necessary, that, if the guarantor did not remedy a failure by the borrower to comply with the terms and conditions of the loan, the lender could sue the guarantor, take possession of the property the guarantor gave as security and sell that property.[[1468]](#footnote-1468) The rules required the solicitor to advise the intending guarantor that the solicitor did not profess any qualification to give any financial advice and that questions about any financial aspect of the transaction should be directed to an accountant or financial counsellor.[[1469]](#footnote-1469) Nothing in the rules required the solicitor to ask the intending guarantor whether he or she had considered whether it was wise to give the guarantee. By contrast, Westpac’s form of acknowledgment expressly asked: ‘Have you thought hard about whether   
to sign the Guarantee? Have you made your own decision to sign (not just because someone asked you to)?’[[1470]](#footnote-1470)

### 1.5 Characteristics of parental guarantors

Ms Beiglari gave evidence about her experience at NSW Legal Aid and the clients she had encountered who had provided guarantees such as that provided by Ms Flanagan. She observed that her clients, generally, had a limited recollection of the circumstances of signing up to the guarantee.[[1471]](#footnote-1471) Her experience was that in nearly all of the cases she had seen at Legal Aid, ‘the client did not understand the detail of the financial arrangement   
that they were signing up to’[[1472]](#footnote-1472) even if they had been given independent legal advice. As she said, this may be because of their limited literacy   
skills, or other difficulties communicating, or they may have a disability or not speak English as a first language.[[1473]](#footnote-1473) But in her view, very often the root cause was that the child had made all of the arrangements with the bank.[[1474]](#footnote-1474) That is, the parental guarantor came to whatever dealings he or she may have with the bank (and any provision of advice) having already decided that he or she wanted to assist the child who was arranging the loan. The dealings with the bank, and the provision of advice were no more than steps along the way to implementing a decision that had already been made. The decision to assist may have been made with little or no information or understanding about what the proposed transaction was or what it might entail. For the parent with little or no understanding of the transactions being made, it would be too easy to treat what was thereafter said or done as a matter of concern only to the borrower or as forms and solemnities to be endured rather than understood and applied. If made in those circumstances, neither the dealings with the bank nor the provision of independent advice appeared, in Ms Beiglari’s experience, to fill in any gap in the guarantor’s knowledge or understanding of the transaction. And that would be consistent with Ms Beiglari’s general observation that nearly all of those whom she saw at Legal Aid did not understand the detail of the financial arrangements they were signing up to and her more particular explanation that:

they might not have understood the amount of the loan or the type of the loan, say, a consumer loan versus an investment or business loan, or they may not have been able to describe what it means to be a guarantor or have a mortgage. So in the cases where there has been independent legal and financial advice, I don’t think that it has assisted people to understand what they’re doing.[[1475]](#footnote-1475)

As Ms Beiglari said, ‘people often want to put family first, they consider that family is paramount, or they might feel some pressure to do what their child asks them to do in order to preserve the relationship’.[[1476]](#footnote-1476) That being so, as   
Ms Beiglari also said, parents may find it hard to say no to their child; they may be less inclined to receive and act upon legal or financial advice about the consequences of giving a guarantee. She said that:

It’s very rare for clients to understand that their Centrelink pension payments may be reduced or cut off completely if the guarantee is called upon, due to the effect of the gifting rules that Centrelink has, and – and finally, a significant implication is … the emotional toll … and stress that this may have on the family unit. It could cause a relationship breakdown between the parent and the child which can be devastating for a parent, particularly in their old age.[[1477]](#footnote-1477)

Ms Beiglari’s observations were consistent with Ms Flanagan’s insight into her own circumstances when asked about the importance of legal advice   
to her decision to give the guarantee she had signed:

At the moment – and doing the best you can, given the way you felt about your daughter at the time, do you think that it was likely that you would have signed the guarantees in any event? ‑‑ I would have signed anything, love, for her, in hindsight. I have to be honest about that.

All right? ‑‑‑ If you can’t help your children, who can you help?[[1478]](#footnote-1478)

### 1.6 What the case study showed

Nothing in the material examined in the course of the case study pointed away from the observation that, for many seeking to start a new business, lenders will lend only if the borrower can provide some tangible security for the loan. And if the borrower cannot provide the security, the lender may seek a secured guarantee from a third party.

Often, the **third party guarantor** is a voluntary guarantor: the guarantor stands to gain no benefit from the transaction. And, as Westpac’s policy documents recognised, the guarantor may be the parent of one of the principals in the new business.

The procedures prescribed by Westpac were evidently intended to ensure that ‘the guarantor demonstrates that they are making a fully informed decision and that they are fully aware of their potential liability.’ They were procedures evidently intended to give effect to the injunction that the Westpac banker ‘[e]xercise extreme caution where parents are offering to guarantee the business borrowings of their children.’ But the exercise of caution demands careful attention to the substance of matters, not just ritual adherence to forms. Hence, for the banker to have ‘pre‑filled’ the answers to questions in the acknowledgment form that would allow the lawyer to provide independent advice to Ms Flanagan was to take a step that, as Westpac accepted[[1479]](#footnote-1479) ‘would have been inappropriate’. As I have explained, the answers in that form were evidently written by the banker and that must have been done before Ms Flanagan saw the solicitor. It was inappropriate to take that step because, contrary to Westpac’s submissions,[[1480]](#footnote-1480) doing so compromised the process for the provision of independent advice. It compromised that process because providing the bank’s version of the relevant answers at least affected, and in all probability it fixed an important part of, the basis on which the lawyer decided what advice he needed to give to meet the obligations prescribed by the professional conduct rules.   
(It will be recalled that those rules required the solicitor, ‘where necessary’, to advise the borrower of certain matters.)

By having Ms Flanagan sign the acknowledgment (as she appears to have done two days before she saw the solicitor) the banker had Ms Flanagan adopt answers that were not then true. Ms Flanagan had not had any of the advice asked about in question 3 when she signed the form. By ‘pre‑filling’ answers in the acknowledgment, the bank presented the lawyer with the answers that the banker understood Ms Flanagan either had given or would later be in a position to give. But the answers to the questions were the banker’s answers and it was these answers that the bank had Ms Flanagan give to the lawyer. The answers all concerned what Ms Flanagan knew and understood about the guarantee. The professional conduct rules obliged the lawyer to decide whether it was necessary for him to advise her of the matters prescribed by those rules. The rules therefore obliged the lawyer,   
if he thought it necessary or desirable to advise her of the relevant matters, to decide whether what he said had been heard and had been understood sufficiently for the lawyer to take the prescribed form of statutory declaration. Pre-filling the form compromised that process. And at this moment in time (with Ms Flanagan having a very imperfect memory of events) it is simply not possible to say whether, despite the process being compromised, the substantial purposes of undertaking the process   
were achieved.

‘Pre-filling’ the acknowledgment with answers that depended upon the occurrence of future events (the giving of advice) is consistent with treating the document as just another form to be filled out, rather than as an important document recording what the guarantor knew and understood before she signed the guarantee. The record of what the guarantor knew and understood is important for the bank and for the guarantor. It may also be important for third parties (such as the executor of Ms Flanagan’s estate) considering whether the guarantee given by Ms Flanagan was enforceable. On the face of the documents, proper procedures appeared to have been followed and if that was right, the instrument would very probably be treated as enforceable according to its terms. But in fact, the process of obtaining Ms Flanagan’s acknowledgment miscarried.

I cannot say from the material presented in evidence whether the guarantee may have been unenforceable.

In particular, no matter whether Ms Flanagan was a volunteer (as I consider she probably was) or received some real benefit from entering the transaction (as Westpac submitted),[[1481]](#footnote-1481) I do not think it possible to form any view about whether Westpac might have acted unconscionably in taking the guarantee.[[1482]](#footnote-1482) If, as I consider to be the better view, Ms Flanagan was a volunteer, she stood to lose her home (her only asset) if the venture failed and she stood to gain nothing from giving the guarantee. She was obviously seriously disabled. Her only income was a disability support payment. What her daughter had told her about the venture was not explored in evidence. What her daughter and her partner had told the bank was not explored. To decide whether Westpac acted unconscionably in taking the guarantee, it would be necessary to pay close attention to what the banker concerned knew or understood about Ms Flanagan’s appreciation of what she was doing. The banker did not give evidence to the Commission. It would also be important to recall not only that Ms Flanagan had given a statutory declaration to FOS in connection with her complaint in which she spoke of her having said ‘yes’ when the banker asked if she knew that she was putting her house up as security by signing the guarantee[[1483]](#footnote-1483) but also that, as Ms Flanagan said in her evidence to the Commission, she would have signed anything for her daughter. ‘If you can’t help your children, who can you help?’[[1484]](#footnote-1484)

Assuming that Westpac’s taking the guarantee was not unconscionable, it would follow that its taking the guarantee should not be found to be conduct falling short of community standards and expectations. But whether enforcing the guarantee fell below those standards and expectations is a separate question.

Once Ms Flanagan made her hardship application, I consider that the community would not think it right for Westpac to deprive Ms Flanagan of the use of her home during her life. And yet, despite her application to FOS, and her expressed desire to negotiate what would be, in effect, a life tenancy in the property, Westpac rebuffed the approach and insisted upon exercising its rights under the guarantee. That was conduct that fell short of what the community would expect. As Westpac said in its submissions:

Westpac should have progressed [the request Ms Flanagan made in   
her complaint to FOS] with greater urgency than it did, and with more understanding of, and compassion for, Ms Flanagan’s situation. The outcome ultimately reached with Ms Flanagan could and should have been reached earlier.[[1485]](#footnote-1485)

### 1.7 What issues arise?

The first and most critical question can be put thus. If established principles of judge-made law and statutory provisions about unconscionability would not relieve a guarantor of responsibility under a guarantee, and if, further, a bank’s voluntary undertaking to a potential guarantor to exercise the care and skill of a diligent and prudent banker has not been breached, are there circumstances in which the law should nevertheless hold that the guarantee may not be enforced?

What would those circumstances be? Would they be defined by reference to what the lender did or did not do, by reference to what the guarantor was or was not told or by reference to some combination of factors of those kinds? Why shift the boundaries of established principles, existing law and the industry code of conduct?

If the guarantor is a volunteer, and if further, the guarantor is aware of the nature and extent of the obligations undertaken by executing the guarantee, is there some additional requirement that must be shown to have been met before the guarantee was given if it is to be an enforceable obligation?

How is the law to deal with the undoubted fact that a parent may guarantee a loan to an adult child because the parent wishes to support and encourage the child's ambitions? Often, perhaps very often, the parent will make that decision regardless of whether the parent has made, or has been able to make, any independent assessment of the commercial prospects of the venture that the adult child seeks to undertake.

Legal Aid NSW proposed that a lender should be required to make an assessment about whether the contract of guarantee would be unsuitable for the guarantor because it is likely that, at the time the guarantee would be given, the guarantor could meet a call on the guarantee only with substantial hardship.[[1486]](#footnote-1486) Would that be a rule to be applied to all guarantors (and thus the principals of a corporate borrower)? If a contract of guarantee were to be assessed as unsuitable for the guarantor, what would follow: a warning to the potential guarantor or prohibition of the transaction? Would adopting provisions of this kind mean, in practice, that a guarantor could never provide his or her place of residence as security for the guarantee?

Would the provision of advice (legal, financial or both) permit giving a guarantee otherwise judged to be ‘unsuitable’?

If the concern is protection of the vulnerable, how could the relevant class be defined in a way that was neither over‑inclusive, nor under‑inclusive? Legal Aid NSW pointed out, in its submissions[[1487]](#footnote-1487) that ‘[a]llowing a Centrelink recipient (usually an older person or a person with a disability) to act as a guarantor means that an already vulnerable person will likely become homeless, or dependent on social housing funded by the State, if the debtor defaults on the credit contract’. Is being a Centrelink recipient to be treated as a disqualifying characteristic?

Is protection of the vulnerable achieved, or advanced, by providing potential guarantors with more information? Should lenders tell some potential guarantors that giving a guarantee may affect what choices they can make about health or aged care?

Should there be some recommended, or prescribed, cooling off period? Legal Aid NSW proposed[[1488]](#footnote-1488) seven days rather than the three-day period given in the 2019 Code.

Should lenders give potential guarantors more information about the borrower or the proposed loan? What information could be given with respect to a new business?

## 2 Responsible lending: The Banking Code’s diligent and prudent banker

### 2.1 Background

As noted earlier, the chief protection for small business borrowers has been, and remains, the Code of Banking Practice. The 2013 Code, and the 2019 Code both provide, in effect, that a bank considering a new loan, or an increase in a loan limit, will exercise the care and skill of a diligent and prudent banker.[[1489]](#footnote-1489) If a borrower defaults, and the bank seeks to enforce repayment of a loan, the borrower may say that a diligent and prudent banker would not have made the loan, or allowed the increased limit and make a complaint to the relevant **external dispute resolution** body (FOS, or now, AFCA).

The Commission looked at three case studies of this kind. All three concerned loans made to assist the borrower to buy a franchise: an ANZ loan to buy a gelato franchise, a Westpac loan to buy a Pie Face franchise, and a Bank of Queensland (BOQ) loan to buy two Wendy’s franchises. All three ventures failed. In each case, the borrower complained that the bank had not exercised the care and skill of a diligent and prudent banker. In each case, FOS upheld the borrower’s complaint.

### 2.2 ANZ and the gelato franchise

In October 2014, a company obtained facilities from ANZ of about $220,000 to purchase and set up a new gelato shop.[[1490]](#footnote-1490) The company was controlled by a married couple. The facilities were secured by a general security agreement over all present and future acquired property of the company, personal guarantees and indemnities from each of the two directors of the company, and a second registered mortgage over an investment property owned by one of the directors of the company.[[1491]](#footnote-1491)

The gelato shop was a new franchise business within a franchise system originating in New Zealand. When ANZ assessed and approved the proposal, ANZ was aware that the franchise system had not yet commenced operations in Australia.[[1492]](#footnote-1492) Although there was some evidence that one of the directors of the company may have previously worked in a different food retail business,[[1493]](#footnote-1493) neither of the directors had any prior experience working in or operating a frozen yoghurt or gelato business.[[1494]](#footnote-1494)

The company’s business lending application submitted to ANZ was accompanied by a business plan[[1495]](#footnote-1495) containing cash flow forecasts for the new gelato shop.[[1496]](#footnote-1496) Ms Kate Gibson, the ANZ executive who gave evidence to the Commission about the matter, accepted that the information contained in sections of the business plan was ‘pretty generic’.[[1497]](#footnote-1497) The business plan was filled with what appeared to be ‘clip art’ images, and mostly used general marketing language to explain exactly what the business was and how it was intended to operate.[[1498]](#footnote-1498) These parts of the business plan could have been used in a business plan for any food franchise business.[[1499]](#footnote-1499) There were, however, some aspects of the business plan that appeared to be quite specific to the gelato shop.[[1500]](#footnote-1500) So, for example, the business plan took into account the effect that seasonality would have upon gelato sales.[[1501]](#footnote-1501)

The business plan contained several cash flow forecasts[[1502]](#footnote-1502) but there were some inconsistencies between them.[[1503]](#footnote-1503) In addition, the way in which GST had been treated in one set of cash flow forecasts found in the business plan was, on its face, incorrect.[[1504]](#footnote-1504) Further, the assumptions underpinning the various cash flow forecasts were not fully articulated in the business plan.[[1505]](#footnote-1505) For example, the business plan said that the cash flow forecasts were based on existing store sales. But because there were then no existing Australian stores in the franchise system, the sales figures must have been from overseas stores. The business plan did not identify the location of the stores whose sales were relied on, or whether their sales had been sensitised to meet Australian market conditions.[[1506]](#footnote-1506)

In approving the application for business lending, an ANZ assessor undertook two serviceability calculations. In the first calculation, the assessor took the cash flow forecast in the business plan at face-value,[[1507]](#footnote-1507) and added the full salary earned by one of the director-guarantors outside   
of the business. The business loan repayments and personal living and finance expenses of both director-guarantors were then deducted to arrive at a positive ‘uncommitted monthly income’ amount.[[1508]](#footnote-1508)

The ANZ assessor completed a second ‘stressed’[[1509]](#footnote-1509) serviceability calculation. For this second calculation, the assessor reduced the forecast net profit recorded in the cash flow forecast to zero and halved the forecast annual salary amount for the director who was to work in the business.   
On this second serviceability calculation, a marginally positive ‘uncommitted monthly income’ amount was shown. The assessor determined that the business facilities were serviceable and approved the loans.[[1510]](#footnote-1510)

The business did not prosper. In 2016, the borrowers said that they could not afford to repay the loan.[[1511]](#footnote-1511) They made a complaint to FOS. FOS made a recommendation in their favour, concluding that ANZ did not act responsibly when it approved the loan.[[1512]](#footnote-1512) FOS said, in its recommendation, that it considered that the cash flow forecasts in the business plan were ‘overly optimistic’ when compared to industry benchmarks. The industry benchmarks to which FOS referred were ATO benchmarks relating cost of goods sold, expenses, labour costs and rent to turnover.[[1513]](#footnote-1513) The relationship between cost of goods sold and turnover for gelato businesses having a turnover of more than $475,000 was said to average 30%.[[1514]](#footnote-1514) FOS recorded the business plan as indicating a relationship of 20%.[[1515]](#footnote-1515) On this basis, FOS concluded that, by relying on the cash flow forecast to assess serviceability, ANZ had failed to exercise the care and skill of a prudent and   
diligent banker.[[1516]](#footnote-1516)

ANZ disagreed with the conclusions FOS reached.[[1517]](#footnote-1517) But FOS subsequently affirmed its recommendation and issued a determination[[1518]](#footnote-1518) in favour of the company and its principals. ANZ complied with the FOS determination.

At the time she gave evidence to the Commission, Ms Gibson was the General Manager, Home Lending at ANZ.[[1519]](#footnote-1519) Between March 2014 and   
May 2017, she was General Manager, Small Business Banking at ANZ.[[1520]](#footnote-1520)

Ms Gibson said that, when an ANZ banker submits a loan for a new   
‘start-up’ business, the ANZ banker is required to form an opinion about the reasonableness of the business plan and cash flow forecast.[[1521]](#footnote-1521) When asked what further enquiries she would expect the putative diligent and prudent banker to undertake in forming this opinion, Ms Gibson said:

[W]hat is being done by the credit officer is an exercise in judgement. They need to form an opinion. We provide guidance on the sorts of things we think they should take into account, but we’re not prescriptive about exactly what has to be sourced beyond saying that they do need to provide a business plan, they do need to provide cash flow forecasts,   
and the bank officer and credit officer need to have formed an opinion that they’re reasonable.[[1522]](#footnote-1522)

Asked to consider this particular business plan, Ms Gibson said that she would have expected the banker or assessor to have a conversation with the borrowers to make sure that they understood the business,[[1523]](#footnote-1523) and to ask further questions about the business plan and the assumptions underpinning the cash flow forecast.[[1524]](#footnote-1524) She said that there was no evidence on the file that these conversations took place; but that it is possible that they may have.[[1525]](#footnote-1525)

When asked whether the banker or assessor ought to have had regard to industry benchmarks published by the ATO in forming an opinion as to the reasonableness of the cash flow forecast, Ms Gibson said:

… there are other ways of forming an opinion, and with a start-up business, that’s what you need to do because you don’t have historical operating figures to project from.[[1526]](#footnote-1526)

I don’t believe it’s a requirement that you have to reset the cash flows to the industry benchmark in order for that to be reasonable. I think if … somebody presents to us with a business plan where they’re outside the industry benchmarks, you should expect that you have an understanding of why they believe that they can run the business that way. And I also think that in the context of … looking at the serviceability, that’s one of the reasons that we do stress testing on the …serviceability.[[1527]](#footnote-1527)

There were, however, three errors in the loan assessment process that affected both sets of serviceability calculations, and the overall loan assessment. First, the banker did not properly enter two personal liabilities of the director-guarantors into ANZ’s small business loan origination system.[[1528]](#footnote-1528) This error was not identified by the assessor; and the assessor completed both serviceability calculations without having regard to these additional liabilities.[[1529]](#footnote-1529) Their inclusion in the second ‘stress-tested’ serviceability calculation would have resulted in a negative ‘uncommitted monthly income’ amount.[[1530]](#footnote-1530)

Second, before submitting the gelato shop finance application, the directors had submitted a separate application to ANZ to finance the purchase of a different business. Both applications bore the same date; but the amounts recorded in the directors’ statements of position in each application were different.[[1531]](#footnote-1531) In assessing and approving the gelato shop facilities, the banker and assessor do not appear to have been aware of the earlier application and of the discrepancies between the two statements of position.[[1532]](#footnote-1532)   
Ms Gibson said that this error was caused by a limitation in ANZ’s small business loan assessment program that did not automatically permit the banker or assessor to see earlier applications submitted by the same borrowers. ANZ has since introduced a new small business loan origination system that allows bankers and assessors to see all prior applications submitted by a borrower and requires assessors to have regard to any other recent applications received from a borrower when assessing and approving a new business lending application.[[1533]](#footnote-1533)

Third, the statements of position submitted with the business loan application lacked detail and did not include all of the information entered by the banker into ANZ’s loan assessment system and used by the assessor in approving the business loan. There were no contemporaneous notes recorded in ANZ’s lending file that reflected the additional information entered by the banker.[[1534]](#footnote-1534) The provenance of this additional information was therefore unclear.

In Ms Gibson’s opinion, the way in which the banker and assessor used   
the business plan and cash flow forecasts in approving the facilities was acceptable.[[1535]](#footnote-1535) When she looked at the assessment process as a whole, however, she was ‘not comfortable’ with the cumulative number of errors that had been made.[[1536]](#footnote-1536) On this basis, Ms Gibson did not consider that ANZ had demonstrated the care and skill of a prudent and diligent banker in assessing and approving these business facilities.[[1537]](#footnote-1537)

When these facilities were approved, three of the four key performance indicators (KPIs) used in ANZ’s incentive scheme for business bankers focused on financial targets.[[1538]](#footnote-1538) For the second half of 2014, when these facilities were provided, ANZ’s Performance Objectives, Targets and Incentive Plan Guide set out ‘Key Messages for 2H14’.[[1539]](#footnote-1539) The first of   
those key messages was that:

To achieve our aspiration in becoming the leading Corporate and Commercial bank in Australia, we need to constantly review and change the way we relentlessly acquire new-to-bank customers, attract larger customers and enhance their share of wallet with ANZ by working closely with Retail and Wealth.[[1540]](#footnote-1540)

The third paragraph of the key messages told business bankers that:

Given the importance of new to bank acquisition we have increased NTB lending targets for [Business Bank Managers], while leaving the overall lending target unchanged.[[1541]](#footnote-1541)

In the period immediately before these facilities were approved, the banker involved had not met the new-to-bank lending targets for his role.[[1542]](#footnote-1542) This banker was later subject to performance management for unrelated loans. During the performance management process, the banker said that his conduct was due in part to ‘the excitement of closing new deals [and] a culture of sales pressure that you felt weighed heavily at the time’.[[1543]](#footnote-1543)

Ms Gibson accepted that at the time these facilities were made available, ‘the culture in [the small business section of ANZ] was one of wanting to perform’.[[1544]](#footnote-1544) Although she did not accept the characterisation of ‘being under sales pressure’ she did accept that the banker concerned had said that this was what he felt.[[1545]](#footnote-1545) Importantly, Ms Gibson said of the sales targets of that time, ‘there were sales targets that were against customer and process and that was something I personally didn’t feel made a lot of sense’.[[1546]](#footnote-1546)

As Ms Gibson said, the incentives for business bankers have since ‘evolved’.[[1547]](#footnote-1547) What she described as an evolution started with the first half   
of 2015 incentive plan and, when she gave her evidence, had reached the point where ANZ had rebalanced its KPIs to have less of a financial focus.[[1548]](#footnote-1548) Thirty per cent of a banker’s measures were financial measures.

### 2.3 Westpac and the Pie Face franchise

In 2012, Marjo Pty Ltd borrowed from Westpac to buy an existing Pie Face franchise business. Marjo had three directors and shareholders: Ms Marion Messih, her brother and his then wife. The Commission heard evidence from Ms Messih and Mr Alastair Welsh, General Manager, Commercial Banking, Westpac Group.

In 2012, Ms Messih, her brother and her then sister-in-law began looking to purchase their own business to run.[[1549]](#footnote-1549) At the time, both Ms Messih and her sister-in-law were employed in office management roles.[[1550]](#footnote-1550) Ms Messih’s brother was a self-employed mechanic.[[1551]](#footnote-1551) None of them had any experience in running a café business.[[1552]](#footnote-1552) Despite this, they were particularly interested in buying a food service business.[[1553]](#footnote-1553) When asked about this change in direction, Ms Messih explained that, after years of working in office management and bookkeeping roles, she was looking for a ‘change in life’, and wanted to ‘run a business, earn some money, retire early.’[[1554]](#footnote-1554)

After looking into several different options, Ms Messih, her brother and sister-in-law discovered an existing Pie Face franchise store located at a local shopping centre that was for sale.[[1555]](#footnote-1555) They negotiated with the franchisor to purchase the store for $330,000, and incorporated the company, Marjo, to be the entity to purchase and run the business.[[1556]](#footnote-1556)

Ms Messih and her business partners received assistance from an accountant to incorporate Marjo.[[1557]](#footnote-1557) The accountant also obtained historical profit-and-loss trading figures for the business,[[1558]](#footnote-1558) and provided Ms Messih and her business partners with advice on the profitability of the business.   
In her evidence, Ms Messih summarised this advice in the following terms:

[The accountant] said the business, looking at the figures, was not – were not very profitable at the moment, but with hard work, if you can increase sales, it could make a profit … Within a projected time of maybe up to three years, depending on how you increase the sales.[[1559]](#footnote-1559)

Having received this advice, Ms Messih, her brother and sister-in-law chose to press ahead and purchase the Pie Face franchise store.[[1560]](#footnote-1560) Ms Messih and her business partners required a loan to buy the business and Marjo applied to Westpac for a business loan to cover the whole purchase price plus some other costs.[[1561]](#footnote-1561)

Pie Face was then a franchise system ‘accredited’ by Westpac. As an accredited franchise system Westpac would lend a percentage (in the case of Pie Face, 50%) of the purchase price without security. But, because Marjo sought to borrow more than 50% of the purchase price, its loan application was assessed under Westpac’s business credit lending policy, not the Franchise Policy.[[1562]](#footnote-1562)

In July 2012, Westpac approved a business loan of $350,000, as well as a business overdraft facility, and a banker’s undertaking to be given as a rental bond in favour of the owner of the shop premises.[[1563]](#footnote-1563) The facilities were secured by a general security agreement over all present and future assets and undertakings of Marjo and by guarantees and indemnities given by Ms Messih, her brother and her sister-in-law. The guarantees and indemnities were secured by a mortgage over a residential investment property owned by Ms Messih, and a mortgage over the home of   
Ms Messih’s brother and sister-in-law.[[1564]](#footnote-1564)

Marjo took over the business in August 2012.[[1565]](#footnote-1565) Ms Messih and her   
sister-in-law both resigned from their existing employment and began working full-time in the business.[[1566]](#footnote-1566) The business struggled. Ms Messih described its performance during the first few months as ‘woeful’.[[1567]](#footnote-1567)   
Ms Messih and her business partners worked hard in the business and,   
by the end of the first 12 months, they had doubled their weekly sales.[[1568]](#footnote-1568) Despite this improvement in sales, the business never achieved the level of profitability that they hoped it would.[[1569]](#footnote-1569) In late 2013, major renovation works commenced at the shopping centre[[1570]](#footnote-1570) and sales in the business declined.[[1571]](#footnote-1571)

By early 2014, Marjo could not make all repayments to Westpac when they were due. Marjo sought a payment plan from Westpac, and in about May 2014 this was approved.[[1572]](#footnote-1572)

At more or less the same time, in early 2014, Ms Messih’s brother and sister‑in‑law were separating. The brother was released from his obligations as guarantor.[[1573]](#footnote-1573) Ms Messih and the sister‑in‑law sought release of the land that the brother and sister-in-law had provided as security for their guarantees and Westpac agreed to do that.[[1574]](#footnote-1574) The sister‑in‑law provided   
a term deposit of $40,000 as substitute security.[[1575]](#footnote-1575)

Marjo fell behind in its obligations under the payment plan.[[1576]](#footnote-1576) In November 2014, the Pie Face franchisor went into voluntary administration, and this led Marjo to shut its shop.[[1577]](#footnote-1577)

After the shop closed, Ms Messih submitted a further hardship application   
to Westpac. The application was approved and Marjo’s repayments were suspended for a period of time.[[1578]](#footnote-1578) After the suspension ended, Ms Messih was unable to make repayments under the business loan alongside meeting her personal commitments. As she explained in her evidence:

I wasn’t working – or was I – I can’t remember. If I had a job it was only part-time anyway. And, because I had the business loan, I had a credit card with Commonwealth Bank that I was paying off, and also another Westpac credit card that I was paying off, expenses that were put on there from the business when we went training in Sydney. So it was just too much. I wasn’t – I had the income from my rental property, but that didn’t cover all the expenses that I had.[[1579]](#footnote-1579)

Ms Messih submitted a complaint to FOS on behalf of Marjo, claiming   
that Westpac should not have approved the business facilities because Marjo could not afford to service them.[[1580]](#footnote-1580) FOS agreed with this complaint, and issued a recommendation[[1581]](#footnote-1581) and subsequent determination in favour   
of Marjo, requiring Westpac to refund all interest and bank charges from   
the facilities.[[1582]](#footnote-1582)

Although Westpac disagreed with FOS’ decision, Westpac complied with the determination,[[1583]](#footnote-1583) and refunded the interest and bank fees charged to the business loan.[[1584]](#footnote-1584) However, the principal remained to be paid. By this time, Ms Messih was once again struggling to meet her personal financial commitments as well as repay the business loan. She sold her investment property to pay down the business loan and other personal debts.   
Ms Messih’s evidence was that, in selling the investment property, her intention was to use the proceeds from that sale to repay only half of the outstanding principal owed under the business loan. This appears to have been on the basis that Ms Messih believed (wrongly) that she was only responsible for half of the business loan, and that her business partners were responsible for the other half.[[1585]](#footnote-1585)

After she had sold her investment property, Ms Messih made a second complaint to FOS about Westpac applying the sale proceeds to pay down the entire amount of the business loan, rather than agreeing to ongoing repayments being made by her sister-in-law for half of the principal amount.[[1586]](#footnote-1586) The second complaint was determined in Westpac’s favour.

Contrary to Westpac’s submissions,[[1587]](#footnote-1587) I consider the better view to be that Ms Messih’s intentions with respect to the proceeds of sale of her investment property and her complaint to FOS are consistent only with her not having understood, either when she gave the guarantee or later, that it was a joint and several obligation. That is, that the liability of each guarantor extended to the whole of the amount borrowed. The Commission heard no evidence suggesting that Ms Messih’s lack of understanding was caused by any statement or by any inappropriate conduct on the part of Westpac.   
But I fear that there would be many who may have shared a similar misunderstanding of the effect of the arrangements that were made unless the bank or an adviser told the guarantor that the liability that each guarantor assumed extended to the whole of the amount borrowed.

After Ms Messih made the second complaint to FOS – but before it was determined – Westpac continued to send collection notices to Ms Messih. Between 17 November 2016 and 3 December 2016, Westpac sent   
Ms Messih 13 text messages in relation to arrears on one of her Westpac accounts.[[1588]](#footnote-1588) The text messages caused Ms Messih to feel overwhelmed and stressed.[[1589]](#footnote-1589) As Ms Messih explained:

… I don’t want to ever go through that again. It’s not a nice feeling when I’ve always paid all my debts upfront. Bills were always paid. And to continually get phone calls from institutions about where’s your payment – when are you going to make the payment is just something that I’m not used to. And it was really hard.[[1590]](#footnote-1590)

Mr Welsh reviewed the lending file relating to the transactions. He did not agree with the conclusion that FOS reached in its first determination. In his view, the loan should have been made.[[1591]](#footnote-1591) Mr Welsh disagreed with two particular aspects of FOS’ determination. First, FOS had applied an interest rate buffer of 3% when assessing serviceability of the facilities. Mr Welsh considered that figure to be ‘very high’[[1592]](#footnote-1592) and, if adopted, a figure that ‘would prohibit a lot of business lending.’[[1593]](#footnote-1593) Second, Mr Welsh disagreed with FOS’ approach of amortising the business overdraft and rental guarantee when calculating serviceability.[[1594]](#footnote-1594) As already noted, however, Westpac complied with the determination.

Mr Welsh agreed that the sending of collection notices to Ms Messih   
while her second FOS dispute was on foot breached FOS’s Terms of Reference.[[1595]](#footnote-1595) Mr Welsh also agreed that, regardless of the existence   
of the FOS complaint, it was inappropriate for so many automated collections messages to be sent to a customer in such a short time period.[[1596]](#footnote-1596) (A notice was sent to Ms Messih every business day during the period.) Mr Welsh said that he had looked into why the text messages had been sent and concluded that they had been sent because the relevant loan had not been flagged as being subject to a FOS dispute.[[1597]](#footnote-1597) This suggested that, but for a FOS dispute, text messages would have been sent as frequently as they were.

In its written submissions, Westpac accepted that by continuing to undertake collection activities after Ms Messih had made a complaint to FOS, it did not meet the requirement of Clause 3.2 of the then applicable Code of Banking Practice that it ‘act fairly and reasonably’.[[1598]](#footnote-1598) In its written submissions, Westpac sought to further explain what had happened was ‘compounded’ by a ‘computer error’ causing ‘more text messages to be sent to Ms Messih on consecutive days than would ordinarily occur’.[[1599]](#footnote-1599) The submissions asserted that ‘Westpac’s usual practice where accounts are in arrears is to send, at most, one text message every three days’. Westpac had said nothing about what was said to be the compounding factor or about its ‘usual practice’ when Mr Welsh gave his evidence. What Westpac said about these matters in its written submissions was wholly new. What was said could not be tested or examined. In the circumstances, all that I can say is that, whatever Westpac may have intended to be its ‘usual practice’ at the time, Ms Messih was subjected to a barrage of texts that, as Westpac itself accepted, was not to act fairly and reasonably towards its customer, and thus in breach of its obligations under both the Code[[1600]](#footnote-1600) and to act in breach of its obligation under Clause 13.1 of the FOS Terms of Reference not to take any action to recover a debt the subject of a   
FOS dispute.[[1601]](#footnote-1601)

### 2.4 BOQ and Wendy’s franchises

In 2012, BOQ made a business loan to Suerich Pty Ltd to allow the company to buy two Wendy’s outlets in the southern suburbs of Adelaide. Ms Suzanne Riches was the sole director of Suerich.

Ms Riches is a primary school teacher and has worked as a teacher for over 30 years. She is married with two adult children.[[1602]](#footnote-1602)

In early 2012, Ms Riches’ husband received a small inheritance from his mother’s estate. Ms Riches and her husband decided to use this money to buy their own business, as they thought that running their own business would help to secure their financial future into retirement.[[1603]](#footnote-1603) After looking at a few different options, Ms Riches and her husband settled on two existing Wendy’s outlets at a Westfield shopping centre.[[1604]](#footnote-1604)

Before signing a contract to purchase the businesses, Ms Riches consulted with an accountant and a lawyer.[[1605]](#footnote-1605) The accountant told her that the bottom line profits looked ‘skinny’[[1606]](#footnote-1606) and that there was a ‘small margin’ in the businesses.[[1607]](#footnote-1607) When asked about her reaction to this advice, Ms Riches gave the following evidence:

[I]n discussions with the Wendy’s franchise manager and other franchisees that we visited in the Wendy’s franchise in other shopping centres, we were aware that Wendy’s had a training program and protocols and strategies in place to be able to improve the profits by   
10 per cent, and they were tried and true strategies that had worked for   
the company before. With my husband’s expertise in the hospitality industry … as a chef and caterer, he was very confident that he had the means to be able to improve … the percentages.[[1608]](#footnote-1608)

Ms Riches applied to BOQ for a business loan to purchase the businesses.[[1609]](#footnote-1609) During the application process, Ms Riches dealt with the branch manager[[1610]](#footnote-1610) who was the ‘owner-manager’ of the branch under BOQ’s franchise model.[[1611]](#footnote-1611) The branch manager’s relationship with BOQ was terminated in 2013 following an investigation into misappropriation of customer funds (unrelated to Suerich) and he could not be contacted by BOQ in relation to the case study.[[1612]](#footnote-1612)

Ms Riches said that before her loan application was approved, she attended a meeting with the BOQ branch manager at which he told her that BOQ would be able to give her the loan, and that she could therefore make an offer to purchase the businesses that was not subject to financial approval.[[1613]](#footnote-1613) In early July 2012, Ms Riches signed a contract of sale   
on behalf of Suerich to purchase the businesses and provided a copy   
to BOQ.[[1614]](#footnote-1614)

In August 2012, Ms Riches received a conditional letter of offer from BOQ, in relation to the business loan. The conditional letter of offer was signed by the BOQ branch manager and stated that the indicative monthly repayments required under the business loan would be $4,420 over 84 months.[[1615]](#footnote-1615)

Having received this conditional letter of offer, Ms Riches signed a Wendy’s franchise agreement for the businesses after commencing training   
with Wendy’s.[[1616]](#footnote-1616)

As the date for settling the purchase came closer, Ms Riches went to the BOQ branch to ask about the settlement arrangements. The manager said that ‘there was a difficulty’ and that ‘the person who organised or oversaw the credit facility was away and he was waiting for him to come back’.[[1617]](#footnote-1617) Ms Riches made several further inquiries about progress but appeared to   
be told little more than that the leases were short term and that ‘they hadn’t exhausted all the possibilities’, leaving her with the impression that ‘they were trying to find out a way to be able to service the loan.[[1618]](#footnote-1618)   
On 15 October 2012 (a week after the due date for settlement of the purchase) Ms Riches was told that the loan documents were ready to be signed.[[1619]](#footnote-1619) By that time the vendor had given a notice of default and interest was being charged on the outstanding purchase price.[[1620]](#footnote-1620)

The letter of offer by BOQ to Suerich provided for a loan term of three years and repayments of $8,696.86 per month.[[1621]](#footnote-1621) Ms Riches gave evidence that when she received the final offer, she had been ‘alarmed’ that the monthly repayments had almost doubled from the amount set out in the conditional letter of offer.[[1622]](#footnote-1622) She said that she felt, however, that she was ‘between a rock and a hard place’, with no way to get out of the contract to purchase the businesses, and so she accepted BOQ’s offer.[[1623]](#footnote-1623) The business loan was secured by mortgages taken over a block of land owned by Ms Riches and over her family home, as well as a guarantee and indemnity provided by   
Ms Riches, and a general security agreement over all present and after acquired property of Suerich.[[1624]](#footnote-1624)

Suerich found it very difficult to make the monthly repayments due to BOQ and soon defaulted under the business loan.[[1625]](#footnote-1625) The company kept operating the two outlets until the lease on one ran out. Having taken advice from their accountant, Ms Riches and her husband decided not to seek an extension of that lease but to continue with the other, larger and busier outlet.[[1626]](#footnote-1626) Suerich continued to operate this outlet until mid‑2015.[[1627]](#footnote-1627)

In the meantime, in July 2014, Ms Riches lodged a complaint with FOS about BOQ’s conduct in approving the business loan.[[1628]](#footnote-1628) After BOQ was notified of the complaint, it conducted its own internal investigation.[[1629]](#footnote-1629) By   
at least 2 September 2014, as a result of its own investigation, BOQ had identified a number of errors in the serviceability calculation that had been undertaken in approving the business loan.[[1630]](#footnote-1630) These errors were made by the branch manager or by the credit officer who worked for the branch manager, and were not picked up by BOQ’s central credit department that ultimately approved the loan.[[1631]](#footnote-1631) By at least the end of September 2014, there was no doubt within BOQ that the loan to Suerich should not have been approved as it was not serviceable.[[1632]](#footnote-1632) Recommendations were   
made internally at BOQ to settle the dispute by offering to reduce the business loan principal and to remove the interest and fees payable on   
the business loan.[[1633]](#footnote-1633) However, BOQ made no offer to Suerich, whether along the lines proposed or at all.[[1634]](#footnote-1634)

In December 2014, BOQ received requests from FOS for further information in relation to the matters raised by Ms Riches in her complaint. One of these requests was for BOQ to ‘[d]etail [the] basis on which lending was approved with reference to lending guidelines and/or policy and information provided by [Ms Riches]’.[[1635]](#footnote-1635) BOQ responded to this request by telling FOS that ‘[t]he applications for finance were assessed in line with the policies applicable at the time of the application.’[[1636]](#footnote-1636) In his evidence, Mr Douglas Snell, General Manager of Performance, Product and Governance at BOQ, agreed that although it may not have been strictly untrue to say that the Suerich loan was assessed in accordance with BOQ’s policies, in sending this response to FOS, BOQ had omitted an important fact: namely, that BOQ was aware that there had been errors made in the serviceability calculation.[[1637]](#footnote-1637) Mr Snell accepted that BOQ’s response to FOS was inappropriate.[[1638]](#footnote-1638)

In a submission to FOS, BOQ said:

Bank of Queensland is of the understanding that the applicant has previously provided information to FOS that suggests that independent professional advice was obtained prior to the purchase of the business being completed. If the independent professional advice obtained suggested the applicant not purchase the business yet still opted to, then Bank of Queensland is of the view that, should FOS find that there was maladministration in lending, then the outcome should be proportioned given this information.[[1639]](#footnote-1639)

This submission was consistent with BOQ’s general approach to the determination of the dispute. As a BOQ employee was later to say, in   
an internal email:

Throughout the investigation of the dispute by FOS, as we have known that there was maladministration in lending, I have endeavoured to minimise the restitution payable.[[1640]](#footnote-1640)

Mr Snell accepted that BOQ’s strategy in the FOS process, of not acknowledging its maladministration, but instead working to try to limit   
the extent of liability was neither fair nor reasonable towards Ms Riches.[[1641]](#footnote-1641)

After FOS made its recommendation about the dispute, but before it determined it, Suerich was wound up. FOS determined that BOQ did not lend responsibly when it provided the business loan because it did not act as a diligent and prudent banker when assessing Suerich’s ability to service the loan.[[1642]](#footnote-1642) The FOS determination (accepted by the liquidator of Suerich) provided that BOQ should compensate Suerich by reducing the balance of the business loan by $35,775 and reducing any interest and fees by 60% from a certain date.[[1643]](#footnote-1643)

In its written submissions, BOQ did not dispute that it did not exercise the care and skill of a diligent and prudent banker in assessing and approving the loan to Suerich and did not dispute that this was a breach of the then applicable version of the Code of Banking Practice (the 2003 Code as amended in 2004).[[1644]](#footnote-1644) Nor did BOQ dispute that it fell short of the standard   
to be expected under Clause 2.1(b) of that Code by not communicating the final terms of the proposed loan to Ms Riches until she was asked to come into the branch to sign the loan documents.[[1645]](#footnote-1645) BOQ denied that the breaches amounted to serious or systemic non‑compliance with the Code and submitted that BOQ has taken steps to prevent recurrence of similar breaches.[[1646]](#footnote-1646) Whether what happened with Suerich revealed serious and systemic non‑compliance was not explored during the hearings. And it is clear that, by severing its connection with the particular owner manager with whom Ms Riches dealt, BOQ sought to remove the most immediate cause of the events in issue. But there remains for consideration whether BOQ acted properly in dealing with the FOS complaint as it did.

BOQ emphasised that next to no evidence was given about (and BOQ could not explore) what legal or financial advice Ms Riches and her husband took before deciding to proceed with the purchase of the businesses or what advice either received during the life of the business. (I say ‘next to no evidence’ because, as recorded earlier, Ms Riches did say that she had consulted her accountant and that the accountant spoke of the ‘bottom line profits’ being ‘skinny’.) But relevant as those issues may be to deciding some claim by the Riches for damages against BOQ, they are not issues that bear upon whether BOQ complied with the Code or engaged in conduct otherwise falling short of community standards and expectations when it told FOS that a matter for FOS to investigate in relation to Ms Riches’ complaint was whether BOQ had lent irresponsibly.

When BOQ was dealing with FOS about this claim, the 2013 Code required it to ‘act fairly and reasonably towards customers’. BOQ concluded that it had not exercised the care and skill of a diligent and prudent banker when it approved and made the loan to Suerich. I do not consider that it was fair or reasonable for BOQ to say to FOS, as BOQ did in its response to the FOS letter of 9 December 2014, that one matter to be investigated was whether BOQ had engaged in irresponsible lending when it approved the business loan to Suerich.[[1647]](#footnote-1647) It was not fair or reasonable to do other than tell FOS what BOQ had concluded from its internal review. That would have left BOQ free to say (if it thought it right or wise to do so) that Suerich had made an informed choice about accepting the offer and should not now be relieved   
of its obligations. But that was not the course that BOQ followed.

BOQ’s conduct was not fair or reasonable and thus fell short of what the community would have expected of it.

As already noted, the most immediate cause of the events that happened and issues that arose in connection with Suerich would appear to have been the conduct of the owner manager concerned. It was he who gave Ms Riches the conditional letter of offer. It seems very likely that he learned, sooner than he told Ms Riches, that BOQ would not lend on the terms described in that letter and, if that is right, his delay in telling her left her, she thought, between a rock and a hard place.

Together, these matters invite attention to what connection, if any, the events had to BOQ’s franchise arrangements, in which about 60% of branches are owned by the manager of the branch. Mr Snell said that he believed that in 2012, there was ‘quite a low adherence to compliance’ by owner-manager branches.[[1648]](#footnote-1648) Since then, BOQ has done a lot to try to improve compliance and Mr Snell said that the trend over the last five years ‘has moved in the right direction’ with the number of audit scores of fail or needs improvement falling and the number of satisfactory scores increasing.[[1649]](#footnote-1649) It is not possible to say whether the events relating to Suerich are to be understood as arising out of, or being connected with BOQ adopting the franchise model that has been mentioned. It will be important, however, to return to the issue when considering what are the effects of sales‑based remuneration. And in that connection it will be necessary to look at the changes BOQ has made to its particular remuneration arrangements and to the deeper issue of how it could implement the recommendations made by the Sedgwick Review.

## 3 Responsible lending: Unsolicited offers of credit

### 3.1 Background

During the first round of hearings the Commission examined a number of cases where banks had made unsolicited offers to consumers of increased credit card limits or overdraft facilities. Those cases were viewed, as they must be, through the lens of the responsible lending provisions of the National Consumer Credit Protection Act 2009 (Cth) (the NCCP Act). But, as has been noted above, those provisions apply only to lending provided, or intended to be provided, wholly or predominantly for certain purposes (essentially, ‘personal, domestic or household purposes’ or ‘to purchase, renovate or improve residential property for investment purposes’).[[1650]](#footnote-1650)

Between March and December 2012, CBA ran a pilot program of offering ‘Simple Business Overdrafts’ (or SBOs) to some existing business customers of CBA. The customers were chosen using a method that assessed them as presenting a low risk of default by considering various criteria, including their recent banking with CBA. By a mass mail out in 2012, CBA offered more than 10,000 customers a pre-approved SBO.[[1651]](#footnote-1651) Before March 2012, CBA had not used an automated process for business lending.[[1652]](#footnote-1652) The SBO offered was an unsecured loan, with a 16% interest rate and a 1.75% line fee per annum. The facility limit could not exceed $50,000, except in very limited circumstances.[[1653]](#footnote-1653) CBA judged the pilot program to be a success and has continued to make unsolicited offers for SBOs. From time to time since March 2012, CBA has refined the criteria it uses to offer SBOs.

CBA made the relevant offers during 2012 (and since) without any application from the customer. It sent offers to customers who met CBA’s criteria unless the customer had previously chosen not to receive marketing information from CBA.[[1654]](#footnote-1654) CBA made no inquiries of the customers to whom offers were sent about whether or how the customer would be able to service the loan if the customer accepted the offer and drew on the facility. Instead, CBA formed an opinion about the customer’s ability to repay based upon a combination of financial and non‑financial criteria.

As already noted, the criteria for offering SBOs changed over time. The non‑financial criteria included such matters as: age; being a citizen or permanent resident of Australia or New Zealand; and having been a CBA customer for a minimum period. The financial criteria included: not being recorded as in receipt of Centrelink benefits; not being in collections or arrears with any CBA product; not having been declined for another CBA product in the preceding six months; having a CBA deposit account with   
a positive balance; having a history of credits to the customer’s business transaction accounts of at least a specified level over the preceding three (later six) months; and, in particular, having a particular level of ‘CBA Credit Risk Score’.[[1655]](#footnote-1655) From late 2015 or early 2016, the deposit account balance check was replaced by determining whether ‘business surplus’ (declared business revenue less declared business expenses) exceeded a specified percentage of the SBO limit and, from mid‑2016, was supplemented by requiring the customer to have a minimum level of turnover in the customer’s business transaction account.[[1656]](#footnote-1656)

### 3.2 What the case study showed

Three points should be made about CBA’s unsolicited offers of SBOs.

First, making the offers was not misconduct and was not conduct falling short of community standards and expectations.

The second point has already been made in connection with dealings with consumers. It is a point that may seem to be only a point about language but it is deeper and more important than that.

Mr van Horen, CBA’s Executive General Manager, Retail Products, said that the ‘SBO product was developed to better meet the needs of small business customers’.[[1657]](#footnote-1657) This description provides a useful further example of what exactly is meant by the expression ‘meeting the customer’s needs’ so often used by senior bank officers when giving evidence to the Commission and so often to be found in one form or another in bank documents describing bonus (or ‘short term remuneration incentive’) programs for bank staff. The ‘needs’ that are being met are not what the customer has identified as a service that is necessary (or even wanted). The ‘needs’ are whatever services the bank can sell.

CBA sought to simplify business lending for under $50,000 as ‘a key strategic initiative … to improve CBA’s underweight position in micro and small business lending’.[[1658]](#footnote-1658) The SBO product that was developed was priced ‘for increased risk from not verifying income’.[[1659]](#footnote-1659) After the initial offers were made to more than 10,000 customers in March 2012, CBA’s Executive Risk Committee was told that ‘[a]n increased level of impairment [of loans] is expected but is more than compensated by product profitability which is driven by volume and an attractive pricing margin’. And, knowing that to be the expectation, CBA went ahead to sell the product more widely.

The language of ‘meeting customers’ needs’ should not obscure the truth. CBA introduced the SBO to increase its profit by increasing its lending to micro and small businesses. Seeking to increase profit is not a form of misconduct; it is not conduct that falls short of what the community expects of a publicly listed company like CBA. The question for me, in this case study, was whether the means that CBA followed to ‘address [its] underweight position in micro and small business lending’ was misconduct or conduct falling short. As I have said, I consider it was neither.

The third point to make is in amplification of this conclusion. The conclusion depends upon some intermediate steps that should be exposed. It depends upon concluding that the ways in which CBA applied its credit assessment methods and formed an opinion about whether a client could repay the SBO did not amount to a failure to exercise the care and skill of a diligent and prudent banker.[[1660]](#footnote-1660) Further, it is a conclusion that is reached recognising that CBA embarked upon this program expecting that there would be an increased level of impairment of loans. Not only that, it is a conclusion that is reached recognising that CBA changed and refined its methods of assessment of SBOs several times after its 2012 pilot program. But I consider that there is no basis for me to decide that CBA’s conduct amounted to a want of reasonable care and skill.

The standard fixed by successive editions of the Code of Banking Practice focuses upon whether the diligent and prudent banker would have undertaken the risk of making the particular loan in issue. There was no evidence that would permit me to say that, at any of the different times at which CBA has offered this product, CBA did not act with the reasonable care and skill of a diligent and prudent banker. Mr van Horen said, and I accept that

the overall credit performance of the SBO product, whether it’s the early days of the pilot through to today, with the iterations of our changes to the process, has been very sound. And there’s nothing in what we’ve seen in terms of the defaults or the delinquency or the customers experiencing difficulty making their payments that suggest to us any major gap in the way that we originally offered, or the customers took up, the overdrafts.[[1661]](#footnote-1661)

## 4 Responsible lending: Suncorp and Low

### 4.1 Background

In November 2015 Rien Low’s father died in an accident at work, leaving his mother with about $1 million in outstanding loans, including business loans, with Suncorp.[[1662]](#footnote-1662) The loans had been made to the couple in 2013 and 2014. Mr Low’s father had been the sole breadwinner and his mother had limited income with which to service the loans after his death.[[1663]](#footnote-1663)

In May 2016, Rien Low and his mother made a complaint to FOS about Suncorp’s conduct in approving the loans. In December 2016, FOS made   
its recommendation to the Lows and Suncorp about the complaint.[[1664]](#footnote-1664) The recommendation was that Suncorp’s approval of the last of the five loans (a business loan of $240,000 made in 2014) was not responsible.[[1665]](#footnote-1665) FOS said that Suncorp had not made adequate inquiries about the purpose for which the loan was sought and that, if proper inquiries had been made, the loan would not have been made.[[1666]](#footnote-1666)

Because Mr Low did not agree with and accept the recommendation   
that FOS made about the other four loans, the matter went for formal determination by an Ombudsman.[[1667]](#footnote-1667) But, before the Lows received the   
FOS determination, they took steps to sell the family home. Their intention was to use the proceeds of sale to repay the amounts owed in respect   
of the first four loans (the loans that FOS decided were not affected   
by maladministration).

They received a conditional offer to buy the home. Mr Low rang Suncorp and told the customer relations banker who was handling the complaint to FOS that a conditional offer had been received. The banker ‘straight away told [Mr Low] of their dissatisfaction [with] the fact that [he] had decided to sell the family home’ and ‘reiterated to [him] on numerous occasions that they had the power to cancel the sale, to evict [his] mum from the house, and to sell it according to … what they’re happy with.’[[1668]](#footnote-1668) The purchaser did not proceed with the sale.

In February 2017, FOS determined that although four of the loans were not affected by maladministration, the debt in respect of the 2014 business loan should be reduced by the amount of interest paid and Suncorp should not be permitted to charge further interest.[[1669]](#footnote-1669) The determination said that, if the parties were unable to reach an agreement for repayment of the debt within 30 days of a proposal being made by Mr Low, Suncorp could be entitled to commence recovery action.[[1670]](#footnote-1670) In March 2017, the Lows accepted the determination.[[1671]](#footnote-1671) In April, they made a contract to sell the family home   
for $815,000.[[1672]](#footnote-1672)

After FOS made its determination and the Lows accepted it, the Lows and Suncorp made a series of offers and counter-offers about the 2014 business loan. Taking account of the reductions allowed by the FOS determination, the loan then had a remaining balance of about $222,000.[[1673]](#footnote-1673) The Lows proposed that the proceeds of the sale of the family home should go to pay the balance of the four loans that FOS had left unaffected and that Mrs Low would retain the balance of those proceeds. Although Mr Low had a conversation with a Suncorp employee that Mr Low understood as agreeing to this proposal,[[1674]](#footnote-1674) subsequent conversations with another employee caused him to understand that Suncorp would agree to his mother keeping the surplus proceeds only if the Lows agreed to pay back the whole of the fifth loan by November 2017.[[1675]](#footnote-1675) Mr Low asked for the proposal to be put   
in writing.[[1676]](#footnote-1676)

On about 23 June 2017, Mr Low received a letter from Suncorp, dated   
12 June 2017, proposing an arrangement of the kind just described, requiring Mrs Low to pay the balance of the fifth loan by 30 November that year.[[1677]](#footnote-1677) The offer was said to be open until 19 June 2017.

On behalf of his mother, and with the assistance of the Consumer Action Law Centre, Mr Low responded with an offer to repay the fifth loan by the instalments that had been agreed when the loan was made.[[1678]](#footnote-1678) Suncorp rejected the offer saying that ‘what [was] requested is essentially an interest free loan spanning 17 years’.[[1679]](#footnote-1679) (The fifth loan had originally had a thirty year term.) Suncorp offered ‘to grant further time of up to 12 months to refinance’ the fifth loan.[[1680]](#footnote-1680)

Mr Low then contacted FOS again, asking FOS to help resolve the impasse that had been reached. FOS said the case was closed and that it could not assist him.[[1681]](#footnote-1681)

The sale of the family home was settled. Suncorp, as mortgagee, took the whole of the proceeds of sale, applied enough to satisfy the four undisputed loans and offered to release the balance of the proceeds to Mrs Low if   
she agreed to pay the outstanding amount of the disputed loan within   
12 months.[[1682]](#footnote-1682) Mr Low responded by offering to make weekly repayments   
at a rate that was slightly higher than the rate of repayment fixed when the loan was made.[[1683]](#footnote-1683)

Some days later, Mrs Low received a letter dated 19 July 2017, signed by the Chief Executive Officer, Banking & Wealth at Suncorp, Mr David Carter, and addressed to Rien Low’s father and mother. The letter said, ‘We’re writing to let you know the minimum repayment for your loan has decreased’ and the ‘minimum repayment amounts will now be $792.53’.[[1684]](#footnote-1684)

The letter was a form letter that had been sent automatically because there had been a change in interest rates. The Lows did not read the letter in this way. They thought it was a response to their last offer. But it was not and that was soon made apparent to them.[[1685]](#footnote-1685)

In August 2017, Suncorp made a fresh offer.[[1686]](#footnote-1686) There were two options: one to give Mrs Low five years to repay the fifth loan if security was given over   
a property owned by the Lows in Queensland; the other to give Mrs Low   
two years to repay if the loan was secured over a block of land they owned in Victoria.[[1687]](#footnote-1687)

Mr Low asked FOS to consider whether the letter signed by Mr Carter was misleading. FOS organised a conciliation telephone conference. In the course of that conference, the customer relations banker with whom Mr Low had dealt earlier, told him that Suncorp’s latest offer would be withdrawn if Mr Low took his latest request to FOS to a determination.[[1688]](#footnote-1688) FOS gave the Lows its preliminary view of the matter:[[1689]](#footnote-1689) that Suncorp had not misled the Lows and that it was entitled to apply the balance of the proceeds of the sale of the family home to the disputed loan. The Lows withdrew the complaint and agreed that Mrs Low would repay the disputed loan within five years.[[1690]](#footnote-1690)

### 4.2 What the case study showed

The premise for the case study was that, contrary to the Code, Suncorp had not acted as a prudent and diligent banker when making the last of the five loans it made to the Lows. The focus of the case study was to explore what then followed.

Two points emerged.

First, it is important to recognise the effect of a dispute like this on those concerned. Mr Low described the effect on him and his family as follows:

… it’s extremely stressful. I mean, the impact it has had on mum – she’s not here today, because the – the pressure and the expectation – it just – everything the bank and obviously what has happened to my father, it has just – it’s taken its toll on her, unfortunately. It has taken its toll on all of us. It’s just very, very stressful and a lot of pressure, you know, just – and trying to live a normal life and work full-time. It has – it has just been very, very difficult.[[1691]](#footnote-1691)

Second, the case revealed that neither borrower nor lender understood the bases on which a dispute of this kind was to be finally resolved after the FOS determination. This was that the loan had not been made responsibly, that the lender should not charge interest on the loan, and that, if the parties could not agree about repayment, the lender could commence   
recovery action.

After FOS made its determination, Mrs Low offered to repay the loan over its original term on an interest-free basis. Mr Carter gave evidence about Suncorp’s decision to refuse this offer and to make different proposals. In   
its correspondence with the Lows, Suncorp characterised Mrs Low’s proposal as ‘an interest free loan spanning 17 years’.[[1692]](#footnote-1692) Mr Carter said to the Commission, that he accepted that the loan might be interest-free for   
a reasonable period of time, but he also said that, after whatever was a reasonable period, the loan should no longer be interest-free[[1693]](#footnote-1693).

The foundation for Mr Carter’s view seemed to be that, once there was a FOS determination, there was a ‘residual debt’ rather than a loan contract and that a continuation of interest-free lending would be contrary to ‘industry practice’.[[1694]](#footnote-1694) Exactly what was meant by the distinction between ’residual debt’ and ‘loan contract’ proved elusive but turned on the notion that the determination brought the loan to an end.[[1695]](#footnote-1695) Yet Mr Carter agreed that the FOS determination did not say this. Even so, he maintained that the loan had been brought to an end by the determination.[[1696]](#footnote-1696) And it was a view of this kind that can be seen expressed in a letter Suncorp sent to the Lows saying that the loan contract was ‘void ab initio’.[[1697]](#footnote-1697) It followed that, in Mr Carter’s view, the business loan that had been found not to have been responsibly made was to be repaid before the other loans, which remained interest-bearing.[[1698]](#footnote-1698)

Mr Field, Lead Ombudsman, Banking and Finance, of FOS, made the determination provided by FOS in respect of the Lows’ complaint. He said that FOS does not take the view that a loan found by FOS to have been ‘affected by maladministration’ (which is to say made when a prudent and diligent banker would not have made the loan) comes to an end.[[1699]](#footnote-1699) And   
he had not made a determination declaring a loan contract void in cases   
of maladministration.[[1700]](#footnote-1700) He did not accept that there was any industry practice, of the kind to which Mr Carter had referred, by which a loan affected by maladministration was treated as brought to an end by a   
FOS determination.[[1701]](#footnote-1701)

Mr Field said that a business loan affected by maladministration would   
have to be repaid but that the time for repayment was a matter to be agreed between lender and borrower having regard to the borrower’s ability to repay.[[1702]](#footnote-1702) Hence, there may be cases where, as the Lows had offered, it might be reasonable to allow the borrower to repay the principal, without interest, over the original life of the loan.[[1703]](#footnote-1703) And he also said that where there were two loans, of which only one had been made when it should   
not, FOS considered that payments made by the borrower should be applied first to the interest bearing loan. FOS did not require interest bearing loans to be paid in priority to loans which were not affected by maladministration.[[1704]](#footnote-1704) In his view, the contrary would be appropriate.[[1705]](#footnote-1705)

Absent more precise guidance from FOS about how effect was to be given to the determination made of the Lows complaint, it cannot be said that Suncorp might have engaged in misconduct. Whether its conduct fell short of what the community expected is more difficult. There were certainly aspects of its communications with the Lows that could have been handled better than they were. But on balance, I prefer the view that the chief difficulties that emerged between the parties stemmed from the inconclusive nature of the FOS determination: requiring the parties to decide between themselves how the loan was to be repaid.

## 5 CBA and double debiting interest

### 5.1 Background

Between December 2011 and March 2017, CBA overcharged interest   
to some of its business customers with Business Overdraft and Simple Business Overdraft products. CBA charged more than twice the amount   
of interest that was supposed to be charged in respect of outstanding balances. Each month, the affected customers were charged interest at   
a rate of nearly 34% per annum rather than at the agreed rate of   
16% per annum.

The amount of interest charged to the account, but not the rate at which it was charged, was recorded in the statements of account the bank issued to the customer. One readily available understanding of a statement in that form would be that it represented to the customer that the amount charged had been calculated in the manner provided by the contract between banker and customer. And where interest was charged at the wrong rate, the amount recorded on the statements was not calculated in that way.

The issue was first discovered in 2013 when a customer complained.[[1706]](#footnote-1706) Corrections were made manually until a ‘system‑based fix’ was made in May 2015 but that ‘was not comprehensive and it missed a very substantial part of the cases that [CBA] subsequently found’.[[1707]](#footnote-1707)

In about June 2015, ‘about six or seven’ customers complained to CBA that interest was being charged on business overdraft accounts at too high a rate.[[1708]](#footnote-1708) One, not being satisfied with CBA’s response, made a written complaint to CBA in November that year.[[1709]](#footnote-1709) And in 2016, a complaint was made to FOS.[[1710]](#footnote-1710) In accordance with the standard processes of CBA, when the complaint had not been resolved within 90 days, it was referred to   
Mr van Horen, as Executive General Manager, Retail Products.[[1711]](#footnote-1711)

CBA sought to resolve the complaint. One internal email within CBA suggested resolution lest the matter ‘escalate’ and be treated (presumably by FOS) as a systemic issue.[[1712]](#footnote-1712) And when the complainant threatened taking the matter to the media, CBA increased the offer it had made to settle the dispute.[[1713]](#footnote-1713)

By September 2016, CBA recognised that the overcharging of interest raised in the FOS complaint was not isolated.[[1714]](#footnote-1714) At that time is was thought that ‘up to 4000’ Simple Business Overdraft accounts had been overcharged interest since 2013 and that ‘up to 1000 customers’ were still being overcharged.[[1715]](#footnote-1715)

In November 2016, CBA began a remediation program. It wrote to affected customers with Simple Business Overdrafts in March 2017 and to Business Overdraft customers in May and June 2017.[[1716]](#footnote-1716) The letters it sent in March were delayed for 10 days and were sent after a federal Parliamentary hearing, at which the matter might be brought up, had been held.[[1717]](#footnote-1717)

More than 2,500 customers were compensated: 337 customers with a Business Overdraft and 2,354 customers with a Simple Business Overdraft.[[1718]](#footnote-1718) The total amount paid was about $3 million. The compensation was paid about two and a half years after the first overcharging occurred;   
it was paid about 240 days after CBA first identified the issue.[[1719]](#footnote-1719)

In his evidence to the Commission, Mr van Horen accepted that during 2015 CBA had not had proper systems in place to ensure that the issue was dealt with properly.[[1720]](#footnote-1720) As he put it (I think rightly): ‘having looked at a number of the emails and various correspondence that occurred in the 2015 to   
‘16 period … [CBA] didn’t do what – what we expect to have – should be expected to have done’.[[1721]](#footnote-1721) By this I understood him to accept that CBA had taken too long to identify that there was a substantial issue. By contrast,   
Mr van Horen did not accept that the remediation of affected customers had been too slow.[[1722]](#footnote-1722)

CBA did not report any of these matters to ASIC until, on 15 May 2018, CBA notified ASIC that, having ‘recently reviewed the overcharging issue in detail’, CBA had identified ‘that it has breached section 12DA of the ASIC Act when it issued periodic statements’ to the relevant customers.[[1723]](#footnote-1723) As CBA said in that notification, and I accept, the account statements it issued to affected customers ‘will have misled, or are likely to have misled, the account holder’.[[1724]](#footnote-1724)

### 5.2 What the case study showed

CBA did not detect what turned out to be an issue affecting nearly 3,000 customers until well after the event. When it did detect the problem, it took some time to remedy the consequences. And on any view, what had happened was that the bank had charged customers interest to which the bank was not entitled. An event of that kind demands swift action.

At the time, it seems that CBA did not understand that it had issued statements of account that were misleading or were likely to mislead.   
Only when the Commission was about to inquire into the matter did CBA report the matter to ASIC. And in that notification, CBA accepted, rightly in my opinion, that it had breached Section 12DA of the ASIC Act. It follows that CBA might also have contravened Section 12DB of that Act prohibiting false or misleading representations. The matter now having been reported to ASIC, it is for ASIC to determine what further action it should take in respect of these matters.

CBA’s report to ASIC was made well after the events that are referred to in the report. That being so, it may be that CBA did not report the matter within the time prescribed by Section 912D of the Corporations Act. It is for ASIC to determine what further action it should take in respect of this aspect of these matters.

## 6 Power and communication

### 6.1 Background

Two of the case studies examined raised issues about the ways in which a lender exercises its powers during the currency of a loan or when seeking   
to have the loan repaid. In both cases the bank told the borrower that the borrower could not have access to the proceeds of the sale of a property unless the borrower agreed to restructure existing loan arrangements. In one case the bank’s witness said, in evidence to the Commission, that the bank had acted inappropriately and unfairly;[[1725]](#footnote-1725) in the other, the bank’s witness accepted in evidence that the bank did not have a right to hold the customer out of the money.[[1726]](#footnote-1726)

The first of these cases concerned two loans made by Bank of Melbourne   
(a brand name of Westpac) to Thir Pty Ltd, a company controlled by   
Mr Bradley Wallis and his wife, Ms Tara Wallis.

### 6.2 Westpac – Bank of Melbourne: Mr and Mrs Wallis

In late 2015, Mr Bradley Wallis and his wife began looking for opportunities to run their own business.[[1727]](#footnote-1727) When asked why they were interested in running their own business, Mr Wallis explained:[[1728]](#footnote-1728)

Well, we’d thought about owning our own business for a while. We thought it would give us a bit of freedom and allow something for us to both work on together. And so we started to look at various opportunities. We felt we were reasonably experienced and qualified to – to have a crack at small business …

In April 2016, Mr Wallis and his wife came across a café and   
bed-and-breakfast business situated on 20 acres of land in Byabarra in   
New South Wales that was for sale.[[1729]](#footnote-1729) Mr Wallis and his wife applied to the Bank of Melbourne for a loan to assist with the purchase of the Byabarra property through their company, Thir.[[1730]](#footnote-1730) Mr and Mrs Wallis signed and submitted a ‘Commercial Finance Application Form’,[[1731]](#footnote-1731) and provided the Bank of Melbourne with a projected profit and loss statement for the year ending 31 December 2017 for the business.[[1732]](#footnote-1732) In the commercial finance application form, Mr and Mrs Wallis indicated that the loan was for the purpose of purchasing a property with a house and a business located   
on it.[[1733]](#footnote-1733) The loan was to be secured by a mortgage over the   
Byabarra property.[[1734]](#footnote-1734)

Before the loan was approved, the Bank of Melbourne business banker assigned to Mr and Mrs Wallis’ application told his regional manager that there was a ‘small shop’ operating on the Byabarra property; and that the bank’s panel valuers considered that the property ought to be valued on a ‘commercial’ basis for loan security purposes.[[1735]](#footnote-1735) Internal notes made in relation to the Wallis’ application show that prior to approving the loan, the Bank of Melbourne’s credit team was also aware that there was a commercial enterprise operating on the Byabarra property.[[1736]](#footnote-1736)

Classifying a security property as either ‘residential’ or ‘commercial’   
had a significant effect on the assessment and approval of a loan. Westpac’s witness (Mr Alastair Welsh, General Manager, Commercial Banking, Westpac Business Banking) said that, where a loan was to be secured against commercial property, the Bank of Melbourne’s internal lending policies only permitted the bank to lend up to 65% of the value   
of the property. Where a loan was to be secured by residential property,   
the bank’s lending policy permitted lending up to 80% of the value of   
the property.[[1737]](#footnote-1737)

Despite the borrower making a Commercial Lending Application, and despite Mr and Mrs Wallis telling the bank that they intended to run a   
bed-and-breakfast business on the property, the bank assessed and approved the loan, in June 2016, as a residential loan, and offered to lend Thir an amount equal to approximately 80% of the purchase price for the Byabarra property.[[1738]](#footnote-1738) Mr and Mrs Wallis accepted the offer and finalised Thir’s purchase of the Byabarra property. Mr and Mrs Wallis moved their family of six from Melbourne to Byabarra to live and work at the Byabarra property.[[1739]](#footnote-1739) In June 2016, Mr and Mrs Wallis also agreed to refinance an existing mortgage over a residential investment property owned by Thir with the Bank of Melbourne.[[1740]](#footnote-1740)

When the Byabarra loan was assessed and approved, the internal performance targets for the business banker assigned to Mr and Mrs Wallis’ application were heavily weighted towards financial performance.[[1741]](#footnote-1741) The Commission heard evidence that, during the loan assessment process,   
the Bank of Melbourne business banker became aware that another bank had provided the Wallis’ with conditional approval for a loan. The Bank   
of Melbourne business banker was keen to get the Wallis’ loan   
application approved as soon as possible to avoid them accepting   
this competing offer.[[1742]](#footnote-1742)

The Byabarra business began to struggle within five to six weeks after it was re-opened under the management of Mr and Mrs Wallis. By early 2017, Mr and Mrs Wallis had decided that it was no longer viable for them to operate the business. They leased out the Byabarra business and property and relocated their family to the Gold Coast where Mr Wallis had found   
new employment.[[1743]](#footnote-1743)

In June 2017, Mr Wallis asked the Bank of Melbourne to revalue Thir’s investment property and the Byabarra property.[[1744]](#footnote-1744) Mr Wallis hoped to borrow against any equity that had accrued in either property to purchase   
a new family home on the Gold Coast.[[1745]](#footnote-1745) After receiving this request, the Bank of Melbourne’s credit team told Mr Wallis that the Byabarra property had been improperly classified as a residential loan, rather than as a commercial loan secured by commercial property.[[1746]](#footnote-1746) As a consequence,   
the Bank of Melbourne considered that it had a security shortfall under the Byabarra loan of just under $100,000.[[1747]](#footnote-1747) This was on the basis that, had the Byabarra loan been assessed as a loan secured by commercial property, the bank would only have been prepared to lend 65% of the purchase price for the Byabarra property, rather than the 80% that it had in fact lent under the residential loan.[[1748]](#footnote-1748)

Mr Wallis did not proceed with the revaluation request, but instead sold Thir’s investment property ‘to free up some capital’.[[1749]](#footnote-1749) Upon selling the investment property, Mr Wallis sent a request to the Bank of Melbourne to discharge its mortgage held over that property.[[1750]](#footnote-1750) In response, the Bank of Melbourne told Mr Wallis that it would not agree to discharge its mortgage unless $100,000 from the proceeds of sale of the investment property was deposited and held in a Bank of Melbourne term deposit account.[[1751]](#footnote-1751)   
The Bank of Melbourne intended to hold the $100,000 as collateral for   
the potential security shortfall, and only release it after the Byabarra loan had been restructured to a commercial loan facility with a lower   
loan-to-value ratio.[[1752]](#footnote-1752)

In the end the loan was not restructured. Instead, Thir sold the Byabarra property and repaid the amount secured. Bank of Melbourne released the $100,000 that it had placed on term deposit.[[1753]](#footnote-1753)

Mr Wallis said that he felt ‘held for ransom’ by the Bank of Melbourne,[[1754]](#footnote-1754) and that he had questioned the bank’s entitlement to withhold these funds.[[1755]](#footnote-1755) In response, the bank’s regional manager told Mr Wallis that ‘sections 22.2, 22.3, 23a, 23b along with section 27.1’ of the Bank of Melbourne Memorandum of Provisions entitled the bank to withhold the funds.[[1756]](#footnote-1756) FOS concluded that these provisions, together, had authorised   
the bank to retain the moneys, presumably as moneys received under the investment property mortgage being held in respect of the ‘all moneys’ obligation secured by that mortgage (where ‘all moneys’ extended to   
‘all money which one or more of you owe us or will or may owe in   
the future’).[[1757]](#footnote-1757)

Westpac submitted that the provisions relied on by the regional manager had the effect asserted.[[1758]](#footnote-1758) Alternatively, Westpac submitted that the regional manager had genuinely held the view that the bank was entitled   
to act as it was and that there were reasonable grounds for holding   
the opinion.[[1759]](#footnote-1759)

If the relevant provisions did apply, they provided that money received be ‘used towards paying the amount owing’ (unless someone else had a prior claim). If the amount owing was not due for payment, the provisions required that the money received was to be held in an interest bearing account and then applied to pay the ‘amount owing when it becomes due   
for payment’. But, so far as the evidence went, Bank of Melbourne did not ever seek to use the money received ‘towards paying the amount owing’. Instead, it sought to use the retention of the money as a bargaining chip   
to persuade the borrower to agree to restructure the loan that had been made in respect of Byabarra in a way that would accord with the bank’s policies. But the departure from policies had been the bank’s doing, not   
the borrower’s.

At the least then, Mr Walsh was right to accept that the bank’s conduct was unfair.[[1760]](#footnote-1760) The borrower had made plain the nature of the transaction and how they intended to use the security property. If there had been a mistake, it was the bank’s, not the borrower’s. To apply commercial pressure to the borrower in those circumstances was at least unfair.

I express no concluded view about whether the bank’s common provisions might have authorised retention of the surplus proceeds of sale of the investment property. I observe, however, that the money was not retained for the contractually stipulated purpose (of being held to pay what was owing in respect of the Byabarra loan). That may suggest that the relevant provisions were not engaged. Tellingly, Mr Walsh did not seek in his evidence to support the proposition that the bank had been entitled to act as it did. Rightly, he agreed that the common provision clauses relied on by the bank to justify withholding the $100,000 from Mr and Mrs Wallis were too complex for a customer to understand.[[1761]](#footnote-1761)

### 6.3 NAB: Mr Ross Dillon and National Music Pty Ltd

The second of the cases about power and communication concerned   
NAB and National Music Pty Ltd. In this case, Mr Ross Dillon, a director   
of National Music, guaranteed the company’s debts to NAB. The guarantee was supported by a mortgage over a rural property that Mr and Mrs Dillon owned and on which they lived. The property was called ‘Goanna Downs’. The mortgage of Goanna Downs was given as security for the personal debts of Mr and Mrs Dillon, not the company’s. If the guarantee that Mr Dillon had given in respect of the company’s debts was called, the mortgage would secure that obligation of Mr Dillon. Mr Dillon told NAB he wanted to sell the property and did so. Mr Dillon proposed to use part of the proceeds of sale to reduce National Music’s debts and to use part of the proceeds to buy another house. Although the bank had not called on the guarantee, it required Mr Dillon to apply substantially the whole of the proceeds of sale to reducing National Music’s debts and to agree to reduce the limits of National Music’s facilities with NAB. Mr Dillon agreed but thought that he had no choice.

Mr Dillon made a public submission to the Commission complaining of what NAB had done.

From about 2010, Mr Dillon had discussed with NAB his intention to sell Goanna Downs.[[1762]](#footnote-1762) Internal NAB documents referred to the Dillons’ intention to use the proceeds of sale remaining after discharge of the relevant home loan facility debt for two purposes: to inject funds into National Music and   
to purchase another property as their primary place of residence.[[1763]](#footnote-1763)   
(The Dillons intended to relocate to Melbourne to be closer to their adult children and expected grandchildren.)[[1764]](#footnote-1764) At the time, National Music had a number of facilities with NAB including a trade facility, overdraft, market rate facility, debtor finance facility and asset finance facility.[[1765]](#footnote-1765)

In the years before the sale of Goanna Downs, National Music had been seen by NAB as struggling to achieve profitability and as experiencing cash flow problems which, if not rectified, would lead to failure. In 2010, National Music was referred to NAB’s ‘Portfolio Review Group’ for review and that group made several recommendations about the future conduct of the business.[[1766]](#footnote-1766) The review noted that the ‘file demonstrates characteristics   
for SBS involvement’, that is the involvement of Strategic Business Services, the department of the bank responsible for managing accounts showing signs of distress.[[1767]](#footnote-1767) National Music agreed to have an external review of its business. One of the recommendations of the review was that funds be injected into the business to reduce the expenses associated with bank debt.[[1768]](#footnote-1768)

Mr Dillon put Goanna Downs on the market in 2010. He told National Music’s NAB relationship manager that if the property sold, he would use about $800,000 or $1 million to buy another property and apply the balance to reduce bank debt.[[1769]](#footnote-1769) The property did not sell. National Music asked NAB to waive three months of payments on one of its facilities. The then relationship banker recorded that Mr Dillon said that he would apply all but about $100,000 of the proceeds of Goanna Downs to reduction of debt.[[1770]](#footnote-1770)

National Music was referred to Strategic Business Services in 2010 but repatriated to the relationship banker in 2011.[[1771]](#footnote-1771)

Mr Dillon continued to market Goanna Downs in 2012, 2013 and again in 2015. As NAB’s internal records showed, in 2013 Mr Dillon told his relationship manager that when Goanna Downs sold he would look to pay out two facilities (the Portfolio facility and the asset finance facility), put $200,000 into the business and use the balance to buy another property.[[1772]](#footnote-1772)

In early March 2015, Mr Dillon met with the new business banking manager for National Music, Shaun Bassett. Mr Dillon’s evidence was that he informed Mr Bassett of his intention to sell Goanna Downs and use the proceeds to inject around $200,000 to $300,000 into National Music and to purchase a new home in Melbourne.[[1773]](#footnote-1773) While Mr Bassett recalled meeting Mr Dillon on this date, he did not recall the details of the discussion.[[1774]](#footnote-1774) He did not deny the content of the discussion as put forward by Mr Dillon[[1775]](#footnote-1775) and that account is also consistent with an email from Mr Bassett sent shortly thereafter.[[1776]](#footnote-1776) It is also clear from the documents, and from Mr Bassett’s evidence, that he did not discuss with Mr Dillon what NAB’s expectations were in respect of the sale proceeds,[[1777]](#footnote-1777) and that he did not tell Mr Dillon that NAB would require further security if Goanna Downs was sold.[[1778]](#footnote-1778)

On 30 April 2015, Mr Dillon signed a contract of sale for Goanna Downs for $2.22 million.[[1779]](#footnote-1779) According to NAB’s records, on the same day Mr Dillon told Mr Bassett that his ‘initial plans with the funds were that, after paying off the loan secured against Goanna Downs, paying $200,000 into National Music, and paying out credit card debts, he intended to invest the balance in “annuity type investments”’.[[1780]](#footnote-1780) In the following days, Mr Dillon was told by Mr Bassett that NAB would be retaining the entire sale proceeds from Goanna Downs, with the funds remaining after the repayment of the mortgage to be put towards reducing the overall debt position of National Music.[[1781]](#footnote-1781) National Music was not then in default of its monetary obligations in respect of the facilities with NAB.[[1782]](#footnote-1782)

After the sale of Goanna Downs, NAB reduced National Music’s facility limits. Mr Dillon said that the reduction in the trade facility by half had a particularly detrimental effect on the business, because the company relied on having a substantial trade facility to conduct its import business.[[1783]](#footnote-1783) He said that the business would not have survived without an injection of funds from his brother.[[1784]](#footnote-1784)

It is clear that, before Mr Dillon had agreed to sell Goanna Downs, NAB did not tell him that it intended to take all of the proceeds of sale. Within NAB, the proposal to take all the proceeds of sale appears to have been made first by Ms Moynahan, a manager in Strategic Business Services, in response to Mr Bassett sending her a copy of the contract of sale of Goanna Downs.[[1785]](#footnote-1785)

Mr Dillon’s evidence was that if he had been told before the sale of Goanna Downs that he would not receive any of the sale proceeds he would have waited for a better offer. He said:

I wouldn’t have sold, because I understand how hard it is to move somebody on who is up to date with their payments. We had an offer on the table from another gentleman who owns one of the most successful stallions in Australia, that was two and a half [$2.5 million], but he couldn’t fulfil that offer for probably up to a year because he had to wait until his stallion cheque came from the stud. And at that time we accepted because we felt under pressure from the NAB, but we wouldn’t have even accepted, if we had known we weren’t going to get a penny, no way. We would have waited.[[1786]](#footnote-1786)

There can be no doubt that Mr Dillon acquiesced in NAB’s taking the whole of the proceeds of sale of Goanna Downs and in the new limits that NAB fixed for National Music’s facilities. But the point of present importance is that there can also be no doubt that Mr Dillon acted because NAB said that it required him to apply the whole of the proceeds in reduction of debt. Whether he accepted this requirement with grace and fortitude (as he did)   
is neither here nor there. He considered that he had no choice. Hence NAB’s references to expressions of gratitude by Mr Dillon for NAB’s provision of reduced facilities show no more than a customer seeking to preserve a workable relationship with his bank.

Mr Ross McNaughton, now General Manager of Strategic Business Services at NAB, and the principal NAB witness called with respect to this case study, agreed that NAB did not have a right to apply the whole of the proceeds of sale from Goanna Downs to National Music’s facilities.[[1787]](#footnote-1787) Rightly, he agreed that NAB held no security over Goanna Downs with respect to National Music’s obligations; the security supported Mr and   
Mrs Dillon’s obligations, not the company’s. He also accepted that, under the terms of the guarantee and indemnity that Mr Dillon had given with respect to National Music, NAB had no right to prevent the sale of   
Goanna Downs.[[1788]](#footnote-1788)

In its written submissions, NAB said that it did not, in 2015 or in its submissions ‘assert or imply that it had a legal entitlement to payment of   
the proceeds in reduction of debt’ (original emphasis).[[1789]](#footnote-1789)

This submission must be judged in light of the fact that Mr McNaughton accepted that, when he started preparing to give evidence, he had believed that NAB did have the legal entitlement to payment of the proceeds of sale in reduction of National Music’s debt.[[1790]](#footnote-1790) Indeed, the draft of   
Mr McNaughton’s statement, supplied to the Commission, said as much. But before Mr McNaughton’s statement was finalised, Mr McNaughton came to understand that this was not right, and the assertion of legal entitlement was deleted. But Mr McNaughton did not acknowledge, in that final version of his statement, that he had changed his mind about the matter. All that was done was to delete the positive assertion of entitlement. Even so, Mr McNaughton persisted in asserting, in his statement, that:

The rural property known as Goanna Downs was a specialised broodmare property provided by Mr Dillon and his wife as security for a number of facilities held in their own names and by National Music.[[1791]](#footnote-1791)

But, as Mr McNaughton accepted in cross‑examination, Goanna Downs was not direct security for any obligation of National Music; it secured only the personal obligations of Mr and Mrs Dillon which, in Mr Dillon’s case, included his obligations under the guarantee and indemnity he had given.[[1792]](#footnote-1792) His statement that Goanna Downs was ‘security for a number of facilities held … by National Music’ was not right and should not have been made.

NAB sought to argue that ‘as a matter of practicality and NAB’s contractual rights under its security arrangements with the Dillons, NAB would not (and could not) have agreed to discharge the mortgage over Goanna Downs unless Mr Dillon provided alternative security for the guarantee and indemnity or he agreed to an appropriate reduction of the exposures formerly collateralised by the mortgage’.[[1793]](#footnote-1793) Even if this proposition were to be accepted (and the references to what NAB could have done cannot be accepted) it obscures the important point. Alternative security or reduction   
of limits were matters to take up with the Dillons before the property was put on the market. They were not matters to raise, let alone attempt to resolve, after a sale had been made. And NAB did not raise them before sale.

Having not raised any question of adjusting securities before sale, the central question after sale was whether NAB had any right to the proceeds of the sale. It accepts that it did not.

Counsel Assisting (and counsel for Mr Dillon) submitted that NAB may have engaged in misleading or deceptive conduct either by failing to tell Mr Dillon, before the contract of sale was made, that he would not be able to have access to a significant part of the proceeds, or by representing to him that   
it had the legal right to require him to apply the whole of the proceeds in reduction of National Music’s debts.[[1794]](#footnote-1794) NAB denies that it made any   
such representation.[[1795]](#footnote-1795)

In its written submissions relating to this case study, NAB placed much emphasis on what it sought to portray as differences between the account   
of events given by Mr Dillon and the account of those events revealed by contemporaneous diary notes and other records held by NAB.[[1796]](#footnote-1796) There are some differences that can be identified between the two accounts. It would be surprising if there were not. But to the extent that there are differences, I do not consider that any of them are important.

The constant refrain of NAB’s submissions in relation to this matter was, in effect, that what it required about application of funds and restructuring of facilities was ‘obviously’ the only ‘practical’ and ‘commercial’ outcome possible. NAB took what Mr Dillon was recorded as saying to the bank as his recognising this to be so. Its submissions took his replies to correspondence sent to him by the bank as further recognition of what it sought to say was both inevitable and obvious.

But these submissions saw events through only the eyes of the bank. And they took no account of the uncontroverted fact that, after the contract to sell Goanna Downs had been made, Mr Dillon initially proceeded on the footing that he could use the proceeds of sale as he intended and that he need not see the proceeds go wholly in reduction of National Music’s debts. When the bank told him that it would take all the proceeds, the news came to him as a great surprise.

Not only did NAB’s submissions look at matters only through the eyes of the bank, the submissions took no account of the fact that, as NAB itself emphasised, ‘the first evidence of any ‘decision’ being taken by NAB that the sale proceeds should be applied to reduction of debt’ was Ms Moynahan’s response on 30 April 2015 to Mr Bassett’s email telling her of the sale of Goanna Downs.[[1797]](#footnote-1797) NAB’s written submissions were that there was ‘no evidence that such a decision was taken – and therefore could or should have been communicated to Mr Dillon – prior to him entering the contract of sale’.[[1798]](#footnote-1798) That is, NAB was at pains to point out that it did not decide, until after the property had been sold, to demand application of the full proceeds of sale to reduction of debt. Yet the central thrust of its submissions was that this was the obvious and only possible outcome.

What was said and done by NAB, after Mr Dillon told Mr Bassett that a contract of sale had been signed, was sharply at odds with the basis of the case it sought to make in answer to the submission that I should decide that NAB might have misled or deceived Mr Dillon. The central plank of NAB’s submissions was that, at all relevant times, both the bank and Mr Dillon knew full well that no other course than applying the full proceeds to debt reduction was realistically available. If that was the case, why not tell Mr Dillon before he made the sale? Why not remind him as soon as the property was sold? Why, once the sale had been made, did Mr Bassett propose a different course? Why wait for a decision from Ms Moynahan before responding to the proposal?

Further, all that was said and done by NAB, after the contract of sale was signed, was consistent with the bank asserting a legal entitlement to apply the funds as it proposed. That Mr McNaughton came to a different view only after his draft statement had been given to the Commission was consistent with the bank having acted, until that time, on the basis that it had a legal entitlement to apply the funds in reduction of debt. And Mr McNaughton’s description of the bank’s interest in Goanna Downs, in his final statement, as a security the Dillons had given ‘for a number of facilities held in their own names and by National Music’[[1799]](#footnote-1799) was consistent only with the bank acting, as it did, on the footing that Goanna Downs directly secured National Music’s obligations.

Yet NAB, in its submissions, sought to say that this was all wrong and that what happened was to be seen as no more than the inevitable playing out   
of what Mr Dillon and NAB always knew to be the only commercially available course.

As I have explained elsewhere in this report, it is no part of my function to determine whether NAB did mislead or deceive Mr Dillon. My task is to determine whether the conduct of NAB might have amounted to misconduct. I consider that, by not telling Mr Dillon, until after the making   
of the contract, that he could not dispose of the proceeds of sale of Goanna Downs as he chose, NAB might have engaged in conduct that was misleading, deceptive, or both. Further, I consider that, in its dealings with Mr Dillon after the making of the contract, NAB might have represented to Mr Dillon that it had a legal entitlement to apply the proceeds of sale as it proposed. If a representation of that kind was made, its making might have amounted to conduct that was misleading or deceptive or both. And if NAB’s conduct was misleading or deceptive, it may well have contravened its ‘key commitment’ under Clause 3.2 of the 2013 Code to act in a consistent and ethical manner.

### 6.4 What the case studies showed

Both case studies concerned banks asserting a power to direct disposition of funds that the customer believed were the customer’s. Customers are not well placed to challenge an assertion of that kind. And even if the bank has the power to control disposition of the funds, there remains, as Mr Walsh of Westpac accepted, the overarching question of whether it is fair to exercise that right. As Mr Walsh further accepted, it is not fair to use a power of that kind as a bargaining chip to enable the bank to rectify some mistake that the bank may later think it has made in classifying a loan as commercial or residential. And in a case, like NAB and Mr Dillon, where the bank does not have the legal right to direct a particular disposition of funds, it would obviously be wrong for the bank to assert, expressly or impliedly, that it has that right.

If a bank is to give effect to its key commitment under the Code, to act fairly and reasonably, in a consistent and ethical manner, it can easily avoid circumstances of the kind examined in these case studies. The easiest and best means of avoidance is to identify clearly what power it is sought to exercise and how and why the power is engaged. Much more often than not, telling the customer what power is being exercised, and why, will expose to both bank and customer whether it would be fair, reasonable, consistent and ethical to use the power. And, even if the exercise of power is defensible, if the customer is not told what power is being exercised and why, it will be all too easy for the customer to see what happens as a naked exercise of commercial strength.

These are not matters to resolve by additional regulation. Banks have made the commitments they have under the Code and those commitments, if met, are sufficient to avoid misuse of power. Much more often than not, the commitments to act fairly and reasonably will call for proper communication with customers about what is being done and why.

Proper communication of that kind was absent in both these case studies. Had Bank of Melbourne thought that it had to explain to Mr and Mrs Wallis why the bank was retaining the surplus proceeds of sale of the investment property, it is greatly to be doubted that the bank would have acted as it did. But the bank did not, and the customers thought that they were treated unfairly. In the case of NAB and Mr Dillon, at the very least, NAB could and should have told Mr Dillon, much sooner than it did, what the bank would ask if he were to sell Goanna Downs. But it did not and, again, the customer rightly felt that he was treated unfairly.

The need to act fairly and reasonably directly affects how individual bankers are managed. The need to act in that way with respect to distressed loans will always call for close and constant attention. Hence, management of those parts of a bank that have particular responsibility for distressed   
loans calls for special attention to these considerations. As is explained   
in connection with some of the case studies about loans to farming enterprises, rewarding bankers responsible for distressed loans for   
bringing files to the point where the loan is either back in order or is   
brought to an end within a fixed period can lead to borrowers not being treated fairly.

# Case studies: Bankwest and CBA

## 1 Background

The Commission heard evidence about the dealings four Bankwest business banking customers had with CBA after CBA acquired Bankwest: Mr Michael Kelly;[[1800]](#footnote-1800) Mr Stephen Weller;[[1801]](#footnote-1801) Mr Michael Doherty;[[1802]](#footnote-1802) and   
Mr Brendan Stanford.[[1803]](#footnote-1803) Each had made a submission to the Commission.

In each case, the loans were reviewed as part of Project Magellan. Project Magellan was explained in Chapter 5. The loans about which these four customers gave evidence spanned the spectrum of classification from ‘green’ to ‘double red’. The businesses were in industries where CBA had identified risks in the Bankwest business loan book, either in relation to the trends within the industry or the size of the Bankwest exposure: property development, land-banking and ‘pubs and clubs’. The loans ranged from about $1 million to Mr Stanford’s company, to more than $50 million to Doherty Hotels.

Together, the four cases showed how CBA had dealt with Bankwest loans that it identified as troublesome or impaired and how CBA’s actions played out in the experience of individual customers. Separately, each case raised distinct issues. Mr Kelly’s case raised issues about what is to happen when the loan term has ended but the borrower continues to need finance. Mr Weller’s case raised issues about how the lender is to deal with what it sees as deterioration in the business. Mr Doherty’s case raised issues about security valuations. Mr Stanford’s case raised issues about the lender’s use of investigating accountants. As the more detailed treatment of those cases will show, each raised other issues as well.

## 2 Mr Michael Kelly

### 2.1 Evidence

Mr Michael Kelly[[1804]](#footnote-1804) gave evidence to the Commission about business facilities Bankwest had granted to two entities, Wildlines Pty Ltd and Silversun Corporation Pty Ltd. Mr Kelly was a director and one of a number of shareholders of each company.[[1805]](#footnote-1805) One company had 15 shareholders, the other, eight shareholders.[[1806]](#footnote-1806) Each facility was for the purpose of, and secured by, land acquired for development projects in Western Australia.[[1807]](#footnote-1807) The original facilities were entered into in 2007,[[1808]](#footnote-1808) and the companies were customers of Bankwest until 2012.[[1809]](#footnote-1809) Silversun intended to have its land rezoned and then resell it.[[1810]](#footnote-1810) Wildlines intended to have its land rezoned and then develop the land.[[1811]](#footnote-1811)

Wildlines’ initial facility was used to buy the land. The interest rate was   
fixed as the **Bank Bill Swap Rate** (BBSY) plus 1.75% per annum.[[1812]](#footnote-1812) The   
loan-to-value ratio (LVR) was to be 60% or less.[[1813]](#footnote-1813) Interest and fees could be capitalised within the LVR limit. In June 2007 Wildlines’ land was valued ‘as is’ at $11 million.[[1814]](#footnote-1814)

Silversun borrowed from Bankwest in August 2007.[[1815]](#footnote-1815) It paid $10.3 million for the land and borrowed half the purchase price.[[1816]](#footnote-1816) (The investors in Silversun provided the balance of the purchase price.) The terms of Silversun’s loan were generally the same as the terms on which Bankwest lent to Wildlines. The two chief differences were that the term of the Silversun loan was three years, not two, and the LVR was 50%, not 60%.[[1817]](#footnote-1817)

In 2008, the bank reviewed both loans. Silversun’s loan (which   
was reviewed first) continued unchanged; Wildlines’ interest rate was increased by 0.5%.[[1818]](#footnote-1818)

In 2009, Wildlines’ loan was to expire.[[1819]](#footnote-1819) Mr Kelly went to a meeting with the company’s relationship manager to ask for the loan to be rolled over. The manager opened the meeting by telling Mr Kelly that the bank wanted the companies to refinance the facilities at expiry or, as Mr Kelly put it, ‘take our facilities and go’.[[1820]](#footnote-1820) Some days later, however, Bankwest offered to extend the facility but on terms that the LVR would drop from 60% to 45% and the interest rate would increase.[[1821]](#footnote-1821) After some negotiation, it was agreed that the LVR would be reduced from 60% to 50% within two months but the interest rate would be higher than the rate that had been offered.[[1822]](#footnote-1822) If the LVR was reduced in that way, the borrower sought an extension of 16 months.[[1823]](#footnote-1823) Wildlines reduced the LVR as required by raising money from its shareholders and the loan was extended, albeit only for 14 months.[[1824]](#footnote-1824)

Although Silversun’s loan was not repriced in 2008, it was in 2009.[[1825]](#footnote-1825) The margin above BBSY was increased by 0.9%.[[1826]](#footnote-1826)

In May 2010, the Wildlines and Silversun files were reviewed in Project Magellan.[[1827]](#footnote-1827) The Bankwest Review Panel said that there should be an urgent valuation of Silversun’s property.[[1828]](#footnote-1828) The panel classified both files   
as ‘red’ and revised the risk grade on each account to reflect increased risk.[[1829]](#footnote-1829) The panel recommended that the files should be moved into the Credit Access Management division (CAM), which was then the asset management unit of Bankwest, the LVR covenant in the facilities should   
be reduced and the collective provisioning should be recalculated.[[1830]](#footnote-1830)

In about September 2010, both the Wildlines loan and the Silversun loan were moved into CAM.[[1831]](#footnote-1831) Neither borrower had then missed a payment or committed any other breach of the funding agreements.[[1832]](#footnote-1832)

At about the time the loans were moved into CAM, Silversun’s interest rate was increased from a margin of 2.65% to 3.95% and its land was revalued.[[1833]](#footnote-1833) The value had increased and Silversun’s LVR dropped from 50% to 37.2%.[[1834]](#footnote-1834) The concern raised in the Magellan Review about the valuation of the Silversun property (and therefore potential LVR breach) was shown not to be well-founded.

In November 2010, both borrowers asked for an extension of their facilities, which were due to expire on 31 December 2010.[[1835]](#footnote-1835) At the very end of December they were offered extensions until 28 February 2011.[[1836]](#footnote-1836)   
On 13 January 2011, Bankwest gave notice of default to both borrowers.[[1837]](#footnote-1837) The breaches were said to be not having accepted the variation of facilities that had been offered and not having repaid the facilities on   
31 December 2010.[[1838]](#footnote-1838) CBA proposed to charge default interest but later agreed not to do so while negotiations continued.

During February and March 2011, the borrowers negotiated with Bankwest about extending the facilities until eventually offers were made to extend   
the facilities for short periods. In January 2012, the borrowers sought further extensions but, no approval having been given by June, Wildlines refinanced its facility with another lender and paid out its facility with Bankwest.[[1839]](#footnote-1839) A few months later, Silversun refinanced its facility and paid   
out the facility with Bankwest.[[1840]](#footnote-1840)

Mr Brett Perry, General Manager of Group Credit Structuring of CBA gave evidence about the transactions. The central point Mr Perry made was that when a borrower enters into a facility they ‘understand, or ought to understand’[[1841]](#footnote-1841) that the facility has a particular term and at the expiry of that term the bank may or may not be willing to refinance the facility and that if the bank is willing to refinance it may be on different terms.[[1842]](#footnote-1842) That is, his evidence was that the borrower takes the risk that at the expiry date of a facility the bank may not be willing to refinance or refinance on the same terms.[[1843]](#footnote-1843) As he rightly pointed out, when loans are extended, or ‘rolled over’ these are new contractual arrangements that are negotiated at arm’s length with the borrower.[[1844]](#footnote-1844)

Mr Perry accepted that Bankwest wanted to exit from the Wildlines and Silversun facilities as soon as it was practically possible to do so and that   
it wanted to do this by having the companies refinance their loans with another bank.[[1845]](#footnote-1845) This reflected the general view at the time that Bankwest was over-exposed to commercial property.[[1846]](#footnote-1846) Mr Perry accepted that once Bankwest had identified the level of risk associated with commercial property and put in place policies to address this risk such as caps on levels of exposure in the loan book, these policies affected Bankwest’s willingness to extend or refinance a facility.[[1847]](#footnote-1847) But he said that, at the relevant time, Bankwest’s policy was not to end facilities early, but rather to exit them at the end of the term.[[1848]](#footnote-1848) Mr Perry’s view was that in these cases there had been no early withdrawal as Bankwest had always let the facilities run their respective terms.[[1849]](#footnote-1849)

In relation to the process of negotiation of renewed facilities, particularly in late 2010 and early 2011, Mr Perry accepted that there were inconsistencies in the information that was given to Mr Kelly about whether and how default interest would be charged once the existing facilities had expired.[[1850]](#footnote-1850)

Mr Perry said, unsurprisingly, that the risk grade given to a file affected   
the interest rate charged on the facility[[1851]](#footnote-1851) but he could not identify contemporaneous guidelines or models that would explain the various interest rates changes that were being applied to the Wildlines and Silversun accounts over the period in question.[[1852]](#footnote-1852) He did accept that the fact that the Project Magellan review had increased the risk grade on the account would logically have affected the interest rate margin.[[1853]](#footnote-1853)

### 2.2 What the case study showed

The central point to emerge from the case study is that it is for the lender to decide whether, and on what terms, it will renew a loan when it expires. The lender may offer terms that the borrower thinks harsh. But the lender is not bound to renew the loan. The 2019 Code will oblige banks to give small businesses three months’ notice of intention not to extend a term loan before requiring repayment in full. But the Code also makes plain that the lender is not required to extend or refinance the loan on the same terms. It follows that, under the 2019 Code, a small business borrower may confront circumstances of the kind revealed in this case study.

I am not persuaded that the bank’s conduct of this matter was shown to have fallen short of community standards and expectations.

## 3 Mr Stephen Weller

### 3.1 Evidence

This case study looked at Bankwest’s reliance on non-monetary defaults as indicating that the financial health of the borrower’s business was declining. In this case the terms of the loan were varied by shortening the term and, as the LVR deteriorated, Bankwest entered into a deed of forbearance with the borrower requiring the borrower to sell the business. These issues arose in a context where (until at least the very end of the relationship) there had been no monetary defaults. The case study also directed attention to the lender’s reliance on a valuation of the security property that it would not give to the borrower.

The Commission heard evidence from Mr Stephen Weller and Mr Peter Clark, Chief Credit Officer of CBA.

Bankwest granted business facilities to Bainbridge Enterprises No 1 Pty Ltd, a company of which Mr Weller was a director.[[1854]](#footnote-1854) The facilities were used to buy the Nambucca Hotel in Macksville NSW in 2005 and, in 2008, to allow Mr Weller to buy out his business partner.[[1855]](#footnote-1855)

The 2008 facilities were for a term of 15 years.[[1856]](#footnote-1856) The total borrowings under those facilities was $3.725 million, of which $3.71 million was interest-only until June 2010.[[1857]](#footnote-1857) Those facilities included two non‑monetary covenants: a debt service ratio (or ‘DSR’) covenant and an interest cover ratio (or ‘ICR’) covenant. The facilities did not include an LVR covenant.[[1858]](#footnote-1858) The loan agreement provided for periodic reviews of the facilities.[[1859]](#footnote-1859) Mr Weller and   
his wife gave personal guarantees for the facilities.[[1860]](#footnote-1860)

In 2009, the hotel was valued at $4.53 million.[[1861]](#footnote-1861)

In 2010, the hotel’s revenue declined.[[1862]](#footnote-1862) Mr Weller, and the bank, attributed this to the Global Financial Crisis (GFC) having led to a general reduction in discretionary spending.[[1863]](#footnote-1863) Bainbridge continued to make all necessary payments to the bank, but the bank issued notices that the company was in breach of the DSR and ICR covenants.[[1864]](#footnote-1864) In June 2010, the interest free period ended. Bankwest and Bainbridge negotiated a variation to the facilities.[[1865]](#footnote-1865) In August 2010, Bankwest offered to vary the loan so that the facilities would expire in two years, the margin on the interest rate would increase by 0.45% to 3.19% and the principal payments would be $15,000 per month.[[1866]](#footnote-1866) In response, Mr Weller proposed that the expiry date continue to be June 2023, the interest rate margin be only 3.00% and the principal repayments be in the range of $5,000 to $7,500 per month.[[1867]](#footnote-1867) A bank employee explained in an email to Mr Weller that ‘a reduced term assists with pricing so as to alleviate issues with long term funding premiums’.[[1868]](#footnote-1868) Nevertheless, in response to Mr Weller’s request, the bank provided a revised offer of variation with an expiry date of June 2023, an interest rate margin of 3.95%, a 12-month interest-only period for half of the borrowings and principal repayments of $8,000 per month for the other half.[[1869]](#footnote-1869) Mr Weller did not accept this revised offer [[1870]](#footnote-1870) and, instead, requested a reduced term with a lower interest rate.[[1871]](#footnote-1871) In November 2010, the bank made a further revised offer at an interest rate margin of 2.81% over the BBSY, interest-only payments for half of the borrowings and principal repayments of $8,000 per month towards the other half of the borrowings.[[1872]](#footnote-1872) Bainbridge accepted this further revised offer.[[1873]](#footnote-1873)

During 2011, Bainbridge made the payments required under the loan agreement but breached the non‑monetary covenants.[[1874]](#footnote-1874) The loan was extended for a further 12 months to January 2013.[[1875]](#footnote-1875)

In the latter part of 2012, employees of Bankwest met with Mr Weller and his wife to inform them of the need for an updated valuation of the hotel, and the need to reduce the principal of any new facility.[[1876]](#footnote-1876) Bankwest arranged for a valuation of the hotel (at the borrower’s expense). Mr Weller engaged an agent to sell some of the hotel’s poker machines and he and his wife put their home on the market.[[1877]](#footnote-1877) (Their home had never been security for the facility.[[1878]](#footnote-1878)) Mr Weller and his wife met again with Bankwest in December 2012. Bankwest then had a draft of the valuation but would not provide him with a copy, although it was indicated to him that the revised valuation meant the LVR would be close to 100%.[[1879]](#footnote-1879)

The bank told Mr Weller it was not prepared to rollover the facility.[[1880]](#footnote-1880) Because the term of the existing loan was about to expire, the bank said that Bainbridge would need to make a deed of forbearance with the bank.[[1881]](#footnote-1881) Mr Weller received the first draft of this deed of forbearance two days before the facility was due to expire.[[1882]](#footnote-1882)

The deed of forbearance was made two weeks later, but almost immediately, the bank notified Mr Weller of a breach of its terms.[[1883]](#footnote-1883)

Mr Weller made a complaint to the Financial Ombudsman Service (FOS). In December 2013 that dispute was settled on terms that Mr Weller would sell the hotel by 28 February 2014.[[1884]](#footnote-1884) He did not. The bank issued a further notice of breach and Mr Weller made another complaint to FOS.[[1885]](#footnote-1885) FOS decided that it had no jurisdiction to consider this further complaint.[[1886]](#footnote-1886) The bank appointed receivers, who sold the hotel.[[1887]](#footnote-1887) The bank called on the guarantee Mr Weller had given and that claim was compromised in 2016.[[1888]](#footnote-1888)

The evidence of Mr Weller raised three main issues to which Mr Clark responded on behalf of CBA:

• the lack of transparency around the final valuation of the hotel;

• the shortening of the original term of the facility through a series of variations to the facility; and

• the relationship between breaches of non-monetary covenants and the entry into the deed of forbearance.

In relation to the valuation, Mr Clark agreed that if significant decisions are made in relation to a customer’s facilities on the basis of a valuation that they have not been shown, there is a lack of transparency.[[1889]](#footnote-1889) Obviously that is right and, given that the borrower will ordinarily pay for the valuation, the borrower’s sense of grievance at being dealt with on the basis of information that the bank will not disclose will be all the greater. Mr Clark’s evidence was that it is no longer the policy of CBA to withhold valuations from customers who have paid for the valuation.[[1890]](#footnote-1890) As he rightly said, showing customers the valuation is ‘a fair thing to do’.[[1891]](#footnote-1891)

As to the shortening of the length of the facility from 15 years to 12 months, Mr Clark pointed out that banks prefer shorter term facilities because longer term facilities come with higher risks.[[1892]](#footnote-1892) He explained that the longer the term, the longer the time for things to go wrong.[[1893]](#footnote-1893) Mr Clark accepted that there may be conflicting views between borrowers and the banks about the preferable length of a facility.[[1894]](#footnote-1894) As Mr Clark said, a shorter loan increases the ability of the bank to exit a facility if it does not want to lend to that customer any longer.[[1895]](#footnote-1895) In this case, Mr Clark accepted that, if the Bainbridge facility had remained as 15 years, there would have been less flexibility for Bankwest to consider exiting in the near future. Mr Clark explained in his oral evidence that the lengthier term offered by the bank to Bainbridge required the additional risk to the bank to be considered. This additional risk was reflected in a long-term funding premium.[[1896]](#footnote-1896) Mr Clark was right to say that the shortening of the loan term was not a unilateral change to Bainbridge’s facility, but, rather, had occurred as part of the re-negotiation of the facility at the end of interest free period.[[1897]](#footnote-1897)

Turning to non-monetary covenants generally, Mr Clark’s evidence was that it was ‘very rare, in my experience, for a bank to actually call a default and demand repayment as a result of a breach [of one of the financial ratio covenants] alone’.[[1898]](#footnote-1898) (As discussed below, in connection with the Stanford case study, Mr Cohen gave generally similar evidence.) But Mr Clark explained that the inclusion of financial covenants, such as ICR and DSR ratios is part of prudent management of a business loan because they are ratios that allow monitoring of the business and comparison to forecasts and expectations.[[1899]](#footnote-1899) Mr Clark’s evidence was that in this case, the breaches of non-monetary covenants were not used as a ‘termination event’.[[1900]](#footnote-1900) In particular, the breach of the LVR was one part of the decision process not to renew the loan, but there were other reasons as well.[[1901]](#footnote-1901) Mr Clark’s evidence was that Bankwest did not want to extend Bainbridge’s facility but also did not want to take enforcement action, so a deed of forbearance was of benefit to both the bank and the borrower.[[1902]](#footnote-1902) Mr Clark did accept that if it was not for the deed of forbearance, Bankwest would have been enforcing on the basis of non-monetary default,[[1903]](#footnote-1903) and that providing the draft deed to Mr Weller two days before the facilities were to expire did not seem very fair.[[1904]](#footnote-1904) Mr Weller complains that he was not in monetary default,[[1905]](#footnote-1905) which was indeed the case until January 2013. But, at the time that the 2013 deed of forbearance was executed, the facility had expired, and the funds borrowed were owing to the bank. Though due, the loan was not repaid.

As to the general handling of Bainbridge’s file Mr Clark said that the file had been reviewed as part of Project Magellan in 2010, and that the review had classified the file as ‘green’.[[1906]](#footnote-1906) Therefore the file had not been transferred into CAM in 2010.[[1907]](#footnote-1907) But the file was transferred into CAM in May 2012 because of the declining trade of the hotel, and concern that, although Bainbridge was meeting repayments at this time, it would struggle to do   
so in the near future.[[1908]](#footnote-1908) The Bainbridge file was in CAM when the 2012 valuation was undertaken and when the 2013 deed of forbearance was executed.

### 3.2 What the case study showed

The course of events revealed by this case study must be judged against one critical fact: that the bank believed that the borrower’s business was deteriorating. The belief was not unreasonable. Nationally, and internationally, economic conditions had changed. Businesses, like Mr Weller’s, which depended on discretionary spending, were adversely affected. Hindsight will often suggest that different decisions might reasonably have been open to a lender that wants not to renew or extend   
a loan. All that the borrower, or the public, can expect of the lender is that   
it takes account of the borrower’s interests when it decides what course   
it will take. And there will be cases, of which this was one, where it is reasonable for the lender to insist upon repayment of the loan it has made and enforce recovery.

Often, telling the borrower why the bank has decided on a particular course of action, and telling the borrower what it believes to be the important facts on which the conclusion is based (such as the value of securities) will lessen the chance of misunderstanding. And in this case, there seems no good reason not to have provided Mr Weller with the valuation of the hotel that the bank held when it decided not to renew the loan. The public would have expected the bank to do that. In this respect, the conduct of the bank fell short of community standards and expectations.

I readily accept that to change the term of the loan from several years to one was to make a radical variation to the agreement and that Mr Weller is not, and was not, pleased with the shortening of the term of the loan.[[1909]](#footnote-1909) But the change was not a unilateral one;[[1910]](#footnote-1910) rather, the change was the outcome of a negotiation. Mr Weller had been offered a longer term at a higher interest rate during the negotiation and declined the offer. Mr Weller was in the unenviable position of needing to negotiate new terms with the bank that would accommodate the cash flow difficulty that Bainbridge was experiencing at the time.[[1911]](#footnote-1911) However, the bank was not the cause of   
that difficulty.

Except to the limited extent identified, I am not persuaded that the bank’s conduct of this matter was shown to have fallen short of community standards and expectations.

## 4 Mr Michael Doherty

### 4.1 Evidence

Mr Doherty owned and controlled a group of companies known as the Doherty Hotels group. In 2008, one of those companies obtained a business facility from Bankwest for approximately $50 million. The loan was used to develop a hotel in Hobart.[[1912]](#footnote-1912) The company owned an historic hotel in Hobart called Hadley’s Hotel. It had refurbished the hotel. The company also owned adjoining land and it intended to create a mixed-use development, with retail premises on the ground floor, a restaurant on the first floor, car parking on the next three floors, four floors of serviced apartments and a top floor of eight penthouses overlooking the Derwent River.[[1913]](#footnote-1913) The development was not completed before receivers were appointed in early 2012. Mr Peter Clark, Chief Credit Officer, CBA, said that Bankwest lost $38 million on   
this account.[[1914]](#footnote-1914)

A focus of the case study was Bankwest’s use of valuations of the development in its decision making with respect to the facility, in particular when the facility was initially offered, and several years later when Bankwest was making decisions about whether to extend or renew the facilities. The development was a complex hotel and retail development and two different approaches could be taken to valuation of the property.

In 2008, when the facility was offered, the development was valued on a ‘mixed-use’ basis, meaning that various components of the development were assessed by reference to their different functions. [[1915]](#footnote-1915) This was in contrast to an approach of valuing the property ‘in one line’ as a hotel, which would have resulted in a lower valuation. Mr Clark accepted that the file showed that a mixed-use valuation had been used in the approval process.[[1916]](#footnote-1916) As will later appear, the bank’s later decisions were based on a valuation ‘in one line’.

Construction started in 2009.[[1917]](#footnote-1917) The borrower made the necessary interest payments but the bank asked for, and the borrower provided, additional security by giving a mortgage over another property.[[1918]](#footnote-1918)

In 2010, a new manager took over the file.[[1919]](#footnote-1919) The manager told Mr Doherty that because of what were described as ‘concerns’ over the June 2009 accounts of the borrower, and the ‘worsening economy’, it wanted an investigative accountant appointed.[[1920]](#footnote-1920) An accountant was appointed and made a report to the bank. The borrower was charged the accountant’s fees of more than $200,000.[[1921]](#footnote-1921) Mr Doherty was given a copy of some, but not all, of the report.[[1922]](#footnote-1922)

At about the same time, the file was reviewed as part of Project Magellan. It was classified as ‘double red’.[[1923]](#footnote-1923) The bank moved the file into CAM.[[1924]](#footnote-1924)

Towards the end of 2010, the bank proposed new conditions for the loan including an increase in the interest.[[1925]](#footnote-1925)

In an attempt to meet concerns then being expressed by the bank, Mr Doherty had commissioned, in May 2010, a valuer from the bank’s panel of valuers to value the project. The valuation took account of the mixed uses to which the project would be put and valued the project at $67.75 million.[[1926]](#footnote-1926) Mr Doherty said that, by December 2010, there were some ‘very significant presales on the building for the unit development and we were also negotiating with Mantra Group for them to come in’ to manage part of the development.[[1927]](#footnote-1927) He commissioned a further valuation of the project and   
the valuer valued the project, on the basis of its proposed mixed use, at $75.317 million.[[1928]](#footnote-1928)

Mr Doherty said that, in early 2011, the building ‘was coming to a close’ but ‘[w]e were getting very short of cash due to all the additional expenses that the bank was piling on us and … additional raised interest’.[[1929]](#footnote-1929)

In March 2011, the bank commissioned its own valuation. The valuer was instructed to value the property ‘in one line’.[[1930]](#footnote-1930) Mr Doherty protested that the valuation would not take account of the actual trading performance of the project as indicated by, for example, the interest then being shown by the Accor Group, in managing the hotel.[[1931]](#footnote-1931) The valuer completed the valuation. In accordance with usual practice, the borrower paid for the cost of the valuation. The bank refused to give Mr Doherty a copy.[[1932]](#footnote-1932)

The loan made by the bank to finance construction of the project was to expire at the end of July 2011. The bank said that it would not renew or extend the loan and that the borrower should move to another financier.[[1933]](#footnote-1933) The borrower tried to make new arrangements but could not. It was then having cash flow difficulties. It owed the ATO about $1.2 million.[[1934]](#footnote-1934) It was negotiating with Mantra Group about management of serviced apartments in the project and there was the prospect that Mantra would make an initial payment of $3 million if an agreement could be made.[[1935]](#footnote-1935)

In August 2011, a certificate of occupancy was granted for the accommodation. Mantra had appointed staff to run the hotel but no agreement had been made between Mantra, Mr Doherty’s company and   
the bank. The bank refused to sign the agreement saying that if the company could not refinance its debt, the bank would probably appoint a receiver and sell the project with vacant possession.[[1936]](#footnote-1936) Mr Clark explained the bank’s refusal to make an agreement with Mantra by reference to Mantra’s insistence on terms that the bank was not to disturb Mantra’s possession of the property.[[1937]](#footnote-1937) This, Mr Clark said, would have inhibited the bank’s realising its security because only the party having the benefit of the non‑disturbance provision would be willing to buy the property.[[1938]](#footnote-1938)

Despite the bank insisting that the company refinance its debt, the bank said that it would not release its securities without first being paid $980,000 as a ‘break fee’.[[1939]](#footnote-1939) As Mr Doherty said, this made refinancing impossible.[[1940]](#footnote-1940)

By December 2011, the ATO was pressing for the company to pay its debt of $1.2 million. In February 2012, Mr Doherty, recognising that the company would be trading while insolvent, asked the bank to recommend an insolvency practitioner to appoint as administrator.[[1941]](#footnote-1941) As he was taking steps to that end, the bank appointed a receiver.[[1942]](#footnote-1942)

As already noted, Mr Clark accepted that in earlier decision-making processes Bankwest had been prepared to rely on a mixed-use method   
of valuation. It is clear that Bankwest’s position had changed by 2011.   
Mr Clark said that he did not know why the approach had changed.[[1943]](#footnote-1943)   
Mr Clark’s evidence was that ultimately the valuation method adopted in   
the July 2011 valuation did not have a bearing on the outcome of the Doherty account. While Mr Clark said that he had no basis on which to question Mr Doherty’s evidence that he had been told by a Bankwest staff member that the valuation put the facility in breach of its LVR covenant,[[1944]](#footnote-1944) his review of the file had revealed no formal notice of breach.[[1945]](#footnote-1945) Moreover, his evidence was that the high LVR was not itself the reason that the facility was not renewed. His review of the file suggested that there were concerns about the amounts the borrower owed to its creditors, the time it would take to complete the project coupled with the belief that the bank did not have a ‘good understanding of the borrower’.[[1946]](#footnote-1946) Mr Clark did accept that it would have been a fair thing to do to show Mr Doherty the valuation in   
the circumstances.[[1947]](#footnote-1947)

### 4.2 What the case study showed

Mr Doherty has submitted that the conduct of Bankwest was unconscionable conduct within the meaning of the ASIC Act. The starting premise of that submission is that Bankwest made a continuing decision from 2010 ‘to reduce its over-exposure to east coast high-risk hospitality assets at any cost to [the Doherty Hotels group]’.[[1948]](#footnote-1948) As is apparent from the actual course of events explained above, and the matters addressed in Chapter 5, the evidence does not support that premise and I do not accept that the conduct may constitute unconscionable conduct within the meaning of the ASIC Act.

Again it is necessary to consider what happened in this case recognising that the bank decided that it would not extend the loan it had made. The bank made that decision according to its assessment of whether it was better to enforce the loan or extend further credit. I have no doubt that the borrower thought that extending the loan was the better choice to be made: better for the borrower and ultimately better for the bank. The borrower would say, rightly, that the project was very close to complete and that income would soon start to flow. But the bank decided that it would not extend further credit. That is, its assessment of the prospects for the venture differed from the assessments the borrower made. And both bank and borrower suffered substantial loss.

The borrower can point to CBA adopting a more conservative valuation basis than Bankwest had adopted when the loan was made. But again,   
that was a choice made by the bank and I cannot say that the choice was not open.

Apart from the bank’s failure to give Mr Doherty the valuation on which it relied, I am not persuaded that the bank’s conduct fell below what the community would expect it to have done.

## 5 Mr Brendan Stanford

The fourth and final Bankwest case study concerned two brothers, Brendan and Michael Stanford, who owned and operated the Coronation Hotel in Portland, New South Wales. Mr Brendan Stanford and Mr David Cohen, CBA’s Chief Risk Office, gave evidence.

### 5.1 Evidence

The Stanfords bought the hotel in 2006 for $1.6 million.[[1949]](#footnote-1949) They borrowed $1.2 million from Bankwest to assist with this purchase.[[1950]](#footnote-1950) The loan was a principal and interest loan amortising over a 20-year term.[[1951]](#footnote-1951) As part of the loan application process, Brendan Stanford arranged for one of Bankwest’s panel valuers to prepare a valuation of the Coronation Hotel. The valuer’s report valued the hotel at $1.6 million.[[1952]](#footnote-1952)

The Stanfords bought the hotel in their own names.[[1953]](#footnote-1953) They incorporated a company, Let It Rain Pty Ltd, to run the hotel business. Mr Brendan Stanford was a shareholder of Let It Rain.[[1954]](#footnote-1954) Mr Michael Stanford was the sole director of Let It Rain and was the licensee for the Coronation Hotel.[[1955]](#footnote-1955) For the first 15 or 16 months, both Brendan and Michael Stanford were involved in the daily management and operations at the Coronation Hotel. From about the end of 2007, Mr Michael Stanford assumed responsibility for the running of the Coronation Hotel, and Brendan Stanford returned to separate paid employment in Bathurst.[[1956]](#footnote-1956) Brendan Stanford remained, however, involved in the management and operations at the Coronation Hotel, speaking to Michael Stanford ‘virtually daily’, and helping out with operations at the Coronation Hotel whenever he could.[[1957]](#footnote-1957)

In 2009, in accordance with the terms of the business loan, the Stanfords arranged for one of the bank’s panel valuers to prepare a new valuation report for the Coronation Hotel. On 30 October 2009, the valuers provided their report valuing the Coronation Hotel at $1.55 million.[[1958]](#footnote-1958)

In 2010, the Coronation Hotel experienced a downturn in trade. Brendan Stanford’s evidence was that he considered this downturn to be the result of flow-on effects from the GFC, as well as certain regulatory changes that had affected the hotel industry as a whole, including, in particular, smoking legislation reform.[[1959]](#footnote-1959) Despite the downturn, the Stanfords continued to make all principal and interest repayments due under the loan.[[1960]](#footnote-1960) Let It Rain, however, fell behind on its payment commitments to the ATO. The Stanfords negotiated a repayment plan with the ATO in relation to the Let It Rain arrears and began making repayments to the ATO in accordance with this agreement. Contemporaneous internal credit memos prepared by the Bankwest relationship manager reveal that, at all relevant times, the bank was aware of the ATO arrears, the repayment plan, and the Stanfords’ compliance with the repayment plan.[[1961]](#footnote-1961)

In April 2010, the bank offered to extend an overdraft facility to Let It Rain.[[1962]](#footnote-1962) This offer was accepted, and the overdraft facility was in place by early   
July 2010.

In April and May 2010, the business loan with the Stanfords was reviewed by the bank as part of ‘Project Magellan’. This review outlined the bank’s concern about the falling value of the hotel.[[1963]](#footnote-1963)

In late 2010, the bank started issuing breach letters for non-monetary defaults relating to reporting covenants, and DSR and ICR covenant breaches.[[1964]](#footnote-1964) Internally, the bank acknowledged the Stanfords’ ‘first class’ repayment history but, in light of the non-monetary covenant breaches, the bank’s state manager of business credit began pressing for the bank to exit the banking relationship with the Stanfords and Let It Rain.[[1965]](#footnote-1965) Internal bank records of the time reveal that the bank did not consider that it would be possible for the Stanfords to refinance with another lender, and that the   
only viable option was for the Stanfords to sell the Coronation Hotel.[[1966]](#footnote-1966)

Mr Cohen said, in his evidence, and I accept, that non-monetary defaults – and in particular breaches of financial ratios – are powerful indicators of trouble to come.[[1967]](#footnote-1967) In this case, because there had been non-monetary defaults, the bank expected there to be financial breaches[[1968]](#footnote-1968) and it sought to exit the connection. Mr Cohen said, however, that he did not consider that the bank adequately communicated to the Stanfords the bank’s position in respect of non-monetary defaults and why those defaults led the bank to conclude that the only viable option was to sell the Coronation Hotel.   
Mr Cohen said that in failing to provide a proper explanation to the Stanfords, the bank’s conduct was ‘not reasonable’ and ‘not fair’.[[1969]](#footnote-1969)

In the second half of 2011, Bankwest appointed PPB Advisory as investigative accountants to produce a report on the state of the business at the Coronation Hotel. Mr Brendan Stanford’s evidence was that he had no knowledge of PPB Advisory being appointed until he received a telephone call from his brother that PPB Advisory had shown up to the hotel.[[1970]](#footnote-1970)

In their report, the accountants raised concerns about the management of the Coronation Hotel. The investigative accountants also expressed concern about the financial controls in place at the Coronation Hotel. They said that there was a risk that the ATO may take steps to recover its debt. But there was no evidence that the investigative accountants were aware of the repayment plan in place between the Stanfords and the ATO.[[1971]](#footnote-1971) The investigative accountants recommended that the hotel be sold either voluntarily by the Stanfords, or compulsorily by the bank.[[1972]](#footnote-1972)

In November 2011, Bankwest’s lawyers sent the Stanfords a letter that referred to the investigative accountants’ report and said that, having reviewed this report, the bank was concerned that a change had occurred in the Coronation Hotel’s financial condition that had had a material adverse effect on the value of the bank’s security. The letter required the Stanfords to respond within seven days acknowledging that there had been a material adverse change in the financial condition of the hotel or, if not, providing reasons why the Stanfords did not consider there had been such a change, along with financial records to support the Stanfords’ position. The letter also required the Stanfords to pay the investigative accountants’ fees   
of $9,900.[[1973]](#footnote-1973)

In response, the Stanfords engaged lawyers, who wrote back to the bank’s lawyers asking for a copy of the PPB Advisory report and the invoice for their work.[[1974]](#footnote-1974) The bank never provided the Stanfords with a copy of the report or the invoice. The investigative accountants’ fees were charged to Let It Rain’s overdraft account.[[1975]](#footnote-1975)

At the time these events occurred, CBA’s policy was that it was appropriate not to provide an investigative accountant report to borrowers in the position of the Stanfords, and the CBA policy was to provide borrowers with only seven days to respond to a notice of material adverse change.[[1976]](#footnote-1976)

In his evidence, Mr David Cohen accepted that in asking the Stanfords to respond to concerns raised in an investigative accountants’ report that was not provided to them – and in only providing the Stanfords with seven days to do so – CBA acted unfairly.[[1977]](#footnote-1977) Mr Cohen also accepted that it was unfair for the bank to require the Stanfords to pay for a report that they had not received, and to only give them seven days to do so.[[1978]](#footnote-1978)

Mr Cohen said that CBA’s policy has since changed. He said that, under   
the CBA policy that now applies to the Bankwest brand, the bank will provide 30 days for a customer to respond to matters raised in an investigative accountant’s report. The bank will also provide a copy of the report to borrowers in most, but not all, circumstances.[[1979]](#footnote-1979) In particular, where an investigative accountant’s report expresses concerns about the quality of the management of a business, CBA’s policy permits those parts of the report to be excised and not shown to the borrower. Mr Cohen’s evidence was that this approach is taken because commentary on the quality of management of the business ‘can be quite emotionally confronting for the borrower’.[[1980]](#footnote-1980) Instead of providing this information to the borrower, CBA’s policy requires that the relevant banker have a discussion with the borrower in relation to the conclusions reached in the investigative accountants’ report.[[1981]](#footnote-1981) As to this aspect of CBA’s current policy,   
Mr Cohen said:[[1982]](#footnote-1982)

[T]he discussion with the borrower about the report would entail a view being expressed by the bank as to the capability of the borrower to trade their way out of a difficult situation, for example. So, although the comments, written comments in the report, would probably not be shown to the borrower, the point of the policy that requires engagement with the borrower to talk about the report is aimed at ensuring that there is a discussion about the findings, albeit not in the black and white terms of the written report.

The Stanfords made a complaint to FOS in mid-November 2011. As a consequence, recovery action by the bank ceased.[[1983]](#footnote-1983) In late 2011, the bank and the Stanfords met, together with their respective legal representatives. Mr Stanford recalls that he and his brother ‘were trying to ascertain what the investigative report actually showed’.[[1984]](#footnote-1984) The bank pointed to the downturn in trade at the Coronation Hotel; the Stanfords said that ‘all businesses go through peaks and troughs.’[[1985]](#footnote-1985) At the end of the meeting, Mr Stanford had the impression that the relationship with the bank was not recoverable[[1986]](#footnote-1986) and thinks that he and his brother contemplated selling the hotel.[[1987]](#footnote-1987)

Mr Stanford had limited involvement in the business in 2012 because he was ill and was receiving treatment.[[1988]](#footnote-1988) During that year, the first FOS complaint was closed. In 2013, the Stanfords made a second FOS complaint.[[1989]](#footnote-1989) FOS arranged a telephone conciliation conference in   
January 2014.[[1990]](#footnote-1990) By this time, there had been monetary defaults under the Stanfords’ loan.[[1991]](#footnote-1991) The bank and the Stanfords entered into an agreement that gave the Stanfords until 30 June 2014 to sell the Coronation Hotel and repay the outstanding debt.[[1992]](#footnote-1992)

The Stanfords engaged a broker to attempt to sell the hotel and a marketing campaign was prepared.[[1993]](#footnote-1993) However, the price that the Stanfords wanted to obtain from the sale was above the market price at the time.[[1994]](#footnote-1994) The Senior Manager from CAM who was handling the Stanfords’ file expressed the view, in a contemporaneous email, that the Stanfords were not genuinely interested in selling the hotel.[[1995]](#footnote-1995) Mr Stanford’s recollection is that they wanted to sell but then realised that they could not obtain a price sufficient to pay out the bank.[[1996]](#footnote-1996)

On 26 June 2014, four days before the Stanfords were required under their agreement to have sold the hotel, they made an offer to the bank. The offer was to pay down the loan by $300,000 over the following month on the basis that they would then continue to operate the hotel for three to five years before trying to sell it. The $300,000 was money that had been, or would be, borrowed by the partner of Mr Stanford’s brother.[[1997]](#footnote-1997) The bank rejected this offer. The offer carried a very substantial risk to the Stanfords and their partners because of the possibility that the performance of the business would continue to decline and the Stanfords would then not be able to service the balance of the loan, still be in default, still be unable to realise a price sufficient to pay out the balance of the loan and would then also have lost an additional $300,000.[[1998]](#footnote-1998) Mr Cohen said that he had made inquiries of the relevant manager who had informed him that a reason that she had rejected the offer was because she had a serious concern that the situation would get worse for the Stanfords.[[1999]](#footnote-1999)

The Stanfords made a further offer to pay $400,000 and then try to refinance the balance. This offer was also rejected though by a different bank employee who suggested a counter-proposal that if the Stanfords wished to repay $400,000 then the bank might consider allowing a further period of eight weeks for the Stanfords to seek to refinance fully.[[2000]](#footnote-2000)   
The Stanfords’ offer carried the same risk for them as the earlier offer.   
Mr Cohen’s view was that the counter-proposal should not have been made because of the risk to third parties.[[2001]](#footnote-2001) I agree with Mr Cohen’s view though of course ultimately the counter-proposal was not accepted by the Stanfords so the danger was avoided.

The bank appointed receivers and managers on 9 July 2014.[[2002]](#footnote-2002) The hotel was sold for $525,000 leaving Bankwest with a loss of approximately $600,000.[[2003]](#footnote-2003) Bankwest decided not to pursue its rights under the guarantees given by the Stanfords having regard to Mr Stanford’s illness, the co-operation of the Stanfords with the receivers and the minimal anticipated likely return of any action on the guarantees.[[2004]](#footnote-2004) The experience was very difficult for the Stanfords and Mr Stanford explained that his brother had struggled after the sale.[[2005]](#footnote-2005)

### 5.2 What the case study showed

As Mr Cohen acknowledged, not all the bank’s dealings with the Stanfords were fair. When the bank requires the borrower to pay for a report it is ordinarily fair that the bank give the borrower a copy. I accept that there may be reasons to excise some parts of an investigative accountants’ report but, as a general rule, the customer should be given a copy of what the bank has commissioned at the customer’s expense. And when the bank considers that a borrower’s defaults may point to more significant trouble ahead, it will ordinarily be important that the bank tell the borrower. But   
the bank did not do that in this case. Mr Cohen was right to acknowledge that these actions were not fair. They fell below what the community   
would expect.

## 6 Issues

Together the four cases directed attention to the evident gap between what borrowers hoped or expected that ‘their’ bank would do when the loans that had been made were at the end of their term and the reality that the bank was not obliged to extend further credit. Whether to extend further credit will be a decision for the bank to make and unless it has represented or promised that it will extend more credit, the bank will make its decision by reference to its assessment of what is in its best interests.

The gap between a customer’s hopes and expectations and what I have called the ‘reality’ of the situation is made larger when banks give such emphasis as they do in advertisements to notions of help for, even partnership with, small business. Inevitably, the business owner whose loan is enforced or not renewed will draw unfavourable comparisons between what was said and what was done.

Regardless of whether comparisons of that kind are fair or well‑founded,   
the deeper questions remain. Those questions may best be identified by reference to the 2019 Code. Are the provisions of that Code about:

• notice of intention not to renew a loan;

• non‑monetary defaults; and

• provision of valuations and reports,

sufficient? Or should more be expected of banks?

In considering the adequacy of the Code, it is also important to recognise that a breach of these requirements of the Code may not necessarily lead to compensable loss for a borrower, at least of the kind that appears to be envisaged by some who have made submissions to the Commission. For example, in the future, the failure to provide a copy of a valuation or investigative accountant’s report may breach a provision of the 2019 Code. But the failure to provide the valuation or report will probably not cause any loss to the borrower even if receivers and managers are appointed and the borrower’s business is sold.

Similarly, with respect to the conduct that I have identified as being below community standards and expectations, I should say that while the conduct falls below what the community would expect of a bank, the evidence does not show that the conduct caused financial loss to the borrowers though it contributed (and in some cases contributed substantially) to the very great emotional distress they suffered.

# Case studies: Agricultural lending

## 1 Landmark – ANZ

The first case study in the fourth round of hearings concerned ANZ’s handling of the accounts of former customers of Landmark Financial Services (Landmark) after ANZ acquired Landmark’s loan and deposit books in March 2010. The Commission heard evidence from Mr Benjamin Steinberg, ANZ’s Head of Lending Services – Corporate and Commercial. Lending Services is a team within ANZ that is responsible for helping to manage ANZ’s high-risk corporate and commercial accounts.[[2006]](#footnote-2006) The Commission also heard evidence from Mr Michael Hirst.

Over the course of three days, Mr Steinberg gave evidence about   
13 farmers or farming families who were former customers of Landmark Financial Services: the Cheesmans, the Courtes, the Hirsts, the Harleys,   
the Handleys, the Cashmores, the Phillotts, and six other farmers or farming families whose names are the subject of non-publication directions. Mr Steinberg also gave evidence about ANZ’s acquisition of Landmark more generally, and about changes in the practices, policies and culture of ANZ’s Lending Services team over the past eight years.

Mr Steinberg acknowledged that ANZ had engaged in conduct that fell below community standards and expectations in many of the cases examined. In some instances, Mr Steinberg acknowledged that ANZ had engaged in misconduct. In each of the cases, Mr Steinberg acknowledged that there were things that ANZ would do differently if a similar situation arose today.

### 1.1 Background

ANZ’s board decided to acquire the loan and deposit books of Landmark Financial Services on 21 October 2009.[[2007]](#footnote-2007) There were two main motives for the acquisition. First, to allow ANZ to enhance its agribusiness portfolio and become the second largest agribusiness bank;[[2008]](#footnote-2008) and second, to enable ANZ to cross-sell its products to Landmark customers.[[2009]](#footnote-2009) ANZ also identified an opportunity to re-price the loans of former Landmark customers to earn an additional $6 million in annual revenue.[[2010]](#footnote-2010) Mr Steinberg was not able to say whether ANZ took advantage of this opportunity.[[2011]](#footnote-2011) But in the absence of evidence to the contrary, it is improbable that ANZ did not take the opportunity it had identified.

ANZ undertook a due diligence process in connection with the acquisition. Among other things, that process identified that the Landmark loan book was of lower quality than ANZ’s loan book.[[2012]](#footnote-2012) ANZ was aware that there were issues in relation to the Landmark loan book, including a poor control environment within Landmark and a lack of regulatory oversight of Landmark.[[2013]](#footnote-2013) In particular, ANZ identified that Landmark’s management had underestimated the provision that would need to be made for the losses it would incur on its loan book.[[2014]](#footnote-2014)

ANZ acquired the Landmark loan book on 1 March 2010.[[2015]](#footnote-2015) From that time, the former customers of Landmark were customers of ANZ.[[2016]](#footnote-2016) Mr Steinberg acknowledged that ANZ’s communication with former Landmark customers at the time of and immediately following the acquisition was not always satisfactory,[[2017]](#footnote-2017) and that ANZ could have done a better job in communicating with the former Landmark customers about the acquisition.[[2018]](#footnote-2018) He acknowledged that this conduct fell below community standards and expectations.[[2019]](#footnote-2019)

Over the following year, ANZ moved the former Landmark customers onto its systems.[[2020]](#footnote-2020) Mr Steinberg acknowledged that there were issues associated with this process that affected former Landmark customers.[[2021]](#footnote-2021) He acknowledged that, after the acquisition, some former Landmark customers experienced delays in receiving responses from ANZ to information and funding requests.[[2022]](#footnote-2022) He said that there were cases where limits were incorrectly loaded onto the new system and interest rates were incorrectly charged,[[2023]](#footnote-2023) and that some customers experienced difficulties in opening accounts.[[2024]](#footnote-2024) Mr Steinberg rightly acknowledged that this conduct fell below community standards and expectations.[[2025]](#footnote-2025)

Mr Steinberg accepted that the quality of the Landmark loan book was worse than ANZ anticipated.[[2026]](#footnote-2026) In March 2010, there were 433 former Landmark accounts rated as high risk or impaired, with a total value of   
$273 million.[[2027]](#footnote-2027) (A ‘high risk account’ had an internal risk rating of 7+D or worse; an impaired loan had an internal risk rating of 8 -, 9 or 10.[[2028]](#footnote-2028)) By   
July 2013, there were 1,050 former Landmark accounts with an internal risk rating of 7+D or worse, with a total value of $722 million.[[2029]](#footnote-2029) This represented almost one third of the total value of the former Landmark loan book.[[2030]](#footnote-2030)

As already noted, Mr Steinberg gave evidence about 13 farmers or farming families who were former customers of Landmark.

### 1.2 The Cheesmans

Arthur and Rhonda Cheesman, their son Reuben, and his wife Katrina ran   
a farm in rural Victoria.[[2031]](#footnote-2031) The farm produced hay, cereals, oil seeds and pulses.[[2032]](#footnote-2032) The Cheesmans were third and fourth generation farmers who had farmed in the area all their lives.[[2033]](#footnote-2033)

The Cheesmans’ farm was spread across a number of properties. The Cheesmans owned some of these properties and leased others.[[2034]](#footnote-2034) Arthur and Rhonda Cheesman lived in a house on one of the properties, and Reuben and Katrina Cheesman lived in a house on another property.[[2035]](#footnote-2035)

The Cheesmans had been customers of Landmark since 2004.[[2036]](#footnote-2036) By   
March 2010, when ANZ acquired the Landmark loan book, they were already facing financial difficulties.[[2037]](#footnote-2037) A Landmark credit submission prepared in May 2009 showed that the Cheesmans’ farm had made a loss in each of the previous three financial years.[[2038]](#footnote-2038) It also showed that, in the 2007 and 2008 financial years, the interest costs being paid by the Cheesmans were around 40% of their total farm income.[[2039]](#footnote-2039) Part of the reason for this was that the Cheesmans’ region had experienced droughts and below average rainfall.[[2040]](#footnote-2040)

By August 2010, ANZ was already considering transferring the Cheesmans’ file to Lending Services.[[2041]](#footnote-2041) In October 2010, ANZ increased the Cheesmans’ facilities to allow them to trade for the rest of the season.[[2042]](#footnote-2042) It did this on the basis that the Cheesmans would clear their debt through the sale of assets by March 2011.[[2043]](#footnote-2043) The Cheesmans sold one of their properties and used the proceeds to pay down their debt, but they were not able to repay their debt in full.[[2044]](#footnote-2044) In March 2011, their file was transferred to Lending Services.[[2045]](#footnote-2045)

After the Cheesmans’ file was transferred to Lending Services, the ANZ staff member with primary responsibility for the file was Mr Ian Wormald.[[2046]](#footnote-2046) In July 2011, Mr Wormald recommended that ANZ extend the Cheesmans’ facilities to 31 March 2012, on the condition that the Cheesmans enter into an Asset Management Agreement (AMA) with ANZ.[[2047]](#footnote-2047)

In October 2011, consistently with that recommendation, ANZ sent the Cheesmans a letter of offer and a proposed AMA. Under the letter of offer, ANZ said that it would extend the Cheesmans’ facilities until March 2012,   
on the condition that the Cheesmans entered into the AMA.[[2048]](#footnote-2048) The letter of offer recorded that the facilities would be secured by mortgages over the Cheesmans’ properties, including the properties on which they lived, as well as a crop lien, a stock mortgage, and guarantees.[[2049]](#footnote-2049) Under the proposed AMA, ANZ said that it would temporarily withhold from enforcing its securities, provided that the Cheesmans took certain steps to sell the secured property.[[2050]](#footnote-2050) If the Cheesmans did not sell the secured property by the end of November 2011 – less than two months after ANZ provided the AMA to the Cheesmans – the AMA would require the Cheesmans to put the property up for auction.[[2051]](#footnote-2051) If the property did not sell at auction, the AMA would require the Cheesmans to give ANZ vacant possession of the property within seven days of its demand.[[2052]](#footnote-2052)

In its submissions, ANZ did not accept that, by proposing to enter into an agreement in these terms, its conduct fell below community standards and expectations.[[2053]](#footnote-2053) In particular, ANZ said that the time period for the sale of the properties in the AMA should be viewed in the overall context of ANZ’s engagement with the Cheesmans to secure the sale of assets and a reduction in debt, which process was ongoing from early 2010.[[2054]](#footnote-2054) ANZ also said that ‘there is no suggestion that the Cheesmans viewed the period of two months as inappropriate in their overall circumstances’.[[2055]](#footnote-2055)

It appears from the evidence, however, that the Cheesmans did regard that period as inappropriate. Before they signed the AMA, the Cheesmans asked ANZ if they could delay the sale of the two properties where they lived, and delay the sale of their equipment and machinery.[[2056]](#footnote-2056) The Cheesmans wanted to see if they could clear the debt through the sale of the other properties, or refinance after they had reduced the debt.[[2057]](#footnote-2057) ANZ did not agree to this, but did allow the Cheesmans some additional time to sell their properties –   
until 15 January 2012 by private sale, and until 31 March 2012 to sell by auction.[[2058]](#footnote-2058) The Cheesmans signed the AMA.

By January 2012, the Cheesmans had not been able to sell the properties, and they had organised an auction to take place on 10 February 2012.[[2059]](#footnote-2059) The Cheesmans asked ANZ if their houses could be excluded from the auction. On 13 January 2012, through their accountant, the Cheesmans told ANZ that, if those properties were sold, they would have nowhere else to live.[[2060]](#footnote-2060) On 27 January 2012, the Cheesmans’ accountant again told ANZ that, if the properties were sold, the Cheesmans were ‘concerned as to where they would reside’.[[2061]](#footnote-2061)

On 31 January 2012, Mr Wormald prepared a diary note in which he recorded his consideration of the Cheesmans’ proposal to exclude the houses from the auction, and the enquiries he had made with a valuer   
about the proposal.[[2062]](#footnote-2062) Mr Wormald did not mention as a consideration that the Cheesmans would have nowhere to live if the houses were sold.[[2063]](#footnote-2063) In   
the diary note, Mr Wormald said, ‘We have a choice – exclude the houses from sale and realise circa $2.5M or include the houses in the auction and realise circa $2.5M’.[[2064]](#footnote-2064) He said that he would be prepared to exclude one   
of the houses from the auction, but needed further information to assess   
the proposal.[[2065]](#footnote-2065)

Even though it appeared from the diary note that the exclusion of the houses from the auction might not make any substantial difference to the price obtained ANZ did not entertain the proposal.[[2066]](#footnote-2066) The following day,   
1 February 2012, Mr Wormald told the Cheesmans’ accountant that the houses would not be excluded from the auction.[[2067]](#footnote-2067)

Mr Steinberg acknowledged that, if the same situation arose today, ANZ would take a more empathetic approach to the needs of its customers,   
and look at options that would, if possible, result in some retention of home ownership.[[2068]](#footnote-2068) He also acknowledged that the ‘right thing to do’ at the time   
of these events would have been to structure a different arrangement with the Cheesmans, which would have potentially given them an opportunity   
to retain some form of home ownership, and some way of earning   
an income.[[2069]](#footnote-2069)

Despite this, Mr Steinberg did not accept that the community would have expected ANZ to handle this situation differently at the time. He accepted only that ‘certain parts of the community’ would have expected ANZ to act differently.[[2070]](#footnote-2070) In its submissions, ANZ did not accept that its conduct in refusing to delay the sale of the Cheesmans’ homes fell below community standards and expectations.[[2071]](#footnote-2071) In making this submission, ANZ relied heavily on a file note recording a conversation between a real estate agent and a member of the Lending Services team that took place on 2 February 2012, in which the real estate agent expressed the view that the properties should be sold including the house blocks.[[2072]](#footnote-2072) Yet the view that Mr Wormald held was that the sale of the houses might not increase the amount realised.

It may have been in line with community standards and expectations if ANZ had refused the Cheesmans’ proposal after it had discussed the matter with the real estate agent and obtained further and different information from the agent. But that is not what occurred. ANZ told the Cheesmans’ accountant on 1 February 2012 that the house blocks would not be excluded from the auction.[[2073]](#footnote-2073) In circumstances where the Cheesmans had told ANZ that they would have nowhere to live if the homes were sold,[[2074]](#footnote-2074) and there was at least a reasonable prospect that the exclusion of the homes from the auction would make no difference to the sale price,[[2075]](#footnote-2075) the community would expect ANZ to undertake appropriate inquiries before refusing to exclude the homes from the auction. ANZ’s failure to do so was conduct falling below community standards and expectations.

The auction went ahead in February 2012. Arthur and Rhonda Cheesman’s house sold at auction, but Reuben and Katrina Cheesman’s house did not.[[2076]](#footnote-2076) The Cheesmans were left with an outstanding debt of around $630,000.[[2077]](#footnote-2077) Over the coming months, the Cheesmans made a series of offers to ANZ to settle the outstanding debt.[[2078]](#footnote-2078) It is not necessary to record the terms of each of those offers here. The Cheesmans also sold off equipment and machinery to reduce the debt.[[2079]](#footnote-2079) ANZ did not accept any of the offers made by the Cheesmans. Mr Steinberg acknowledged that, each time ANZ refused an offer, it put the Cheesmans at risk of losing Reuben and Katrina’s house as well.[[2080]](#footnote-2080) ANZ ultimately settled a $276,000 debt for a payment of $265,000.[[2081]](#footnote-2081)

Mr Steinberg accepted that three of the settlement offers made by the Cheesmans – in June, October and December 2012 – were reasonable.[[2082]](#footnote-2082) He also acknowledged that, by failing to accept those offers, ANZ’s conduct fell below community standards and expectations.[[2083]](#footnote-2083) I agree that it did.   
Mr Steinberg accepted that the Cheesmans’ relationship manager never expressly took into account that refusing those offers could have caused Reuben and Katrina Cheesman to lose their home.[[2084]](#footnote-2084) He also acknowledged that ANZ could have tried to come up with a solution that would not involve the loss of the home.[[2085]](#footnote-2085)

Although Mr Steinberg accepted that the settlement offers referred to above were reasonable and that, by failing to accept the offers, ANZ’s conduct fell below community standards and expectations, he did not accept that ANZ’s failure to accept them was unreasonable,[[2086]](#footnote-2086) or that the failure breached Clause 2.2 of the Code of Banking Practice (the Code). (Clause 2.2, as it then stood, required ANZ to act fairly and reasonably towards the Cheesmans in a consistent and ethical manner.[[2087]](#footnote-2087)) It is not clear to me how the evident tension between these positions can be resolved.

In its submissions, ANZ did not accept that its conduct in refusing the reasonable settlement offers breached Clause 2.2 of the Code.[[2088]](#footnote-2088) ANZ submitted that it had supported the Cheesmans over a long period of time.[[2089]](#footnote-2089) It submitted that there was evidence that the Cheesmans did not apply the entirety of their crop proceeds to reduce their indebtedness to ANZ, in circumstances where the crop was subject to a crop lien in favour of ANZ.[[2090]](#footnote-2090) But these considerations are beside the point if, as Mr Steinberg accepted, the offers were reasonable. If the offers were reasonable, refusing them was not reasonable and insisting on other and different terms was not fair. If that is right (and I think it is) it would follow that the refusal to accept the offers would be conduct that might have breached Clause 2.2 of the Code.

In 2015 and 2016, after stories about former Landmark customers appeared in the media, ANZ reviewed the Cheesmans’ case, and paid Arthur Cheesman $270,000.[[2091]](#footnote-2091) In a document recording the decision to pay this amount, ANZ noted that ‘[A] more commercial and compassionate assessment would have enabled the customer a level of funds from the asset sales to enable a more positive movement forward. Rather, all principal and interest was cleared, unsecured creditors and statutory commitments paid in full and the customer (i.e. the elderly Arthur and Katrina) were left [with] nothing at all.’[[2092]](#footnote-2092) These later events, and ANZ’s analysis of them reinforce the conclusion earlier expressed that ANZ’s conduct in refusing the offers was not fair and might constitute a breach   
of Clause 2.2 of the Code.

### 1.3 Annexure B customers

The names of the former Landmark customers who were the subject of Annexure B to Mr Steinberg’s statement[[2093]](#footnote-2093) are the subject of a non-publication direction. These customers operated a farming property in Queensland, where they bred and sold cattle.[[2094]](#footnote-2094)

Mr Steinberg told the Commission about an occasion in October 2011 when ANZ met with these customers to discuss their debt reduction options, but on the same day issued them with a default notice.[[2095]](#footnote-2095) Mr Steinberg accepted that this did not represent consistent communication with the customers.[[2096]](#footnote-2096) He described the file as one that was difficult and had a long history. He accepted that this suggested that there was greater reason for ANZ to be consistent and reasonable in its dealings with these customers.[[2097]](#footnote-2097)

In its submissions, ANZ did not accept that this inconsistent communication breached Clause 2.2 of the Code. ANZ said that the Code ‘does not impose an obligation on banks to always act “consistently”, but rather, fairly and reasonably in a consistent and ethical manner, in light of the customer’s conduct, the bank’s conduct, and the parties’ contract.’[[2098]](#footnote-2098) ANZ said that, although Mr Steinberg accepted that ANZ’s conduct in attending a meeting and issuing a default notice involved inconsistency, it did not follow that ANZ failed to act fairly and reasonably.[[2099]](#footnote-2099) ANZ also did not accept that this conduct fell short of community standards and expectations.[[2100]](#footnote-2100)

The community expects that banks will act consistently in their dealings with customers. This is reflected in the requirement in Clause 2.2 of the Code for banks to act in a ‘consistent and ethical manner’. It is also consistent with Mr Steinberg’s evidence that the community expects ANZ to ‘do the things that we say we are going to do’.[[2101]](#footnote-2101) In this case, ANZ did not act consistently. On the same day that it met with the customers to discuss their debt reduction options, it issued them with a default notice. This fell short of what the community would expect.

Is it conduct that might contravene Clause 2.2 of the Code? As with any provision that uses several normative descriptions there may be debates about the proper construction of the provision requiring banks to act fairly, reasonably and in a consistent and ethical manner. I deal further with this provision of the Code, and related questions about community standards and expectations, at the end of my consideration of the case studies concerning ANZ and Landmark. For the moment, it is enough to say that I tend to the view that the Clause is best understood in a way that gives each element a meaning informed by the other elements but gives each element its own separate work to do. On that understanding, ANZ’s not acting consistently might be conduct that breached the Code. The inconsistency between discussing what is to be done and giving notice of default might be characterised as both inconsistent and unfair conduct.

Mr Steinberg also told the Commission about an occasion in January 2012 when ANZ refused to accept an offer by the customers to settle their outstanding debt to ANZ. The offer made by the customers was equal to the fair market value of the real property held as security by ANZ.[[2102]](#footnote-2102) ANZ refused the offer but neither explained the reasons for its refusal nor invited the customers to enter into further negotiations.[[2103]](#footnote-2103) Mr Steinberg accepted that, with the benefit of hindsight, it might be said that the offer should have been accepted, subject to acceptable terms.[[2104]](#footnote-2104)

Whether ANZ ought to have accepted the settlement offer at the time that   
it was made is a matter on which reasonable minds may differ. It is not necessary for me to express a concluded view on that point. However, in circumstances where, on its face, the offer was reasonable – being equal to the fair market value of the real property held as security by ANZ – I consider that the community would expect ANZ to do more than simply refuse the offer without providing any reasons.

### 1.4 The Hirsts

Dimity and Michael Hirst were farmers in northern Tasmania.[[2105]](#footnote-2105) They   
bred cattle and lambs, and from 2006 they began investing in the   
forestry industry.[[2106]](#footnote-2106)

Mr Steinberg acknowledged that, having regard to the cumulative effect of various aspects of ANZ’s conduct towards the Hirsts between 2011 and 2013, ANZ’s conduct towards them fell below community standards and expectations.[[2107]](#footnote-2107) That conduct included increasing the interest rate on the Hirsts’ facilities at a time when they were known by ANZ to be under financial stress;[[2108]](#footnote-2108) not engaging in farm debt mediation with the Hirsts;[[2109]](#footnote-2109) and entering into a deed of settlement and release that involved little or no compromise from the bank.[[2110]](#footnote-2110) I accept that Mr Steinberg was right to say that this conduct fell below community standards and expectations.

Mr Steinberg said that initially he had formed the view that ANZ had acted in breach of Clause 2.2 of the Code in relation to the Hirsts, by encouraging and granting increased loans to the Hirsts without either informing them that it disapproved of their property investment model, or obtaining updated valuations.[[2111]](#footnote-2111) By the time he gave oral evidence before the Commission, however, Mr Steinberg had changed his mind about breach of the Code.   
But he did accept that this particular conduct formed part of ANZ’s conduct in relation to the Hirsts that fell below community standards and expectations.[[2112]](#footnote-2112) ANZ submitted that this conduct did not constitute a breach of Clause 2.2 of the Code.[[2113]](#footnote-2113)

Mr Steinberg’s initial view depended upon his accepting the views expressed by the Hon Susan Crennan AC QC in an evaluation she had conducted of ANZ’s dealings with the Hirsts. Mr Steinberg changed his mind because he came to dispute the views expressed in the evaluation.

As I have explained at the outset of my consideration of all of the case studies, my task is not to determine whether particular conduct constituted   
a form of misconduct; it is to decide whether conduct might constitute misconduct or did fall short of community standards and expectations. I agree with Mr Steinberg that ANZ’s conduct did fall short of community standards and expectations. The conduct might have breached Clause 2.2 of the Code and thus constitute misconduct.

### 1.5 The Harleys

The Harleys ran a sheep farm in Western Australia.[[2114]](#footnote-2114) That farm was based on a number of parcels of land referred to collectively as the McAlinden Property.[[2115]](#footnote-2115) By 2013, the farm had been operating on that property for more than 100 years.[[2116]](#footnote-2116)

The Harleys had been customers of Landmark since 2004.[[2117]](#footnote-2117) By March 2010, when ANZ acquired the Landmark loan book, they were already facing financial difficulties.[[2118]](#footnote-2118) They had had consecutive trading losses for about five years, and they recognised that they would need to sell some of their land in order to improve their financial position.[[2119]](#footnote-2119)

In May 2011, ANZ sent the Harleys a letter of offer, by which it offered the Harleys a $2.3 million facility expiring in March 2012 and a $250,000 overdraft expiring in February 2012.[[2120]](#footnote-2120) The facilities were secured by a mortgage over the McAlinden Property and guarantees given by the Harleys.[[2121]](#footnote-2121) Under the letter of offer, ANZ required the Harleys to provide certain financial information to ANZ.[[2122]](#footnote-2122)

In August 2011, after the Harleys fell into arrears in their interest payments and failed to provide the required financial information to ANZ, ANZ transferred their file to Lending Services.[[2123]](#footnote-2123) By around this time, ANZ had formed the view that land sales were necessary to reduce the Harleys’ debt, and that it was willing to give the Harleys an opportunity to sell the   
land themselves.[[2124]](#footnote-2124)

In February 2012, ANZ had the parcels of land comprising the McAlinden Property valued.[[2125]](#footnote-2125) It charged the Harleys the cost of these valuations.[[2126]](#footnote-2126)

In March 2012, ANZ sent the Harleys a further letter of offer, offering the Harleys a $2.55 million facility expiring in March 2013.[[2127]](#footnote-2127) The offer was made on the basis that the Harleys would sell their land and repay the debt in full by that date.[[2128]](#footnote-2128)

In July 2012, the Harleys sold one of their blocks of land and used the proceeds to pay down debt.[[2129]](#footnote-2129) But in October 2012, Mr Harley fell ill and was hospitalised.[[2130]](#footnote-2130) In January 2013, the auction of the Harleys’ sheep was unsuccessful.[[2131]](#footnote-2131) In March 2013, after the Harleys had subdivided one of their blocks into four, they put all of their property up for auction but they received no bids.[[2132]](#footnote-2132) The Harleys therefore could not, and did not, repay the debt by the March 2013 deadline.[[2133]](#footnote-2133)

In May 2013, Mr Harley suffered a heart attack. Mrs Harley told ANZ that this had occurred. Less than a month later, ANZ issued the Harleys with a notice of default under their facilities.[[2134]](#footnote-2134)

In September 2013, ANZ made a settlement deed with the Harleys.[[2135]](#footnote-2135) Under the deed, the Harleys agreed to repay their debt by 31 March 2014.[[2136]](#footnote-2136) ANZ agreed that, if they repaid the debt before that date, it   
would release the Harleys from all claims.[[2137]](#footnote-2137) But the deed provided that, if the Harleys failed to repay the debt by 31 March 2014, they must give ANZ vacant possession of their properties by 1 April 2014, and ANZ would be entitled to obtain immediate judgment against them for all that they owed.[[2138]](#footnote-2138) Mr Steinberg acknowledged that, if similar circumstances arose today, ANZ would not ask the Harleys to enter into a deed in those terms.[[2139]](#footnote-2139)

ANZ did not accept that its conduct in entering into a deed in these terms amounted to a breach of Clause 2.2 of the Code, or that that conduct fell short of community standards and expectations.[[2140]](#footnote-2140) Again, there is evident tension between Mr Steinberg’s statement that ANZ would not now make   
an agreement like the one it required the Harleys to make and the submission that ANZ’s conduct did not fall short of what the community would expect. That tension is made worse by ANZ’s acceptance that, taken on its own, a period of one day would not be a sufficient period of time in which to vacate a property. ANZ sought to deal with that by submitting that the Harleys knew for six months that steps would need to be taken to vacate their properties if a sale of assets did not occur.[[2141]](#footnote-2141) Likewise, Mr Steinberg noted that, under the deed, the Harleys had six months to sell their properties and said that, by the time the Harleys made the deed, the asset sale process had been going on for some years.[[2142]](#footnote-2142)

It is obvious that one day is not sufficient time to vacate a property of the kind in question. It is not to the point to say that the Harleys could have made preparations to vacate the property in the preceding six months. Preparations would have required the Harleys to incur costs (in packing their belongings and arranging alternative accommodation), which would have been unnecessary if the debt were repaid before the expiry of the deadline. Those preparations would have added to the distress faced by the Harleys and, as noted above, by the time the Harleys entered into the deed, they already were dealing with the ill health of Mr Harley, who had suffered a heart attack earlier that year. In the circumstances, I find that ANZ’s conduct in proffering a deed that gave the Harleys only a day to vacate their property, and provided for immediate judgment if the Harleys did not repay their debt, fell short of what the community would expect.

Following the execution of the deed, the Harleys had some success in selling their land.[[2143]](#footnote-2143) By 27 March 2014, they had sold five of their nine parcels of land[[2144]](#footnote-2144) – including the parcels they thought would be most difficult to sell[[2145]](#footnote-2145) – and sold livestock.[[2146]](#footnote-2146) They had paid about $1.6 million of their $2.5 million debt.[[2147]](#footnote-2147) They asked ANZ for an extension of time until December 2014 to sell their remaining properties. They thought there would be more interest in these properties in the spring.[[2148]](#footnote-2148)

In late April 2014, ANZ refused this request.[[2149]](#footnote-2149) Instead, it required the Harleys to give vacant possession of all their remaining properties – including the property on which they lived – and appointed agents for a mortgagee in possession to sell those properties.[[2150]](#footnote-2150)

Mr Steinberg accepted that, in the period leading up to this decision, the Harleys had clearly demonstrated their willingness to sell their properties and livestock, and had had some success in doing so.[[2151]](#footnote-2151) He also accepted that requiring the Harleys to vacate the properties and pay the enforcement costs associated with appointing agents for a mortgagee in possession would have caused the Harleys distress.[[2152]](#footnote-2152) Importantly, he said that he did not know whether there was any reason for ANZ to think that agents for a mortgagee in possession could get a better price for the sale of the remaining parcels of land than the Harleys could.[[2153]](#footnote-2153) He said that ‘what the mortgagee in possession would achieve for us would be to actually get those properties sold’.[[2154]](#footnote-2154) But he did not seek to justify the decision as one that would or even may lead to a better financial outcome than allowing the Harleys to continue with their evidently genuine attempts to sell the remaining land.

By the time ANZ took possession of the land and appointed its agent in possession, the Harleys’ file had been in Lending Services for more than   
30 months. This was then at the outer limit of the target for turnover of agribusiness files within Lending Services.[[2155]](#footnote-2155) It is impossible to resist the inference that ‘finalisation’ or ‘completion’ of the file had become an end in itself. But the consequence here was that properties were sold a month or two before the time that the owners thought best with no formulated expectation that this would bring some identifiable commercial advantage   
to the bank.

Mr Steinberg accepted that, if the same situation arose today, he would have been more likely to give the Harleys some additional time to sell their properties.[[2156]](#footnote-2156) However, despite this acknowledgment, neither Mr Steinberg nor ANZ accepted that ANZ’s conduct in refusing to allow the Harleys additional time to sell their properties fell short of community standards and expectations.[[2157]](#footnote-2157) ANZ also did not accept that this conduct breached Clause 2.2 of the Code.[[2158]](#footnote-2158)

Again there is a tension between saying that things would be done differently today but what was done then was not unfair. In its submissions, ANZ said in relation to this decision that it ‘was entitled to appoint an agent as mortgagee in possession to facilitate a sale of the properties’.[[2159]](#footnote-2159) ANZ also noted that it had provided the Harleys with forbearance in a number   
of ways.[[2160]](#footnote-2160) ANZ denied that the decision to take enforcement action was motivated by organisational time limits.[[2161]](#footnote-2161)

Saying the bank was ‘entitled’ to take enforcement action in relation to the Harleys’ properties fails to grapple with the real issue: Was it fair and reasonable for ANZ to do so in the circumstances of this case? Or, to put it another way, was it the right thing for ANZ to do? As ANZ pointed out in its submissions, it is true that, by the time ANZ refused the Harleys’ request for an extension, the Harleys had been trying for four years to sell their properties. It is also true that ANZ granted the Harleys a number of extensions over this time. But ANZ’s submissions overlooked, or at least did not give proper weight to, a number of important matters. First, the Harleys sold a number of their parcels of land in the six months between September 2013 and March 2014, demonstrating that the Harleys were both willing and able to sell their properties. Second, the parcels of land that the Harleys had sold included the parcels they thought would be most difficult to sell. Third, the requested extension of time was relatively brief, and would have enabled the Harleys to sell the properties in the spring when they thought interest would be higher. Fourth, by this time, the Harleys had paid   
$1.6 million of their $2.5 million debt.

In the circumstances I consider that ANZ’s conduct fell below what the community would expect. Mr Steinberg did not point to any reason for ANZ to think that agents for a mortgagee in possession could get a better price for the sale of the remaining parcels of land than the Harleys could.[[2162]](#footnote-2162) The bank acted as it did to achieve ‘certainty’ (which is to say finality). It gave no financial reason for acting as it did. Mr Steinberg said that, if the same situation arose today, he would have been more likely to give the Harleys some additional time to sell their properties.[[2163]](#footnote-2163)

In August 2014, the agents appointed by ANZ sold the remaining parcels of land, including the parcel on which the Harleys’ home was located.[[2164]](#footnote-2164) They sold three of the remaining parcels for a combined total of $780,000 and   
the final parcel for $250,000.[[2165]](#footnote-2165) These sales took place after the properties had remained vacant for approximately three months. They took place in winter, and not in the spring, when the Harleys had told ANZ that interest   
in the properties would be at its highest. The prices achieved by the agents represented a discount of at least one third on valuations of those properties conducted in June 2013, when the Harleys were still on the land.[[2166]](#footnote-2166) The proceeds of these sales were used to pay down the remaining debt, but were not enough to clear the debt. There remained a balance of about $309,000.[[2167]](#footnote-2167) ANZ charged the Harleys about $59,000 in   
enforcement costs.[[2168]](#footnote-2168)

In November 2014, ANZ’s lawyers sent the Harleys a letter and told them that, if the Harleys did not pay the remaining debt by 4 December – about eight days later – then it might commence bankruptcy proceedings   
against them.[[2169]](#footnote-2169)

On 23 December 2014, the Harleys’ lawyers wrote to ANZ. They said that   
if ANZ had sold the properties at a more reasonable discount to the June 2013 valuations, ANZ could have cleared the debt. They asked ANZ to release the Harleys from the remaining debt.[[2170]](#footnote-2170) ANZ refused this request but did not take further action to recover the debt.[[2171]](#footnote-2171) Mr Steinberg accepted that, if similar circumstances were to arise today, ANZ would likely have accepted the Harleys’ proposal.[[2172]](#footnote-2172) In February 2018, ANZ ultimately agreed to release the Harleys from their obligation to pay the remaining amount   
of the debt.[[2173]](#footnote-2173)

Despite Mr Steinberg’s acceptance that ANZ would act differently if similar circumstances arose today, and despite the fact that ANZ later forgave the Harleys’ debt, neither ANZ nor Mr Steinberg accepted that ANZ’s conduct in refusing the Harleys’ proposal fell short of community standards and expectations.[[2174]](#footnote-2174) I disagree.

By December 2014, ANZ had required the Harleys to sell all of their properties, including their home, at a time when Mr Harley was recovering from serious health issues. ANZ had charged them almost $60,000 in enforcement costs, and left them without their farming business, which was their method of generating income. It had sold the last four of the Harleys’ properties in circumstances where those properties had remained unoccupied for several months. It had also sold those properties before the spring, when the Harleys had told the bank there would be the most interest in the properties. Those last two matters were the result of ANZ’s decision to refuse the Harleys an extension of time – a decision that I consider was not fair and reasonable. In these circumstances, I believe that the community would expect ANZ to have forgiven the Harleys’ outstanding debt, as it ultimately did in February 2018.

One other point should be noted. In the time that the Harleys’ file was being managed by Lending Services, no one from ANZ travelled to their farm to meet with them.[[2175]](#footnote-2175) Mr Steinberg acknowledged that this was not acceptable.[[2176]](#footnote-2176) I agree that it was not.

### 1.6 The Handleys

The Handleys ran a cattle farm in Queensland.[[2177]](#footnote-2177) They too encountered financial difficulty. Again their dealings with ANZ were marked by conduct that Mr Steinberg agreed fell short of what the community would expect.

First, Mr Steinberg told the Commission about an occasion in November 2014 when the Handleys’ lawyers asked ANZ to postpone a mediation on the basis that Mrs Handley had received adverse test results arising from   
a series of biopsies.[[2178]](#footnote-2178) ANZ refused this request without seeking more information, even though Mrs Handley had in fact been diagnosed with cancer and was scheduled for surgery. Mr Steinberg accepted that this conduct fell below community standards and expectations,[[2179]](#footnote-2179) and I agree that it did.

Second, Mr Steinberg told the Commission that ANZ made a series of errors in relation to the overcharging of interest and fees on the Handleys’ accounts. As a result of these errors, there was a period when the Handleys did not have access to funds, and several of the cheques that they presented were dishonoured. Mr Steinberg accepted that this conduct too may have fallen below community standards and expectations.[[2180]](#footnote-2180)

Third, Mr Steinberg told the Commission that ANZ also failed to extend overdraft limits to the Handleys, when it had previously agreed to do so, which meant that there was a period when the Handleys were charged default interest when they should not have been.[[2181]](#footnote-2181) Mr Steinberg did   
not accept that this conduct fell below community standards   
and expectations.[[2182]](#footnote-2182)

In its submissions, ANZ characterised all of these events as ‘honest mistakes arising from individual errors’, which were later corrected.[[2183]](#footnote-2183) However, in light of the number of errors and the effect that they had on the Handleys, I find that this conduct, taken as a whole, fell short of community standards and expectations.

Finally, Mr Steinberg gave evidence about an occasion when an ANZ staff member involved with the Handleys signed documents as a witness, even though the staff member had not witnessed the Handleys signing the documents. Mr Steinberg accepted that this amounted to misconduct.[[2184]](#footnote-2184)   
I agree that it did.

### 1.7 Annexure F customers

The names of the customers who were the subject of Annexure F to   
Mr Steinberg’s statements were the subject of a non-publication direction. These customers were also cattle farmers from Queensland.[[2185]](#footnote-2185) Mr Steinberg told the Commission that, in May 2010, ANZ offered these customers a $450,000 overdraft facility, but only made a $350,000 overdraft facility available to them.[[2186]](#footnote-2186) It was not until September 2010 that ANZ made the full facility available. Mr Steinberg accepted that this conduct fell below community standards and expectations,[[2187]](#footnote-2187) and I agree that it did.

### 1.8 Other customers

In his first statement, Mr Steinberg made acknowledgments in relation to other former Landmark customers without describing ANZ’s dealings with those customers in any detail. With two exceptions, the names of these customers are subject to non-publication directions.

Mr Steinberg acknowledged, and I find, that, in three instances, ANZ’s conduct in relation to these customers fell below community standards and expectations.[[2188]](#footnote-2188) Those instances are as follows:

• First, in relation to one customer ANZ engaged in poor communication and inconsistent practice in that it applied the entirety of the secured property sale proceeds to reduce principal rather than to annual principal and interest payments.

• Second, in relation to certain other customers, ANZ failed to honour cheques contrary to a previous commitment to do so.

• Third, in relation to a third customer, ANZ did not communicate properly with them about the restructure of their loans.

Mr Steinberg also acknowledged, and I accept, that ANZ breached its obligations under the Code in relation to certain other former Landmark customers,[[2189]](#footnote-2189) and therefore engaged in misconduct. He identified four cases of such conduct:

• First, ANZ breached Clause 2.2 of the Code in relation to its dealings with the Phillotts.[[2190]](#footnote-2190) ANZ took responsibility for some of the dealings that Landmark had with Mr Phillott Jnr in relation to the original lending to him and, after ANZ acquired the Landmark loan book, it failed to work constructively with Mr Phillott Jnr to overcome his financial difficulties.[[2191]](#footnote-2191) Mr Steinberg conceded that the bank acted in a way that was not fair, not reasonable, and not ethical.[[2192]](#footnote-2192)

• Second, ANZ breached Clause 25.2 of the Code in relation to its dealings with the Phillotts.[[2193]](#footnote-2193) ANZ failed to try to help Mr Phillott Jnr to overcome his financial difficulties, and instead issued a notice terminating the facilities and requesting repayment of them.[[2194]](#footnote-2194)

• Third, in relation to Cashmore Farms Pty Ltd, ANZ made significant variations to the Cashmores’ loan (which was not in monetary default) without also communicating those changes in a clear and transparent way, and applied the sale proceeds of a residential property to a long term rather than short term loan.[[2195]](#footnote-2195)

• Fourth, in relation to certain other customers, ANZ took guarantees from the customer’s mother and siblings without taking all reasonable steps to ascertain if they were suitable to act as guarantors.[[2196]](#footnote-2196)

### 1.9 More recent changes

Mr Steinberg told the Commission about changes that ANZ had made to   
its Lending Services team since 2014. In August 2014, ANZ established a specialist agribusiness team within Lending Services. It established this team because it was thought that high risk agribusiness customers would benefit from being serviced by relationship managers who had specific knowledge of and experience in agriculture and restructuring.[[2197]](#footnote-2197) At around the same time, ANZ started to use farm debt mediation more frequently,   
and increased the frequency of face-to-face farm visits by Lending   
Services staff.[[2198]](#footnote-2198)

In the first half of 2015, after stories about former Landmark customers began to receive political and media attention, ANZ made further changes to the culture of Lending Services. In July 2015, after a story about Mr Phillott was broadcast on *60 Minutes*, ANZ established a taskforce to review the files of former Landmark customers.[[2199]](#footnote-2199) The taskforce went on to review the files of about 200 former Landmark customers.[[2200]](#footnote-2200) Mr Steinberg estimated that ANZ reached settlements with about 40 or 50 of these customers, for   
a total amount of around $40 million.[[2201]](#footnote-2201)

ANZ continued to make changes in 2016 and 2017. Mr Steinberg told the Commission that:

• It is now a requirement for members of the Lending Services Global Leadership Team to approve any decision to commence enforcement action.[[2202]](#footnote-2202)

• Where enforcement action is taken, ANZ now has a panel of insolvency providers who have agreed to a consistent set of terms and conditions, and ANZ expects that, in the conduct of their duties, these providers would act consistently with ANZ’s values.[[2203]](#footnote-2203)

• Where a valuation is obtained, ANZ will now give the customer a say about the choice of valuer, and as a matter of policy will provide a copy   
of the valuation to the customer.[[2204]](#footnote-2204)

Further, decisions in Lending Services at ANZ are now informed by the Lending Services Purpose.[[2205]](#footnote-2205) Among other things, the Lending Services Purpose emphasises that ANZ should take into account the emotional and personal impacts of recovery and enforcement action on customers in its decision-making processes. Mr Steinberg explained that the Lending Services team try to make the Purpose an integral part of its culture, informing how members of the team act and behave each day.[[2206]](#footnote-2206)   
Mr Steinberg said that a question he now often puts to his people in   
the Lending Services team is: ‘Is this the right thing to do?’.[[2207]](#footnote-2207)

### 1.10 What the case study showed

Mr Steinberg’s evidence about ANZ’s acquisition of Landmark’s loan book, ANZ’s handling of the accounts of former Landmark customers, and the changes that ANZ has made to its Lending Services team since August 2014 illustrated a number of issues that require consideration. They can be considered under three headings:

• community standards and Clause 2.2 of the Code;

• causes of ANZ’s conduct; and

• appointment of external administrators.

#### 1.10.1 Community standards and Clause 2.2 of the Code

At the time relevant to the dealings between ANZ and former Landmark customers, Clause 2.2 of the Code provided that:

We will act fairly and reasonably towards you in a consistent and ethical manner. In doing so we will consider your conduct, our conduct and the contract between us.

The same words are used in Clause 3.2 of the 2013 Code. By contrast,   
the 2019 Code provides that it ‘is underpinned’ by a Statement of Guiding Principles of which two are: ‘We will act with honesty and integrity’ and ‘We will be fair and responsible in our dealings with you.’

Despite the different form of expression used in the 2019 Code, all three versions of the Code may be taken to reflect what the community expects of a bank – that it will act fairly and reasonably towards its customers and that it will act in its dealings with customers (and others) in a consistent and ethical manner. The fairness that is called for is not one‑sided. Fairness must be understood as fair to both customer and bank. What is required can be captured by asking: ‘In these circumstances, what is the right thing to do?’ Mr Steinberg accepted that the question could be put in this way and, as I have already noted, said that this is a question that he now often puts to the Lending Services team.[[2208]](#footnote-2208) His evidence reflected the need to ask more than whether there is power to take some step. Just because the bank has the power to do something does not mean that it is always right to exercise that power.[[2209]](#footnote-2209)

In its submissions, however, ANZ sought to draw a distinction between community standards and expectations and the requirements of Clause 2.2 of the Code. ANZ said that, ‘[w]hile there may … be broad agreement that banks should act fairly and reasonably in a consistent and ethical manner (as reflected in [C]lause 2.2 of the [Code]), the community’s expectations of what that may require in a particular case is susceptible to disagreement, and change, over time’.[[2210]](#footnote-2210) ANZ suggested a number of ways in which changes in community standards and expectations may occur: ‘greater public awareness of the circumstances or effect of particular conduct (after it occurred)’; ‘the development of different expectations as a result of a particular incident or set of incidents’; or ‘changes in community attitudes   
to align with current approaches to such circumstances’.[[2211]](#footnote-2211)

Reasonable minds may differ as to what is fair and reasonable in the circumstances of a particular case. This may be especially so in the context of agricultural lending, if only because it may be necessary to take into account events and conditions over many years.

It is necessary, however, to distinguish between community standards and community pressure.[[2212]](#footnote-2212) An issue may come to the attention of the public at a particular time. This occurred with ANZ’s handling of the accounts of former Landmark customers in December 2014,[[2213]](#footnote-2213) and again in July 2015 with the broadcast of the *60 Minutes* story about the Phillotts.[[2214]](#footnote-2214) Because the matter comes to public attention, what the community thinks should be done, or should have been done, may become well known and there may then be public pressure to respond. But that does not mean the relevant standards and expectations did not exist before the public scrutiny of the issue. Rather, the strength of the public reaction (for example to the case   
of the Phillotts) tends to demonstrate that those standards and expectations did exist, and that ANZ’s conduct fell short of them.

At no point in its submissions did ANZ clearly articulate how the standards or expectations of the community had changed in any relevant way during the times considered in this case study and I am not persuaded that they did. Nor am I persuaded that Clause 2.2 of the Code could be understood as having some shifting content or application.

#### 1.10.2 Causes of ANZ’s conduct

The conduct examined in this case study can be attributed, at least in part, to two causes: first, ANZ’s lack of preparation for the very high probability that it would have to deal (as it did) with significant numbers of agribusiness customers experiencing financial difficulties; and second, the then prevailing culture and practices in ANZ’s Lending Services group.

As already noted, Mr Steinberg accepted that ANZ knew when it acquired the Landmark loan book that the book was of lower quality than ANZ’s loan book.[[2215]](#footnote-2215) He accepted that ANZ knew that there had been a poor control environment within Landmark and a lack of regulatory oversight of Landmark.[[2216]](#footnote-2216) But Mr Steinberg said that the documents that he had seen concerning ANZ’s preparation for dealing with the impending financial difficulty that former Landmark customers would encounter had ‘all centred around calculating … the overall dollar provision’.[[2217]](#footnote-2217)

ANZ relied on its ‘usual processes and procedures’ to manage those accounts.[[2218]](#footnote-2218) So far as Mr Steinberg could determine from the records he looked at, ANZ took no step to try to predict how many of the accounts might be moved into Lending Services or how soon that might occur.[[2219]](#footnote-2219) ANZ did not establish a specialist agribusiness team within Lending Services at the time of the acquisition.[[2220]](#footnote-2220) And there was, at this time, what Mr Steinberg described as a lack of training of Lending Services staff about how to have difficult conversations with distressed customers.[[2221]](#footnote-2221)

Although ANZ intended to retain about 80% of the former Landmark Financial Services staff,[[2222]](#footnote-2222) 10% of those staff departed in the first six months, and more departed after that.[[2223]](#footnote-2223) As a result, there was a loss of established relationships between Landmark staff and their customers, and a loss of corporate memory of the former Landmark customers’ files.[[2224]](#footnote-2224)

ANZ’s lack of preparation for dealing with agribusiness customers in financial distress was made worse by the fact that more former Landmark customers fell into financial difficulties than ANZ had expected.

The evidence suggests that the due diligence inquiries made in relation to the Landmark loan book may have relied on some wrong assumptions about loan delinquencies. In particular, in October 2016, ANZ’s board considered a report from the taskforce on their review of former Landmark customer files. The board minutes record that ‘there is a lesson to be learned from the Landmark acquisition in connection with the assumptions that were made around delinquencies and expected losses that were not stress tested’.[[2225]](#footnote-2225) Mr Steinberg said that he was not aware that the expected losses were ever stress tested.[[2226]](#footnote-2226)

As already noted, before August 2014, there was no specialist agribusiness team within Lending Services. There were some instances where customers had not seen a bank manager for over two years,[[2227]](#footnote-2227) and Mr Steinberg rightly acknowledged that this was not acceptable.[[2228]](#footnote-2228) There were also examples of files in Lending Services where customers were refused seasonal funding to plant crops, or interest payments were made due at the wrong time of a farm’s working capital cycle (such as before harvest).[[2229]](#footnote-2229) That is, there were examples of the kinds of issue identified in the evidence given by Mr Wheatcroft of the Western Australian Rural Financial Counselling Service at the start of this round of evidence.[[2230]](#footnote-2230)

Before August 2014, Lending Services relied more on external law firms to deal with customers in financial difficulty.[[2231]](#footnote-2231) It took a less flexible approach to dealing with customers in financial difficulty,[[2232]](#footnote-2232) and demonstrated a lack of understanding of farmers’ emotional connection to their land (and the emotional impact that recovery and enforcement action can have on agribusiness customers).[[2233]](#footnote-2233) At times, Lending Services increased the interest rates of customers experiencing financial difficulty, placing an additional financial burden on those customers.[[2234]](#footnote-2234)

As mentioned earlier, since August 2014, ANZ has made a number of changes to the culture, governance and policy of Lending Services, beginning with the establishment of a specialist agribusiness team within Lending Services. An important change was the introduction of the Lending Services Purpose. In a report by the General Manager of Regional Business Banking and the General Manager of Lending Services to ANZ’s board in October 2016, it was said that these changes in the culture, governance   
and policy of Lending Services were to ensure that there would be no repetition of the issues identified with ANZ’s handling of former   
Landmark customers.[[2235]](#footnote-2235)

In its submissions, ANZ said that ‘the conduct about which the Commission heard evidence was not uniform or consistent, such as to suggest that particular cultural or systemic issues existed in Lending Services between 2010 and 2014’.[[2236]](#footnote-2236) ANZ said that the conduct was ‘fact specific and not attributable to broader cultural considerations’.[[2237]](#footnote-2237) But this submission does not sit well with Mr Steinberg’s repeated invocation, throughout his statements and across three days of oral evidence, of the subsequent development of the Lending Services Purpose and the other changes to the way Lending Services now operates. Mr Steinberg identified many decisions that he would make differently if presented with similar circumstances today. Standing alone this demonstrates that the decisions made at the time were a product of the then-prevailing culture in, and policies pursued by,   
Lending Services.

#### 1.10.3 Appointment of external administrators

Although dealt with elsewhere in this report, it is useful to record here some of the evidence Mr Steinberg gave about circumstances in which it may be appropriate for a bank to appoint an external administrator such as a receiver and manager, or other insolvency practitioner.

Mr Steinberg accepted that, in deciding to appoint an external administrator, the objective of maximising the amount of money realised by the sale of assets was important, as was the objective of achieving certainty for the bank.[[2238]](#footnote-2238) He also accepted that, in some cases, it was necessary to balance these two interests.[[2239]](#footnote-2239) But when asked to consider whether where there were cases where, by appointing an administrator, the bank might achieve certainty at the expense of getting the maximum realisable value for the property, Mr Steinberg said that he took comfort in the legal framework regulating the obligations of insolvency practitioners.[[2240]](#footnote-2240) (As explained elsewhere, I do not accept that ‘certainty’ should trump the search for the best available outcome for bank and customer.)

Mr Steinberg accepted that, in an agricultural finance context, it is comparatively infrequent for an external administrator to manage a property as a going concern.[[2241]](#footnote-2241) I infer that, in most cases where an external administrator is appointed, the administrator will move promptly to sell the security. This is what happened to with the Harleys. They had wanted to sell their properties in the spring, when they believed that interest in the properties would be highest. Instead, the agents appointed by ANZ sold the properties in August.[[2242]](#footnote-2242)

Mr Steinberg gave evidence about the number of agricultural finance matters in which ANZ had taken enforcement action since 2015 (when ANZ’s records of such action begin). ANZ took enforcement action in 11 cases in 2015 and 12 cases in 2016, but only in four cases in 2017 and three cases in 2018.[[2243]](#footnote-2243) As noted above, in May 2016, ANZ introduced a requirement for a member of the Lending Services Global Leadership Team to approve any decision to commence enforcement action.[[2244]](#footnote-2244) I cannot say whether the introduction of this requirement contributed to the decline in cases involving enforcement action in 2017 and 2018.

## 2 Rabobank (the Brauers)

The second case study examined in these hearings concerned Rabobank and its dealings with Wendy and Adrian Brauer. The Commission heard evidence from Mrs Wendy Brauer and from Mr Bradley James, Rabobank’s regional manager for an area that includes the Brauers’ farm.

The case study raised a number of issues concerning appropriate lending and credit assessment, communications between banks and their customers, the effectiveness of farm debt mediation, conflicts of interest, hardship policies, remuneration policies and the appropriateness of internal appraisals in valuing security property.

### 2.1 Background

The Brauers farm cattle and grow hay on Kia Ora, a property located around 280 kilometres south west of Rockhampton in Central Queensland.[[2245]](#footnote-2245) They acquired the farming business from Mr Brauer’s parents in 2002.[[2246]](#footnote-2246)

The Brauers became customers of Rabobank in 2005, initially taking a single ‘All in One’ facility with a limit of $700,000.[[2247]](#footnote-2247) That facility was used to refinance their prior facilities and rebuild their cattle yards.[[2248]](#footnote-2248) The facility had a 15-year term.

Later in 2005, the Brauers took out a second facility with a $200,000 limit. That facility also had a 15-year term.[[2249]](#footnote-2249)

For various reasons, the All in One facility limit was increased in 2006[[2250]](#footnote-2250)   
and 2008.[[2251]](#footnote-2251) By 2008 the facility limit was $1 million.

In March 2009, the Brauers relocated to the United States where Mrs Brauer’s family lived. They planned to stay there for about two years. They purchased a home there, sold all of their cattle and leased out Kia Ora to another farming family.[[2252]](#footnote-2252)

### 2.2 Rabobank contacts the Brauers about Jamberoo

In June 2009, the Brauers’ bank manager emailed them and advised that a property about 80 kilometres from Kia Ora (Jamberoo) was on the market. In the email the bank manager gave the location of the property, provided an estimate of the number of breeders that could be run on the property and estimated the sale price to be ‘around the $4 million mark, possibly less’.[[2253]](#footnote-2253)

At the time the Brauers received that email, they were not actively looking for another property. After discussing the matter, the Brauers sought further information from the bank manager.[[2254]](#footnote-2254)

The next day, the bank manager sent a further email stating that another family (the Wrights) were interested in purchasing a portion of Jamberoo, and providing further information about the potential sale price for the remaining portion of the property.[[2255]](#footnote-2255)

On 30 July 2009, the bank manager valued Jamberoo, excluding the portion the Wrights were considering, at $2.9 million.[[2256]](#footnote-2256) He also valued the remaining portion at $1.1 million.[[2257]](#footnote-2257) This brought the total valuation of Jamberoo to $4 million, the same figure the bank manager had estimated in his initial email to the Brauers. I will say something more about Rabobank’s valuation policy later.

### 2.3 Negotiations in respect of Jamberoo

In the period between the bank manager’s valuation of the property and   
the preparation of his written appraisal, the bank manager and Mrs Brauer exchanged further emails.

In July 2009,[[2258]](#footnote-2258) the bank manager emailed the Brauers and outlined how a possible purchase of part of Jamberoo could be financed. The bank manager explained that the Brauers’ existing facility limits were $1.2 million, not all of which was fully drawn. He suggested they borrow an additional   
$3 million, taking their total borrowings to $4.2 million. The Brauers understood this to mean that undrawn funds would remain in the facility following the purchase of Jamberoo.[[2259]](#footnote-2259)

In late July 2009, Mr Brauer travelled to Australia to inspect Jamberoo with the bank manager. Mr Brauer and the manger had lengthy discussions while at Jamberoo. Mr Brauer expressed concern about the prospect of short term financial difficulties upon the family’s return to Australia. At that point their lease income from Kia Ora would reduce and there would be no income from cattle sales. The bank manager replied that undrawn funds could be drawn down at that time.[[2260]](#footnote-2260)

Based on that understanding, the Brauers planned to stock Kia Ora and Jamberoo with cattle once they returned to Australia by using the undrawn funds, along with funds held in farm management deposits and the realised equity on the sale of their home in the United States.[[2261]](#footnote-2261)

In September 2009, the bank manager prepared a credit submission and submitted it to Rabobank’s credit department.[[2262]](#footnote-2262) The credit submission proposed additional lending of $3 million, taking the Brauers’ total facility limits to $4.2 million. It also included historical information about the Brauers’ business and projections about cash flows.

In the credit submission, the bank manager stated that the Brauers’ facilities were well managed, with no history of excesses or temporary limit increases. He also set out the Brauers’ immediate plans for the two properties. Kia Ora, which was currently leased, would continue to be leased until March 2011. After 2011, the current lessee would lease half of the property while the Brauers progressively restocked the other half. Jamberoo would be immediately leased back to the current owner at an agreed rate of $175,000 per annum.

On 17 September 2009, a representative from Rabobank’s credit department emailed the bank manager and expressed several concerns with the credit submission.[[2263]](#footnote-2263) These concerns included that the proposed gearing was high and ‘serviceability is very hard to get a grip on’.[[2264]](#footnote-2264) The email said that from origination until 2012, the ‘request does not work and most of 2013 is hypothetical’, that the assumptions within the credit submission about cattle numbers and cattle prices were either wrong or debatable, and that living expenses had not been properly accounted for.[[2265]](#footnote-2265)

The credit officer also raised a number of questions about the Brauers’ investment properties, the substitution of agistment income if the vendor of Jamberoo was to move off the property, and the Brauers’ current income and living expenses.

On the same day, the bank manager emailed the Brauers.[[2266]](#footnote-2266) That email said nothing about the caveats the credit department had made. Instead   
it presented an optimistic view about the prospect of credit approval. The manager wrote that ‘Sydney have come back to me with a few questions mainly to do with the rental properties and to your living expenses   
whilst overseas’.

Mr James agreed that the bank manager’s email to the Brauers did not explain the credit department’s most significant concerns about the credit submission.[[2267]](#footnote-2267) Mr James also agreed that the Brauers should have been, but were not, told of the credit department’s concerns about the viability of the proposal.[[2268]](#footnote-2268)

After obtaining a response from Mrs Brauer to the questions he (not the credit department) had asked in his email,[[2269]](#footnote-2269) and corresponding further with the credit department,[[2270]](#footnote-2270) the bank manager again emailed the Brauers on 22 September 2009.[[2271]](#footnote-2271) That email explained that after some ‘back and forth … with Sydney … it would appear that we’ll get approval’.[[2272]](#footnote-2272)

In the email, the bank manager set out a proposed funding arrangement where facilities with limits of $3.9 million would be offered rather than the $4.2 million that had been discussed to that point. Under the proposed arrangement, a $3.7 million facility would be put in place instead of the existing $1 million facility, and the existing $200,000 facility would be continued. The bank manager told the Brauers that in March 2011, when the lease of Kia Ora expired, the bank would provide a loan increase for livestock purchases.

Based on the communications with the bank manager, the Brauers understood that funds would be made available to them upon their return to Australia, in order to restock Kia Ora and Jamberoo.[[2273]](#footnote-2273) Mr James accepted that the Brauers were entitled to understand those statements as a commitment on the part of Rabobank to fund cattle purchases on the Brauers’ return to Australia.[[2274]](#footnote-2274)

The funding proposal was put to the Brauers by way of a formal letter of offer in January 2010.[[2275]](#footnote-2275) The Brauers accepted the offer and proceeded with the purchase of a portion of Jamberoo.

### 2.4 Conflict of interest

Unbeknown to the Brauers, the vendor of Jamberoo was also a client of their bank manager, as were the parents of one of the purchasers of the other portion of Jamberoo. The bank manager did not, at that time, act for the purchasers of the other portion of Jamberoo, but was encouraging them to become clients of Rabobank.[[2276]](#footnote-2276)

In closing submissions, Senior Counsel Assisting submitted that the bank manager’s failure to disclose this information to the Brauers was in breach of Rabobank’s internal policies that required that appropriate disclosures be made in circumstances where the bank is acting on more than one side of a transaction.[[2277]](#footnote-2277) Senior Counsel Assisting also submitted that Rabobank’s conduct was unethical, in breach of Clause 2.2 of the Code. In its written submissions Rabobank accepted that the bank manager’s conduct was   
in breach of its internal policies but contended that the conduct was   
not unethical.[[2278]](#footnote-2278)

Rabobank’s written submissions noted that the Brauers and the Wrights were well-known to each other, that Mr Wright was in fact negotiating on   
his son’s behalf and that all parties to the transaction met to discuss the transaction in July 2009.[[2279]](#footnote-2279)

The fact remains, however, that at no point did the bank manager disclose to the Brauers that the vendor was a Rabobank client. In circumstances where the bank manager had approached the Brauers about the potential purchase of Jamberoo, had provided an initial estimate of the sale price and had then conducted appraisals of the property, a potential conflict of interest was manifest. There would have been no difficulty in disclosing the fact to the Brauers. The failure to do so was conduct that I consider might have breached Clause 2.2 of the Code.

### 2.5 The sale completes

The settlement of Jamberoo did not occur until August 2010. The delay was principally caused by complications in splitting titles to the block.[[2280]](#footnote-2280)

Rabobank did not undertake a further assessment of the Brauers’ financial position between the bank manager’s September 2009 email and the formal offer of funding in January 2010, or between January 2010 and the settlement of the property in August 2010.[[2281]](#footnote-2281)

At settlement there was insufficient credit available in the new Rabobank facility to meet the purchase price and expenses associated with the acquisition of Jamberoo.[[2282]](#footnote-2282) The Brauers had to contribute around $60,000 of their own funds.[[2283]](#footnote-2283)

### 2.6 Immediate difficulties arise

In December 2010 and January 2011, significant flooding occurred in parts of central Queensland, including at Kia Ora. [[2284]](#footnote-2284) The flooding destroyed the hay crop of the lessee of Kia Ora.[[2285]](#footnote-2285) The lessee elected not to renew the lease for a further two-year period.[[2286]](#footnote-2286) Until that time, the Brauers had expected that the lessee would renew the lease over half of Kia Ora.[[2287]](#footnote-2287)

The lessee’s decision placed considerable financial pressure on the Brauers.[[2288]](#footnote-2288) They notified the bank manager of the lessee’s decision almost immediately after they were told of it.[[2289]](#footnote-2289)

In March 2011, the Brauers returned to Australia and to Kia Ora.[[2290]](#footnote-2290)

### 2.7 Rabobank insists on repayment of $3 million

Following their return to Australia, the Brauers enquired about borrowing a further $300,000 from Rabobank to restock Kia Ora. At a meeting at Kia   
Ora a few weeks after their return, the bank manager introduced the Brauers to another Rabobank employee, Mr Brady, who was to be their   
new bank manager.[[2291]](#footnote-2291)

Mr Brady considered the Brauers’ request for further funds and responded that a further $300,000 could be advanced, but on the condition that the sum of $3 million be repaid within two years (by June 2013).[[2292]](#footnote-2292) At that time, the Brauers’ income was insufficient to meet their loan repayments and they had to outlay capital to restock the farm in order to generate future income. Mrs Brauer’s evidence was that she felt they had no choice but to accept the offer given their dire need for additional finance at that time.[[2293]](#footnote-2293)

In June 2011, the Australian Government’s ban on the live export of cattle   
to Indonesia came into effect.[[2294]](#footnote-2294) In oral evidence, Mrs Brauer said that the ban depressed cattle prices and generally made trading conditions more difficult.[[2295]](#footnote-2295) Mrs Brauer’s evidence was that she enquired as to hardship arrangements with Mr Brady but was told that no such arrangements   
were available.[[2296]](#footnote-2296)

The Brauers were unable to repay $3 million by 30 June 2013.[[2297]](#footnote-2297) At the Brauers’ request, Rabobank provided a further 12 months for that sum to be paid.[[2298]](#footnote-2298) They were still unable to repay the $3 million by 30 June 2014.[[2299]](#footnote-2299)

From 1 July 2014, default interest of 4% above the standard rate was applied to the Brauers’ facilities.[[2300]](#footnote-2300)

### 2.8 Farm debt mediation

In January 2015, Rabobank invited the Brauers to attend farm   
debt mediation.[[2301]](#footnote-2301)

Before the mediation, the Brauers engaged Mr McMahon of Queensland Legal Aid. By email, Mr McMahon requested certain documents from Rabobank.[[2302]](#footnote-2302) He also asked some questions about Rabobank’s conduct.[[2303]](#footnote-2303) Rabobank declined to provide the documents requested or to answer the questions asked.[[2304]](#footnote-2304)

Mrs Brauer described the mediation as a stressful experience.[[2305]](#footnote-2305) By the end of the mediation, an agreement was struck that required the Brauers to sell Jamberoo for not less than $2 million on or before December 2015 and to refinance the balance of their facilities with Rabobank by June 2016.[[2306]](#footnote-2306) Rabobank agreed to rebate the default interest that had been charged, which to that point amounted to $115,490.[[2307]](#footnote-2307)

The Brauers later sold Jamberoo for $2.4 million and refinanced the balance of their facilities through a private lender under a short term, high   
interest loan.[[2308]](#footnote-2308)

Mrs Brauer estimated that as a consequence of the Jamberoo purchase and subsequent sale, the Brauer family had lost at least $1 million.[[2309]](#footnote-2309)

### 2.9 What the case study showed

The case study exposed a variety of issues, some that may be unique to the Brauers, and others of more general application.

#### 2.9.1 Loan origination conduct

At one level of abstraction, the case study demonstrated the need for care in the proper assessment of credit application and effective communication to bank customers about the basis upon which any credit approval is given. While the need for care in both assessment and communication may be thought to be obvious, the case study demonstrated the very serious consequences that may result if the process miscarries in some way.

If, as here, credit approval is predicated on assumptions that differ from the stated intent of the customer, that fact must be made known to the customer. Approval of a credit application based on assumptions that are incongruous with the customer’s intended plan will almost necessarily heighten the risk for both the customer and the bank. Providing funds to a customer on a basis that differs from the customer’s stated plan will often be unfair to the customer. Absent notice from the bank, the customer is entitled to assume that the bank has assessed the application on its merits, including the purpose of the loan and the basis on which it will be repaid.

The deficiencies in Rabobank’s communications with the Brauers only became apparent after careful scrutiny of the emails the bank manager sent to the Brauers before the loan approval and of the emails the credit department sent to the bank manager. In the draft version of his first statement, Mr James said that he did not consider that Rabobank had engaged in any misconduct or conduct falling below community standards and expectations. Further, he maintained that Rabobank would deal with the situation involving the Brauers in the same way under its existing policies.

After further reflection, Mr James revised those views. In the final version of his first statement, Mr James accepted that the contents of the email sent by the bank manager on 22 September 2009 could have caused the Brauers to consider that they had an assurance from Rabobank that further funds would be provided in March 2011 for livestock purchases.[[2310]](#footnote-2310) He further acknowledged that the terms on which the $300,000 was provided to the Brauers in August 2011 did not meet an expectation on the part of the Brauers that may have been created by that email, and therefore fell below community standards and expectations.[[2311]](#footnote-2311) Mr James also accepted that Rabobank’s conduct may have breached the Code of Banking Practice because it was unfair to the Brauers.[[2312]](#footnote-2312)

In a supplementary statement provided prior to giving his evidence,   
Mr James also accepted that the conduct of Rabobank in approving the proposed facility without communicating to the Brauers that it could not be serviced if they ran both properties at full capacity, fell below community standards and expectations[[2313]](#footnote-2313) and could also be characterised as a breach of the Code, in that it was unfair to the Brauers.[[2314]](#footnote-2314)

In the course of his oral evidence, Mr James also conceded that Rabobank had failed to exercise the care and skill of a diligent and prudent banker in selecting and applying its credit assessment methods and in informing its opinion about the Brauers’ ability to repay the $3.7 million loan, and that Rabobank had therefore breached Clause 25.1 of the Code.[[2315]](#footnote-2315)

Mr James was right to acknowledge that Rabobank’s conduct amounted to misconduct and conduct falling below community standards and expectations in the ways he described.

In its written submissions, Rabobank did not accept that it had engaged in misconduct or conduct falling below the standards and expectations of the community by representing parties on each side of the Jamberoo transaction, without disclosing that fact to the Brauers.[[2316]](#footnote-2316) However, as   
I have explained above, by failing to disclose that the vendor was a Rabobank customer, Rabobank failed to disclose that it had an interest in the property being sold. It also had an interest in financing the purchasers   
of the property. By failing to disclose its competing interests, Rabobank’s conduct might be a breach of Clause 2.2 of the Code, and thus amount   
to misconduct.

#### 2.9.2 Hardship

In its written submissions, Rabobank accepted that by failing to ‘consider activating its hardship policy’ in circumstances where the Brauers’ business had been affected by both flood and the live export ban, it engaged in conduct that fell below community standards and expectations.[[2317]](#footnote-2317) That acknowledgment was properly made. I would also add that Rabobank’s failure to inform the Brauers that there was a hardship policy – even   
when asked[[2318]](#footnote-2318) – was also conduct falling below community standards   
and expectations.

#### 2.9.3 Pre-farm debt mediation conduct

As I have indicated above, Rabobank failed to provide documents before the farm debt mediation, despite requests from both Mrs Brauer and the Brauers’ solicitor. Mr James acknowledged that Rabobank’s refusal to provide the documents sought fell below community standards and expectations[[2319]](#footnote-2319) and could also be characterised as misconduct within the meaning of the Code.[[2320]](#footnote-2320)

In order for a farm debt mediation process to be effective, it must be more than an opportunity for a bank to press its legal rights. Customers are entitled to enter a farm debt mediation fully appraised of the facts and circumstances as known to the bank. Banks should facilitate such understanding by providing any documents or information reasonably requested by a customer before a farm debt mediation. Information asymmetry will only serve to undermine confidence in the farm debt mediation process and to engender customer discontent.

I find that Rabobank engaged in conduct falling below community standards and expectations by failing to provide the documents sought without a reasonable basis. As Mr James accepted, it was conduct that might constitute misconduct.

### 2.10 Causes of the conduct

#### 2.10.1 Adequacy of internal systems

In closing submissions, Senior Counsel Assisting submitted that Rabobank’s misconduct and conduct falling below community standards and expectations in connection with the origination of the loan could be attributed to inadequate internal systems.[[2321]](#footnote-2321) In its written submissions, Rabobank resisted such a finding,[[2322]](#footnote-2322) but accepted that had the credit department’s concerns being conveyed to the Brauers they ‘may well have considered the Jamberoo acquisition in a different light’.[[2323]](#footnote-2323) Rabobank also said that it ‘is presently considering whether the provision of the kind of communication (and the monitoring of this communication) between critical staff in control functions … can be improved so as to avoid such an occurrence in the future’.[[2324]](#footnote-2324)

It remains unclear why the loan to the Brauers was approved. In its written submissions, Rabobank acknowledged that ‘no document was provided to the Commission which records the credit manager’s satisfaction of the questions and concerns that had been raised by him when the credit submission for the Brauers’ loan application was first considered’.[[2325]](#footnote-2325) Rabobank did not point to any system or process designed to ensure that queries or concerns from the credit department were addressed before a loan could be approved.

Moreover, Rabobank appears to have had no system to ensure communication of the credit department’s concerns to the customer. Rabobank’s written submissions explained that the bank manager was under a duty to convey the credit department’s concerns.[[2326]](#footnote-2326) But it did not explain how compliance with that duty was superintended. There was no evidence that it was in the case of the Brauers. Indeed, it appears that the failure of the bank manager to perform that duty was not detected by Rabobank at any point during the continuation of the banking relationship with the Brauers.

Taken together, these matters point to Rabobank’s conduct in relation to   
the making of the loan to have resulted, at least in part, from difficulties in internal controls and management systems.

#### 2.10.2 Internal appraisal

Another important issue of relevance to this case study was Rabobank’s systems for internal appraisals of property value. In its written submissions, Rabobank submitted that there was no evidence that the internal valuations of Jamberoo prepared by the bank manager resulted in an adverse outcome to the Brauers.[[2327]](#footnote-2327) But the point advanced by Senior Counsel Assisting was of a more fundamental nature. It concerned the adequacy of the systems and policies in relation to valuations that were in place at the time.

At the relevant times, Rabobank’s policies regarding internal appraisal of property values did not divide the function of loan origination and security valuation. Rabobank placed both tasks in the hands of a banker who was incentivised to write loans, and did not have internal appraisals assessed   
by staff who were qualified and experienced in that field.

In 2009, Rabobank permitted all valuations for non-residential security properties to be conducted internally by bankers.[[2328]](#footnote-2328) No specific training in valuations was provided to Rabobank’s front-line staff.[[2329]](#footnote-2329)

That Rabobank’s systems were deficient at the relevant time is demonstrated by subsequent events. In 2009, the Australian Prudential Regulation Authority (APRA) asked Rabobank to review its rural valuation policy and to clarify and tighten its requirements for internal valuations.[[2330]](#footnote-2330) That request led to Rabobank engaging Ernst & Young (EY) to conduct   
a targeted review of Rabobank’s collateral and foreclosure management.[[2331]](#footnote-2331) The EY review recommended that collateral management systems and processes at Rabobank be made independent of the business   
origination function.[[2332]](#footnote-2332)

APRA again wrote to Rabobank in December 2011.[[2333]](#footnote-2333) That letter recorded EY’s findings that, in the majority of cases, the loan originator valued the secured property.[[2334]](#footnote-2334) It also noted that there was a risk of collateral being overvalued by the loan originator, either deliberately or in error.[[2335]](#footnote-2335)

Despite EY’s recommendation, and APRA’s further correspondence, Rabobank did not take immediate steps to separate loan origination from security valuation. That step was only taken after the European Central Bank released draft regulations in 2014 that required valuations of secured property to be ‘independent from the client and from the commercial department that maintains the relationship with the client’.[[2336]](#footnote-2336) In response to that draft regulation, Rabobank established an Asset Quality Management Department with responsibility for valuations.[[2337]](#footnote-2337) It also removed the ability of loan originators to conduct valuations.[[2338]](#footnote-2338) Those steps were appropriate and should have been taken earlier.

As I said at the start of this chapter, I support APRA’s intended promulgation of a standard that requires separation of security valuation from loan origination and urge its prompt implementation. In addition to that step, it is critical to the valuation process that those charged with preparing and assessing appraisals or valuations have appropriate training and experience in the field. Absent sufficient expertise, the utility of any appraisal or valuation will be open to question. And any underlying questions as to the value of collateral taken by an **authorised deposit-taking institution** (ADI) could give rise to questions as to the true financial position of the entity.   
It follows that it is in the interests of ADIs and their customers that appraisals and valuations be conducted by properly experienced staff.

#### 2.10.3 Remuneration

In closing submissions, Senior Counsel Assisting submitted that it was also open for me to find that the identified misconduct and conduct falling below community standards and expectations was caused by Rabobank’s remuneration system.[[2339]](#footnote-2339) That submission was founded upon concessions made by Mr James in cross-examination as to the predominant weighting of Rabobank’s remuneration system, including a concession that the incentive component of that system did not meet the recommendations of the Sedgwick Review.[[2340]](#footnote-2340)

In its written submissions filed after the hearing, Rabobank submits, and I accept, that Mr James was mistaken in certain aspects of his evidence concerning Rabobank’s incentive program. Given that, I make no finding connecting Rabobank’s conduct with its remuneration system.

## 3 Bankwest (the Ruddys)

The third case study examined in the fourth round of hearings concerned the conduct of Bankwest in relation to Mr Melville Ruddy. Mr Ruddy is a   
68-year-old cattle farmer from western Queensland. The Commission heard evidence from Mr Ruddy and from Ms Sinead Taylor, the Executive General Manager of Personal and Business Banking at Bankwest.

### 3.1 Background

Mr Ruddy and his wife owned two farms, Sunrise and Arranfield.[[2341]](#footnote-2341) Before 2007, the Ruddys had a stock account with Rural Bank. In 2007, they also took out loan facilities with Rural Bank.[[2342]](#footnote-2342) In 2010, a Bankwest bank manager approached the Ruddys about moving to Bankwest.[[2343]](#footnote-2343)   
The Ruddys declined the offer. Among other things, the Ruddys did not want to pay for external valuations for their properties, which would have been necessary if they moved to Bankwest.[[2344]](#footnote-2344)

By 2011, Mr and Mrs Ruddy were seriously considering selling one of their properties, Sunrise.[[2345]](#footnote-2345) They were again approached by Bankwest.[[2346]](#footnote-2346) Bankwest offered the Ruddys increased loan facilities and more competitive interest rates than those offered by Rural Bank.[[2347]](#footnote-2347) Ms Taylor gave evidence that Bankwest put forward an aggressive price to attract the Ruddys’ business.[[2348]](#footnote-2348) By that time, the bank manager with whom the Ruddys had been dealing had obtained his valuer’s ‘ticket’ with Bankwest, and was able to offer the Ruddys free internal valuations.[[2349]](#footnote-2349) The Ruddys agreed to move from Rural Bank to Bankwest.[[2350]](#footnote-2350)

By letters of offer signed in October 2011, the Ruddys took out three separate facilities with Bankwest, totalling $1.12 million. The facilities were secured by their two properties. The bank manager appraised both, valuing Arranfield at $1.1 million and Sunrise at $1.2 million.[[2351]](#footnote-2351)

At the time that the bank manager brought the Ruddys to Bankwest, the bank manager’s key performance indicators (KPIs) were heavily weighted towards ‘profitable growth’.[[2352]](#footnote-2352) In the 2011 financial year, the bank manager had achieved 134% of his sales targets and processed more than 60 applications, most of which were new clients.[[2353]](#footnote-2353) Bankwest named him   
a Rural and Regional Champion as a result of this performance.[[2354]](#footnote-2354)

In March 2012, the bank manager left the bank.[[2355]](#footnote-2355) At about that time, Bankwest began to uncover significant issues with the conduct of the bank manager, including that he had overstated valuations,[[2356]](#footnote-2356) had engaged in inappropriate and improper mis-selling,[[2357]](#footnote-2357) and had manipulated internal Bankwest systems to avoid behavioural triggers.[[2358]](#footnote-2358) By May 2012, these events had resulted in at least 15 separate complaints about the bank manager, and losses to Bankwest of about $374,000.[[2359]](#footnote-2359) Ms Taylor accepted that there was no record of the bank manager’s customers being informed of his misconduct.[[2360]](#footnote-2360)

Bankwest became aware of errors specific to the Ruddys’ valuations in early May 2012.[[2361]](#footnote-2361) The errors detected in May 2012 included errors in relation to the date of the valuations, which Ms Taylor was unable to explain.[[2362]](#footnote-2362)

It later became clear that there was a more material error in the valuation of Sunrise. Instead of valuing the property on the basis that it was 72 hectares (as it was), the bank manager had valued Sunrise on the basis that it was 896 hectares.[[2363]](#footnote-2363) Ms Taylor accepted that the valuation error should have been picked up long before it was.[[2364]](#footnote-2364)

Throughout 2012 and 2013, the Ruddys’ farming operations faced a number of challenges. These included Mr Ruddy’s ill health,[[2365]](#footnote-2365) the live cattle export ban, low cattle prices and drought.[[2366]](#footnote-2366) Bankwest continued to extend credit to the Ruddys throughout this period.

In about May 2013, Bankwest informed the Ruddys that it wanted to revalue their properties and that the Ruddys would be required to pay for those revaluations.[[2367]](#footnote-2367) Before it received the May 2013 valuations, Bankwest issued two letters of offer to the Ruddys, which extended the   
Ruddys’ facilities.[[2368]](#footnote-2368)

The May 2013 revaluations were completed by an external firm, which used the correct inputs. The firm valued Arranfield at $900,000, down from   
$1.1 million, and Sunrise at $750,000, down from $1.2 million.[[2369]](#footnote-2369) Bankwest informed Mr Ruddy that, as a result of the revised valuations, the Ruddys were in breach of their loan-to-value ratio (LVR), and they would have to sell Sunrise.[[2370]](#footnote-2370) Around this time, Bankwest issued further letters of offer reflecting these arrangements.[[2371]](#footnote-2371)

Bankwest charged the Ruddys about $6,600 to their overdraft accounts for the cost of the valuations.[[2372]](#footnote-2372) They were not given notice that these amounts would be charged.[[2373]](#footnote-2373) As a result of paying for these valuations, Mr Ruddy was not able to afford feed for his cattle and, over the next few months, he lost 80 head of cattle.[[2374]](#footnote-2374)

The Ruddys lodged a dispute with the Financial Ombudsman Service (FOS). FOS determined that the internal valuation in 2011 had been flawed, and that Bankwest should not have relied on the 2013 revaluations to require the Ruddys to sell the properties.[[2375]](#footnote-2375) However, the Ruddys did not accept the Ombudsman’s recommendation or determination.[[2376]](#footnote-2376) The Ruddys subsequently participated in farm debt mediation. They ultimately settled with Bankwest on the basis that they would sell Sunrise within six months and would pay Bankwest 75% of the net sale proceeds.[[2377]](#footnote-2377) The Ruddys also agreed to pay Bankwest an additional $410,000 to discharge its mortgage over Arranfield.[[2378]](#footnote-2378) Mr Ruddy said that he felt that this was his only choice.[[2379]](#footnote-2379)

Ms Taylor gave evidence that Bankwest would not deal with the Ruddys’ matter in the same way today, because Bankwest has introduced increased controls in respect of internal valuations.[[2380]](#footnote-2380)

### 3.2 What the case study showed

CBA accepted that the bank manager made errors when valuing Sunrise.   
In particular, CBA accepted that, in valuing the property, the bank manager relied on a comparison with the values of properties that were significantly larger than Sunrise, and applied an incorrect land size.[[2381]](#footnote-2381) Ms Taylor conceded in her evidence,[[2382]](#footnote-2382) and CBA accepted in its submissions,[[2383]](#footnote-2383) that the errors in the valuation were apparent on the face of the valuation. CBA accepted that these errors should have been, but were not, detected during the loan approval process.[[2384]](#footnote-2384) CBA also noted that the errors were not detected by the several bank officers who reviewed the Ruddys’ facilities at various times between October 2011 and May 2013.[[2385]](#footnote-2385)

In her evidence, Ms Taylor conceded that, by getting the valuation wrong, Bankwest had engaged in conduct that fell below community standards and expectations.[[2386]](#footnote-2386) CBA also accepted this in its submissions.[[2387]](#footnote-2387)

In its submissions, CBA accepted that it was open to me to infer that the bank manager had deliberately and dishonestly engaged in the overvaluation of Sunrise.[[2388]](#footnote-2388) I agree that this is the proper inference to draw from the evidence.

CBA said that, in determining whether Bankwest may have breached Clause 2.2 of the Code, it was necessary to take into account the broader context of Bankwest’s relationship with the Ruddys, including the fact that Bankwest ultimately wrote off more than $600,000 in respect of the Ruddys’ loan facility.[[2389]](#footnote-2389) However, CBA accepted that the broader context also included other deficiencies in Bankwest’s conduct,[[2390]](#footnote-2390) and that, even taking into account the amount of the debt that was ultimately written off, it was open to me to find that the bank manager’s action in overvaluing the Sunrise property had breached Clause 2.2 of the Code.[[2391]](#footnote-2391) Even taking into account the broader context to which CBA referred, I consider that, in deliberately and dishonestly overvaluing the Sunrise property, the bank manager did not act fairly, reasonably or ethically towards the Ruddys. It would follow that the conduct breached Clause 2.2 of the Code.

In its submissions, CBA accepted that Bankwest ought to have discovered the errors in the valuations by early April 2012,[[2392]](#footnote-2392) and that it ought to have alerted the Ruddys to concerns about the bank manager’s conduct and its potential impact on their facilities.[[2393]](#footnote-2393) Ms Taylor conceded that it was inappropriate for Bankwest to have concluded, upon discovering unrelated errors in May 2012, that it should leave things as they were until a further review took place in August 2012.[[2394]](#footnote-2394) CBA also accepted that Bankwest did not do enough when it became aware of the bank manager’s conduct.[[2395]](#footnote-2395)   
I agree. CBA said that, at this time, Bankwest should have caused the files of all customers who may have been affected by the bank manager’s conduct to be reviewed.[[2396]](#footnote-2396) I agree that this should have been done.

CBA rightly acknowledged that CBA’s failure to take adequate steps to inquire into the bank manager’s valuations of the Ruddys’ properties fell below community standards and expectations. [[2397]](#footnote-2397) CBA also accepted that   
it was open to me to find that this conduct breached Clause 2.2 of the Code.[[2398]](#footnote-2398) I find that it did.

CBA also accepted, again correctly, that Bankwest failed to have adequate systems in place to detect that the valuation was incorrect, and that the community would expect that a bank would have controls in place to ensure that any inadequacies in a valuation were identified.[[2399]](#footnote-2399)

More generally, Bankwest’s processes in 2011 and 2012 were lax in several significant respects. This is revealed by the misdated valuations,[[2400]](#footnote-2400) the undated guarantees,[[2401]](#footnote-2401) and (separately) the guarantees that were signed before the letters of offer.[[2402]](#footnote-2402) CBA accepted that Ms Taylor was unable to explain these errors, including the fact that the valuation reports completed in 2011 were signed in late 2012, long after the bank manger had left Bankwest.[[2403]](#footnote-2403) CBA accepted, and I find, that the community would expect greater care to be taken by a bank in relation to these issues.[[2404]](#footnote-2404)

As I have noted above, Bankwest failed to inform the Ruddys that it would charge the fees for the 2013 revaluations to their overdraft account. Both Ms Taylor and CBA accepted, and I find, that the failure to inform the Ruddys of the timing of the debit from the account fell below community standards and expectations.[[2405]](#footnote-2405)

Both Ms Taylor and CBA also accepted that it was not fair for Bankwest to rely on the LVR breach occasioned by the 2013 revaluations to require a restructure of the Ruddys’ facilities by requiring them to list Sunrise for sale and pay down $50,000 of their debt by the end of 2012.[[2406]](#footnote-2406) Ms Taylor accepted that it was open to me to find that this behaviour breached Clause 2.2 of the Code.[[2407]](#footnote-2407) Although CBA sought to qualify this acknowledgment, it did not resile from it.[[2408]](#footnote-2408) Consistent with Ms Taylor’s acknowledgment, I consider that CBA’s conduct in relying on the 2013 revaluations to require a restructure of the Ruddys’ facilities breached Clause 2.2 of the Code.

In her evidence, Ms Taylor accepted that, after Bankwest detected the bank manager’s misconduct, all of the bank manager’s customers should have been told there was an issue.[[2409]](#footnote-2409) She also accepted that the failure to inform the bank manager’s customers of the issue constituted a breach of Clause 2.2 of the Code.[[2410]](#footnote-2410) CBA did not resile from this acknowledgment in its submissions, and accepted that there was no evidence that the bank manager’s customers were given the relevant information.[[2411]](#footnote-2411) I agree that CBA’s conduct in failing to inform the bank manager’s customers breached Clause 2.2 of the Code.

Ms Taylor also accepted that Bankwest did not deal with FOS in a full and frank way in relation to the Ruddys’ dispute.[[2412]](#footnote-2412) In its submissions, CBA acknowledged that the manner in which Bankwest dealt with FOS fell below community standards and expectations, but said that this was not the result of a deliberate effort to conceal facts.[[2413]](#footnote-2413) Bankwest’s conduct fell short of community standards and expectations.

Finally, the guarantee provided by the Ruddys’ son changed multiple times during the life of the facility. Ms Taylor said that she was ‘troubled’ by the changes and accepted that there was ‘no explanation as to why [the guarantee] wasn’t maintained with the facilities’.[[2414]](#footnote-2414) In its submissions, CBA accepted, and I find, that the amendments to the guarantee fell below community standards and expectations.[[2415]](#footnote-2415)

### 3.3 Causes of the conduct

The evidence establishes that, at the time that Bankwest offered the facilities to the Ruddys, 60% of its KPIs for employees like the bank manager were weighted towards ‘profitable growth’.[[2416]](#footnote-2416) Half of that was allocated to ‘asset sales targets’.[[2417]](#footnote-2417) Provided that employees met a risk ‘gate opener’ (a condition that had to be met to be eligible for any incentive payment), they could receive short-term incentive payments.[[2418]](#footnote-2418) The evidence established that, in the 2011 financial year, Bankwest employees were able to double their base salary through such bonus arrangements.[[2419]](#footnote-2419) This was apt to create a culture of prioritising sales to the detriment of diligent and prudent conduct in relation to loan approvals. The Ruddys’ bank manager received his base salary and was eligible for a short-term incentive of up to 57% of his salary by way of additional bonus.[[2420]](#footnote-2420)

In its submissions, CBA did not accept that these remuneration and incentive arrangements were a significant cause of the conduct that has been described. CBA did acknowledge, however, that performance on financial KPIs could have been a ‘contributing factor’ to the conduct.[[2421]](#footnote-2421)   
It is not necessary for me to state with any specificity the extent to which Bankwest’s remuneration and incentive arrangements contributed to the conduct described above. The important thing is that it was a contributing factor. CBA pointed out in its submissions that, since 2012, the maximum potential short-term incentive as a percentage of base salary has reduced for Bankwest Rural and Regional Business Relationship Managers and Business Development Managers. Between 2011 and 2017, the majority of employees in these roles have been eligible for a maximum potential   
short-term incentive of 20−30% of their base salary.[[2422]](#footnote-2422)

Another cause of the conduct referred to above was that Bankwest did not have in place adequate internal systems to minimise the risk of conflict of interest posed by internal valuations. The only ‘cross-check’ done on internal valuations in 2011 was for the internal valuation to be provided to the credit team with the credit submission. At that time, the credit officer was ‘required to validate the valuation prior to approving the deal’.[[2423]](#footnote-2423) In its submissions, CBA said that the purpose of this system was to ensure that a bank manager was not able to, in effect, sign off on his or her own business.[[2424]](#footnote-2424) CBA accepted that this system did not operate as intended in the case of the Sunrise valuation.[[2425]](#footnote-2425) In light of the other defective valuations that were identified in due course (prepared by the same bank manager), CBA also accepted that this system did not provide an adequate control at the relevant time.[[2426]](#footnote-2426) The ‘cross-check’ was not an adequate mechanism   
to address the risks posed by relying on internal valuations that were not made by persons separate from the processes of loan origination and   
credit approval.

Bankwest continues to permit internal valuations by its sales professionals, and applies growth-focused KPIs to such employees.[[2427]](#footnote-2427) Bankwest does not consider that this places such sales professionals in a conflict of interest, as long as the valuations are checked by another employee.[[2428]](#footnote-2428) The review that takes place is solely a review on the papers.[[2429]](#footnote-2429) CBA described the current system in its submissions,[[2430]](#footnote-2430) and said that it was sufficient to address any inherent conflict of interest posed by internal valuations.[[2431]](#footnote-2431) CBA said that   
‘a process by which internal valuations may be undertaken is important in circumstances where it is not practicable or feasible to obtain an external valuation for rural and remote customers’.[[2432]](#footnote-2432)

## 4 NAB (the Smiths)

The fourth case study examined in these hearings involved conduct by NAB in connection with Deborah and Kenneth Smith. The Commission heard evidence from Mrs Deborah Smith and from Mr Ross McNaughton, NAB’s General Manager, Strategic Business Services.

The case study focused on three issues: NAB’s hardship policy, farm debt mediation and the charging of default interest.

### 4.1 Background

The Smiths are also Queensland cattle farmers.[[2433]](#footnote-2433) They own two properties, which are about 140km apart.[[2434]](#footnote-2434) The first, Oakvale, is a breeder property located outside of Pentland in the Charters Towers region.[[2435]](#footnote-2435) The second, Limbri, is a fattening property located outside of Hughenden in the   
Flinders Shire.[[2436]](#footnote-2436)

The Smiths became customers of NAB in March 2008.[[2437]](#footnote-2437) NAB provided them with a business markets loan with a limit of $3.1 million and an overdraft with a $250,000 limit.[[2438]](#footnote-2438)

A number of external events completely beyond their control have badly affected the Smith’s business. First came the June 2011 live cattle export ban.[[2439]](#footnote-2439) Mrs Smith explained that the ban caused a dramatic decline in the price that they could obtain for their cattle.[[2440]](#footnote-2440) It also increased the cost of many of the inputs to their business.[[2441]](#footnote-2441) Mrs Smith said that those effects were felt for some time.[[2442]](#footnote-2442)

Then, in 2012, the Cape River – which runs through Oakvale – flooded. The flood destroyed fences on Oakvale and damaged the dirt road by which the property was accessed.[[2443]](#footnote-2443) As a result the Smiths could not send cattle to market for a period.[[2444]](#footnote-2444)

By August 2012, the Smiths were in financial difficulty.[[2445]](#footnote-2445) Their banker at NAB completed a Referral Form for Categorisation,[[2446]](#footnote-2446) the first step in having the file managed by Strategic Business Services.

The form recorded that the Smiths had been unable to get cattle to market due to wet weather conditions, had ‘been extremely unlucky’ and had missed an interest payment.

Strategic Business Services declined to assume the conduct of the Smiths’ file at that time.[[2447]](#footnote-2447) Notwithstanding that their financial difficulties were assessed as being temporary and caused by a natural disaster, the Smiths were not told about NAB’s hardship policy, nor were they offered any hardship relief.[[2448]](#footnote-2448) Instead, NAB increased the Smiths’ overdraft facility limit so as to bring it back into order.[[2449]](#footnote-2449)

Mr McNaughton agreed that it would be fair to let customers know of the fact of the hardship policy.[[2450]](#footnote-2450) Yet he seemed unsure of the reach of the policy, which, given Mr McNaughton’s role as head of Strategic Business Services, I found both strange and concerning.

### 4.2 Default

By 1 November 2012, the Smiths’ overdraft account was again drawn over its limit and NAB commenced charging default interest on that account.[[2451]](#footnote-2451) Again, no hardship relief was offered at that time, nor were the Smiths notified of the fact of the hardship policy.[[2452]](#footnote-2452)

On 5 November 2012, a NAB banker completed a second Referral Form for Categorisation.[[2453]](#footnote-2453) The banker recommended that the Smiths ‘be retained’. Mr McNaughton explained that this indicated that the banker believed that the Smiths could be financially rehabilitated.[[2454]](#footnote-2454)

The Smiths’ file was accepted by Strategic Business Services in   
late 2012.[[2455]](#footnote-2455)

In her oral evidence Mrs Smith said that it was dry on Limbri throughout 2012.[[2456]](#footnote-2456) In early 2013, drought was declared in the Flinders Shire.[[2457]](#footnote-2457) The Smiths began reducing the number of cattle on Limbri and transferring   
cattle to Oakvale.[[2458]](#footnote-2458)

The Smiths’ business markets loan expired on 28 February 2013.[[2459]](#footnote-2459) NAB granted the Smiths a one month extension.[[2460]](#footnote-2460) At the end of the extension period, the business markets loan facility again expired and NAB commenced charging default interest on the amount outstanding under the loan.[[2461]](#footnote-2461) Notwithstanding that Limbri was officially in drought at that stage, NAB did not tell the Smiths about its hardship policy, or offer any relief under that policy.[[2462]](#footnote-2462)

### 4.3 Farm debt mediation

In April 2013, NAB wrote to the Smiths. NAB noted that the Smiths’ facilities had fallen into arrears, expressed concern about the viability of the Smiths’ business and advised that it was considering commencing recovery action, which could include possible sale of the Smiths’ farming property.[[2463]](#footnote-2463) NAB invited the Smiths to attend farm debt mediation.

In oral evidence Mrs Smith said that on receiving the letter, both she and her husband were ‘very frightened’.[[2464]](#footnote-2464) She said that neither Limbri nor Oakvale was then saleable due to the dry conditions.[[2465]](#footnote-2465)

A farm debt mediation took place in Townsville in September 2013.[[2466]](#footnote-2466) The Smiths attended along with their solicitor from Legal Aid and their Rural Financial Counsellor.[[2467]](#footnote-2467) Mrs Smith described the mediation as ‘very intimidating’.[[2468]](#footnote-2468) The mediation resulted in NAB and the Smiths entering into a deed of forbearance.[[2469]](#footnote-2469)

The deed imposed various obligations on the Smiths and NAB. Of   
present relevance:[[2470]](#footnote-2470)

• NAB was to allow the Smiths access to funds so that they could continue to tend to their cattle and meet their expenses;[[2471]](#footnote-2471)

• the Smiths were to:[[2472]](#footnote-2472)

– list either Oakvale or Limbri for sale by 1 March 2014;

– have exchanged a contract for sale by 31 May 2014; and

– have sold one of the properties by 30 June 2014.

The Smiths were also obliged to remit:[[2473]](#footnote-2473)

• $200,000 to NAB – from the proceeds of sale of cattle – by   
30 April 2014;

• a further $200,000 by 30 May 2014; and

• $400,000 by 30 June 2014.

If the Smiths complied with their obligations under the deed, NAB was to rebate $50,000 of the default interest charged to the Smiths’ accounts.[[2474]](#footnote-2474)

Mrs Smith said that the repayments required by cattle sales could only have been possible if they had had a ‘super year’.[[2475]](#footnote-2475) The Smiths listed Limbri for sale with a real estate agent.[[2476]](#footnote-2476) Mrs Smith’s oral evidence was that the agent advised that it was highly unlikely that a purchaser would be found because of the dry conditions.[[2477]](#footnote-2477)

Throughout 2014, Limbri remained in drought. The Smiths did not find a purchaser for the property in the time required by the deed. Nor were they able to make the repayments required.[[2478]](#footnote-2478)

On 25 July 2014 the Smiths’ financial counsellor wrote to NAB and sought an extension of time for them to complete their obligations under the deed.[[2479]](#footnote-2479) The letter explained:

• that neither Limbri nor Oakvale could be sold to their best advantage due to the drought;

• the poor state of the cattle market at that time and the low prices obtained by the Smiths in their most recent sales; and

• that the Smiths were endeavouring to refinance their NAB facilities.

NAB declined to grant the extension and reserved its rights.[[2480]](#footnote-2480)

Oakvale was also dry and it too was officially drought-declared in 2015.[[2481]](#footnote-2481)

In December 2014, the Smiths’ relationship manager changed, but the file continued to be supervised by the same person within Strategic Business Services.[[2482]](#footnote-2482) Mrs Smith’s oral evidence was that she was unaware of the change and has not spoken with the new relationship manager.[[2483]](#footnote-2483)

Both Limbri and Oakvale remained in drought from 2015.[[2484]](#footnote-2484) There has been no significant step taken by NAB or the Smiths since that time. NAB has not taken any step to enforce its securities over either Oakvale or Limbri, but default interest has continued to accrue on both facilities. As a result, the Smiths’ have been charged in excess of $2.6 million in default interest, in addition to ordinary interest charged on the accounts.[[2485]](#footnote-2485)

NAB’s decision not to take enforcement action must be understood in context. In his oral evidence Mr McNaughton said that ‘[NAB] wanted to   
find a solution whereby the Smiths remained on the property’.[[2486]](#footnote-2486) He also agreed that that NAB was not in a position to realise either property given their condition.[[2487]](#footnote-2487)

### 4.4 What the case study showed

The case study was a clear example of the difficulties faced by both borrowers and lenders when external events strike and impair or destroy the short- or medium-term viability of an agricultural business.

#### 4.4.1 Hardship

Hardship policies can be an effective means of assisting a client in times of unexpected financial stress. To the extent that they assist a client to return to financial health more quickly, they work in the interests of both the bank and the customer. But the existence of such policies is only of use to customers if they are given relief. The mere existence of the policy alone serves no end. It is in the interests of both banks and their customers for banks to tell customers that they may be entitled to relief.

In August 2012, when Oakvale flooded and the Smiths’ overdraft went beyond its limit, NAB had a hardship policy that applied in circumstances of natural disaster. The Strategic Business Services group was responsible for the administration of the NAB hardship policy to certain types of customers, including agricultural borrowers.[[2488]](#footnote-2488) Mr McNaughton’s evidence was that Strategic Business Services would not become involved in the grant of hardship relief unless it accepted a referred file.[[2489]](#footnote-2489) In August 2012, Strategic Business Services did not accept the Smiths file.[[2490]](#footnote-2490) It follows that, on Mr McNaughton’s evidence, it was for the Smiths’ banker to raise the prospect of hardship relief. He did not.

In its written submissions, NAB resisted a finding that it had engaged in conduct falling below community standards and expectations by failing to notify the Smiths of the existence of the hardship policy. The first ground on which it opposed that finding was that there was insufficient evidence for the Commission to be satisfied that the Smiths had not been told of the policy.[[2491]](#footnote-2491) NAB noted that it had not been asked to address that topic in its witness statement.[[2492]](#footnote-2492) However the submission ignores that Mrs Smith dealt with the issue in her witness statement, which was provided to NAB in advance of the hearing. In her statement Mrs Smith said that neither she, nor Mr Smith were ‘at any time, informed of any hardship processes offered by NAB’.[[2493]](#footnote-2493) In oral evidence, Mrs Smith gave evidence to the same effect.[[2494]](#footnote-2494)

NAB was free to challenge Mrs Smith’s assertions in cross-examination.   
It did not do so. Nor did it point to any document that contradicted that evidence. I do not accept NAB’s submission that I should not be satisfied   
on the evidence that the Smiths were not told about hardship arrangements.

NAB raised other arguments in seeking to resist a finding that it failed to meet community expectations by not informing the Smiths of the hardship policy. It contended that:

• such a failure was not a breach of any legal obligation, which suggested it would not be a breach of community standards and expectations;[[2495]](#footnote-2495)

• failure to notify was not a breach of any NAB policy;[[2496]](#footnote-2496)

• in August 2012, NAB understood that the Smiths were about to clear the excess very soon;[[2497]](#footnote-2497) and

• the Smiths were given other assistance in any event.[[2498]](#footnote-2498)

The first two contentions expressly or implicitly reject the notion that the community would expect a bank with a policy designed to assist customers in financial distress to tell the customer that the policy exists. I do not accept that the community would expect so little. It is to be remembered that the focus here is only upon informing the customer of the existence of the policy, that is, to tell the customers of the prospect of assistance.

The third contention ignores that the Smiths’ banker was sufficiently concerned about their position to refer the file to Strategic Business Services. Given the fact of the referral and the basis for it (flood), NAB was aware of sufficient facts to appreciate that the hardship policy may be engaged. It did not need to form a view on whether any application would ultimately be granted.

The fourth contention points to other conduct by NAB to the benefit of the Smiths. In 2013 NAB advanced the Smiths money to pay local rates and avoid enforcement proceedings by the local Regional Council. In late 2015 the Australian Tax Office started bankruptcy proceedings against the Smiths. While these proceedings were pending, NAB provided funds for the Smiths to buy feed for their cattle. While this conduct may be commendable, it did not disentitle the Smiths from being told of the existence of the hardship policy as soon as they were affected by the first of the succession of natural disasters that have affected them.

NAB’s not telling the Smiths of the bank’s hardship policy in August 2012, when the Smiths’ business had suffered as a result of flooding at Oakvale, was conduct that fell below community standards and expectations.

#### 4.4.2 Default interest

Mr McNaughton said that NAB ‘could have potentially done more in its communications with the Smiths after the farm debt mediation … to ensure that they were conscious of the practical consequences’ of continuing to be in default.[[2499]](#footnote-2499) He characterised the Smiths’ file as a particularly difficult one ‘even by [Strategic Business Services] standards’.[[2500]](#footnote-2500)

There can be no doubt that the file is, and has been, difficult. The difficulty for NAB has always been to choose between unpalatable outcomes: do nothing, or remove a farming family from their land at a time when the security is worth far less than once it was. And it is clear that the potential adverse publicity and political attention that enforcement action would attract weighed heavily on the minds of some at NAB.[[2501]](#footnote-2501) NAB’s difficulty is amplified if the bank cannot now realise the secured property and cannot compel the Smiths to do so.[[2502]](#footnote-2502)

The difficulty for the Smiths is caused by their continued inability to earn income sufficient to service their loans, or to take action to sell one of their properties to clear at least some debt. Their difficulty is then amplified by the compounding effect of interest charged at the default rate.

It is unclear what good is served by the application of default interest in a circumstance such as this. Mr McNaughton said in his oral evidence that he understood that NAB would hold additional capital as a consequence of an impaired loan, but was unable to answer whether there was any relationship between the bank’s cost of capital and the charging of default interest.[[2503]](#footnote-2503)   
He explained that it was customary in Australia for banks to charge default interest as an incentive to comply with the terms of the loan.[[2504]](#footnote-2504)

Mr McNaughton agreed that farmers in drought are under heightened levels of stress,[[2505]](#footnote-2505) and that the imposition of default interest on farmers in such situations could add to their stress.[[2506]](#footnote-2506) He also agreed that as events transpired, it was impossible for the Smiths to comply with their obligations under the deed of forbearance[[2507]](#footnote-2507) and that had the bank enforced at any point, it would not have been able to realise the asset.[[2508]](#footnote-2508) But notwithstanding those factors, NAB continued to charge default interest.

Given that neither Mr McNaughton in oral evidence, nor NAB in subsequent written submissions, was able to point to any commercial rationale for the continued charging of default interest in this case, I consider that NAB engaged in conduct that fell below the standards and expectations of the community. I am fortified in that view by the fact that Mr McNaughton agreed that no good is served by continuing to apply default interest that ‘will almost certainly not be repaid’ [[2509]](#footnote-2509) and said that, in all probability, NAB will ultimately waive the default interest.[[2510]](#footnote-2510)

#### 4.4.3 Culture

Why then has NAB continued to charge default interest in this case? Senior Counsel Assisting submitted that NAB’s charging default interest to the Smiths over such a long period was the product of a culture by which   
default interest was used as a strategic tool to place pressure on   
borrowers in default.

Mr McNaughton’s evidence was that a custom had developed within Australian banks to charge default interest ‘as an incentive to comply’.[[2511]](#footnote-2511)   
Mr McNaughton also said that he would expect default interest to be waived at a future farm debt mediation and that his experience has been that ‘all or a large element’ of default interest is waived by that process.[[2512]](#footnote-2512)

At least two points might be inferred from those answers. The first is that default interest is not, or at least is not exclusively, charged to reflect NAB’s cost of capital. Secondly, at least in the context of agricultural loans, it is not charged in the anticipation of recoupment. Each of those inferences supports the submission of Senior Counsel Assisting. The fact that a higher amount of indebtedness and a higher prevailing rate of interest may reduce the negotiating power of the borrower and enhance the position of the bank at farm debt mediation also supports that view.

That the farm debt mediation was held long ago does not alter that conclusion. NAB’s position has continued to strengthen as the amount of indebtedness has grown.

On the evidence, I am satisfied that one reason for the application of default interest in this case was the strategic benefit pointed to by Senior Counsel Assisting. No doubt there were other causes. Those causes may include the inability of the bank to fix upon another way to deal with the file, apathy resulting from the very long period in which the file has been under the management of Strategic Business Services, the failure of more senior members of NAB staff to become actively involved the management of the file and a standard position of relying upon contractual rights.

As I have already mentioned, after submissions were filed following the fourth round of hearings, NAB announced a change of policy regarding the application of default interest to properties in drought. That policy change will prevent the bank from again engaging in the type of conduct that affected the Smiths.

## 5 Rural Bank

The fifth case study examined in these hearings related to loans made by Rural Bank to farmers in the Queensland cattle industry. The Commission heard evidence from Alexandra Gartmann, the Chief Executive Officer and Managing Director of Rural Bank Limited.

### 5.1 Background

In December 1998, Bendigo Bank established Rural Bank, then known as Elders Rural Bank, as a joint venture with Elders.[[2513]](#footnote-2513) In May 2009, Bendigo and Adelaide Bank acquired a controlling interest in Rural Bank. In late 2010, Rural Bank became a wholly owned subsidiary of Bendigo and Adelaide Bank.[[2514]](#footnote-2514) Bendigo and Adelaide Bank’s primary engagement with agricultural clients is through Rural Bank, which describes itself as a dedicated agribusiness bank.[[2515]](#footnote-2515)

In its submission to the Commission on 29 January 2018, Bendigo Bank told the Commission that a number of loans made by Rural Bank to customers in the Queensland cattle industry had become non-performing.[[2516]](#footnote-2516) Bendigo Bank said that contributing factors included weak underwriting and an overreliance on security values.[[2517]](#footnote-2517) These factors were compounded by the live cattle export ban, falling cattle prices, prolonged and severe drought and a fall in property values.[[2518]](#footnote-2518)

In a further letter of 18 May 2018 from Mike Hirst, then the Managing Director of Bendigo and Adelaide Bank, Bendigo and Adelaide Bank told the Commission that a number of factors had contributed to these loans becoming non-performing. These factors included (again) an overreliance on security values and a failure to appropriately establish loan serviceability.[[2519]](#footnote-2519) But Mr Hirst also said that loan performance was exacerbated by inadequate loan management, with evidence of: a lack of follow up of excesses, arrears and out of order accounts; failures to conduct timely reviews or to collect updated farm performance information; failures to otherwise detect signs of financial distress at an appropriately early time; and failures in relation to Rural Bank’s enforcement processes.[[2520]](#footnote-2520) In addition, Mr Hirst referred to a failure to make appropriate inquiries and verification of valuations and appraisals, including failures to ensure valuation accuracy, independence and integrity, and failures to physically visit and inspect livestock and properties.[[2521]](#footnote-2521)

In her statement, Ms Gartmann said that Rural Bank had made 62 loans   
to Queensland cattle producers that became non-performing between   
1 January 2008 and 31 December 2017.[[2522]](#footnote-2522) Ms Gartmann referred to a number of external events in Queensland, including the live export ban, Cyclone Yasi-related flooding and severe drought, which she said created the ‘perfect storm’ for Queensland cattle farmers.[[2523]](#footnote-2523) Ms Gartmann said that the conduct of Rural Bank had made the 62 loans more vulnerable to those external factors.[[2524]](#footnote-2524) In particular, Ms Gartmann referred to issues internal to Rural Bank relating to:

• poor judgments in the exercise of discretions to authorise individuals to act outside of normal policy parameters;

• inadequate management oversight of the manner in which those discretions were being exercised and policies being applied;

• inadequacies in staff training;

• insufficient performance management of some individuals; and

• matters of sales and credit culture, governance framework, approval process, and portfolio management.[[2525]](#footnote-2525)

Ms Gartmann exhibited a number of reports to her statement by way   
of explanation of how Rural Bank discovered these issues. These   
reports included:

• a report prepared for Rural Bank by KPMG dated 27 September 2010 entitled ‘Assistance with Rural Bank Limited’s Credit Risk Internal Control Program’.[[2526]](#footnote-2526) KPMG prepared this report after having undertaken a review of 10 Rural Bank client files across five district banking managers. KPMG identified a number of major themes from the review, including:

– suppression of information pertinent to credit;

– misrepresentation of data in Rural Bank’s systems, which   
was described as going beyond ‘window dressing of   
credit submissions’;

– reasons for excesses provided by district banking managers in the seasonal/overdraft accounts not reflecting the actual cause of excesses of customer’s accounts;

– instances of livestock appraisal values appearing to have been inflated to improve the security position of the exposures;

– deteriorating features not being reported to Rural Bank in a   
timely manner;

– non-compliance with conditions precedent, including confirmation that all tax liabilities were up to date and in order, with no arrears   
or repayment arrangements;

– failures to comply with loan conditions prior to loan drawdown;

– failures to follow up on loan conditions; and

– inadequate financial and cash flow analysis.[[2527]](#footnote-2527)

Ms Gartmann accepted that the KPMG Report returned a number of very concerning findings.[[2528]](#footnote-2528)

Ms Gartmann also exhibited a report presented at a Board Credit Committee meeting on 27 July 2011 by Mr Taso Corolis, General Manager, Risk, entitled ‘Credit Structure and Portfolio Trends’ dated 18 May 2011.[[2529]](#footnote-2529) In his report, Mr Corolis undertook a detailed analysis of a number of aspects of Rural Bank’s lending portfolio. He found that a number of the issues identified by KPMG were clearly systemic, and not isolated.[[2530]](#footnote-2530)   
Some of the issues Mr Corolis identified were:

• a bias towards asset lending on the assumption that rural property   
values would continue to increase;

• a failure to disclose, recognise and identify the risk profile of   
the borrower;

• a valuation process in which valuations were instructed or influenced   
by sales;

• inflated appraisals arising from the appraiser not inspecting the property, or possibly from a conflict of interest;

• cash flows being prepared without input or agreement from the borrower;

• lending against defective or poor securities;

• permitting customer risk rating overrides without proper justification; and

• allowing pressure from sales or management to compromise the independence of credit decisions.[[2531]](#footnote-2531)

Mr Corolis found that these issues were a material contributor to the credit issues that were then being faced by the bank.[[2532]](#footnote-2532) In her oral evidence, Ms Gartmann told the Commission that she disagreed with the severity of Mr Corolis’s assessment, and that she believed that the findings in his report were overstated.[[2533]](#footnote-2533)

Ms Gartmann also exhibited a report by HSW Partners entitled ‘Credit Framework and Operations Review’, dated November 2011, which was presented by Mr Graeme Willis of HSW Partners at a board meeting of Rural Bank in December 2011.[[2534]](#footnote-2534)

Ms Gartmann told the Commission in her statement that, based on the findings in these reports, and especially the Willis Report, Rural Bank made a number of significant changes to its processes and procedures, including:

• rebalancing Rural Bank’s focus on loan serviceability;

• improving staff training;

• tightening performance management;

• making changes in relation to valuations and appraisals; and

• implementing new governance practices.[[2535]](#footnote-2535)

### 5.2 APRA and serviceability issues

In the course of Ms Gartmann’s evidence, the Commission also heard that APRA had highlighted issues with Rural Bank’s approach to loan serviceability as early as 2006 and 2009.[[2536]](#footnote-2536) In 2009, APRA had noted that   
a high proportion of Rural Bank’s loan proposals were being approved notwithstanding the failure of one or more policy tests. APRA also raised concerns about the appropriateness of Rural Bank’s credit risk rating system.[[2537]](#footnote-2537) Ms Gartmann did not agree that APRA’s recommendations in 2006 and 2009 should have put Rural Bank on notice ‘of potential systemic issues with its loan serviceability policies and practices’ – Ms Gartmann preferred to characterise the communication as having identified ‘areas to strengthen and improve’.[[2538]](#footnote-2538) In the end, the difference is one of words not substance. The APRA communication together with the various reports described above all pointed clearly towards important deficiencies in Rural Bank’s policies, processes and practices.

### 5.3 Evidence about approach to enforcement

Ms Gartmann also gave evidence about Rural Bank’s approach to its customers once their files were transferred to asset management.   
Ms Gartmann said that once customers are brought within Rural Bank’s Asset Management Unit, Rural Bank will ‘work with the customer to identify a strategy that will help to address some of the financial challenges that they are facing’, and that Rural Bank would ‘always look to try and trade out   
of challenges’.[[2539]](#footnote-2539) Amongst other things, Rural Bank frequently extends terms, changes loan arrangements and tries to make repayments   
more manageable.[[2540]](#footnote-2540)

### 5.4 What the case study showed

This case study highlighted some of the ways in which poor loan origination and management practices may leave farmers more vulnerable to the kinds of external events that all too frequently affect the agricultural industry.

Between 2008 and 2011, a combination of these events affected the Queensland cattle industry: severe drought, followed by widespread flooding, and the live export ban. That combination of events saw many farmers face severe financial hardship.

As Ms Gartmann accepted, issues within Rural Bank made the 62 loans to Queensland cattle farmers that became non-performing between 2008 and 2011 more vulnerable to external factors than they might otherwise have been.[[2541]](#footnote-2541) As already noted, those issues related to:

• poor judgments in the exercise of discretions to authorise individuals to act outside normal policy parameters;

• inadequate management oversight of the manner in which those discretions were being exercised and policies being applied;

• inadequacies in staff training;

• insufficient performance management of some individuals; and

• matters of sales and credit culture, governance framework, approval process, and portfolio management.[[2542]](#footnote-2542)

In her statement, Ms Gartmann accepted these aspects of Rural Bank’s conduct fell below community standards and expectations,[[2543]](#footnote-2543) and I agree that they did.

The issues were identified in a series of reports into Rural Bank’s internal practices, including the KPMG Report, the Corolis Report and the   
Willis Report.[[2544]](#footnote-2544)

As has been noted, Ms Gartmann expressed her own views about the findings made in the reports about Rural Bank’s business that have been mentioned above. In many respects, she did not agree with them. In particular, she resisted any characterisation of the issues identified in those reports as having been ‘systemic’. In its submissions, Bendigo and Adelaide Bank also resisted any reliance by the Commission on the findings and opinions expressed in those reports – in particular, the KPMG Report.[[2545]](#footnote-2545)

Each of the reports that has been mentioned reflected the contemporaneous findings and opinions of persons engaged to examine and report on Rural Bank’s practices at that time. The Corolis Report, in particular, represented the views of the then Chief Risk Officer of the business, in a report prepared at the request of the chairman of the board.[[2546]](#footnote-2546) I see no reason to doubt the views expressed in that report (or   
the other reports).

The findings in the reports are concerning. Ms Gartmann accepted this in relation to the KPMG Report.[[2547]](#footnote-2547) On receiving the Corolis Report, Rural Bank’s chairman observed that the situation was ‘unsatisfactory’.[[2548]](#footnote-2548) Rural Bank went on to take significant steps to improve its policies and procedures relating to loan serviceability, securities, valuations and loan monitoring.[[2549]](#footnote-2549) These changes reflect an acceptance on the part of the bank that its existing practices were insufficient.

It is concerning that Rural Bank did not implement these changes sooner. As I have noted above, in 2006 and 2009, APRA made recommendations that might be thought to have put Rural Bank on notice of potential systemic issues with its loan serviceability policies and practices.[[2550]](#footnote-2550) Ms Gartmann accepted that APRA had identified ‘areas to strengthen and improve’.[[2551]](#footnote-2551) However, it was not until 2010 that Rural Bank commissioned the   
KPMG Report.

It is also concerning that, in 2010, after the occurrence of many of the external events affecting the Queensland cattle industry referred to above, Rural Bank did not rebalance its priorities to emphasise the maintenance   
of existing loans. Instead, the minutes of a board meeting from March 2010 record that, at that time, ‘[p]riority [was] being given to new business and additional lending to existing clients over no increase annual reviews’.[[2552]](#footnote-2552)   
Ms Gartmann accepted that it was ‘not an appropriate time’ to prioritise generating new business.[[2553]](#footnote-2553) This prioritisation was not fair to existing   
Rural Bank clients, who were entitled to expect regular and careful   
loan management.

In her oral evidence, Ms Gartmann dealt with the cases of two cattle farmers referred to specifically in the KPMG Report.

Before turning to those customers, I note that Rural Bank was not a signatory to the Code of Banking Practice at the time of its conduct in relation to those customers. It did not become a signatory to the Code until December 2017.[[2554]](#footnote-2554) In its submissions, Bendigo and Adelaide Bank said that, because Rural Bank did not become a signatory to the Code until 2017, any failure by Rural Bank to comply with the Code before that time would not constitute misconduct within the Commission’s Terms of Reference.[[2555]](#footnote-2555) It said that, in circumstances where adoption of the Code was voluntary and at all relevant times Rural Bank had determined not to adopt it, findings of misconduct for non-compliance with the Code would be inappropriate and unsound.[[2556]](#footnote-2556) I do not accept that submission.

The majority of the loans referred to in this case study were made between 2003 and 2007.[[2557]](#footnote-2557) Many of Australia’s largest banks became signatories to the then current version of the Code in 2003. By August 2004, all of the big four banks, as well as BankSA, HSBC, St George Bank and Suncorp Metway, had subscribed to the 2004 version of the Code. Others soon followed.[[2558]](#footnote-2558) I consider that, by at least the end of 2004, if not earlier, the Code was a ‘recognised and widely adopted benchmark for conduct’. Accordingly, non-compliance with the Code by Rural Bank would have constituted misconduct within the Commission’s Terms of Reference.

Returning to the KPMG Report, KPMG found that Rural Bank staff had engaged in a number of breaches of lending standards in relation to serviceability.[[2559]](#footnote-2559) In general terms, these included a failure to properly assess loan serviceability,[[2560]](#footnote-2560) suppressing information pertinent to credit, misrepresenting data into the Rural Bank systems,[[2561]](#footnote-2561) and failing to verify information provided by customers.[[2562]](#footnote-2562)

The first example considered in oral evidence related to a Queensland farmer who applied for a loan in around 2007. KPMG found that this application was approved in circumstances where it was known that   
$1 million that had been provided by the farmer’s aunt had been sourced from a margin loan.[[2563]](#footnote-2563) In relation to this file, KPMG found in its report that:

• the district banking manager had misrepresented the bank’s position to the borrower;[[2564]](#footnote-2564)

• the district banking manager had acted dishonestly both towards the bank and towards the customer;[[2565]](#footnote-2565) and

• this led to a loan being originated in circumstances where Rural Bank lacked material information about whether the debt could be repaid.[[2566]](#footnote-2566)

Ms Gartmann accepted that, had Rural Bank been a signatory to the Code at the time of this conduct, the conduct would have breached Clause 25.1 of the Code.[[2567]](#footnote-2567) In its submissions, however, Bendigo and Adelaide Bank sought to call into question the accuracy of several of the findings made   
in the KPMG Report in relation to this customer.[[2568]](#footnote-2568) Bendigo and Adelaide Bank also argued that the views in the KPMG Report more generally should not be adopted.[[2569]](#footnote-2569)

On the material before me, it is not possible to say whether the matters reported by KPMG did in fact occur. If they did, then I consider that Ms Gartmann would be right to acknowledge, as she did, that the conduct would have breached Clause 25.1 of the Code. It follows that, in respect of this customer, Rural Bank might have engaged in conduct that fell short of the ‘recognised and widely adopted benchmark for conduct’ set out in Clause 25.1 of the Code.

The second example related to a Victorian farmer with a livestock mortgage. In respect of this file, KPMG found that Rural Bank had lent this customer more than the value of his security.[[2570]](#footnote-2570) Ms Gartmann accepted that the judgment of the district banking manager responsible for the initial valuation was not appropriate when he increased the customer’s facility.[[2571]](#footnote-2571)

In its submissions, Bendigo and Adelaide Bank said that Rural Bank’s files record that this customer had significant other assets.[[2572]](#footnote-2572) The relevant file was not in evidence before me. Again, it is not possible for me to say whether the matters reported by KPMG did in fact occur or, if they did, whether they represented all of the relevant circumstances. However, it remains the case that, in respect of this customer, Rural Bank might have engaged in conduct that fell short of the ‘recognised and widely adopted benchmark for conduct’ set out in Clause 25.1 of the Code.

## 6 CBA failure to apply fee waivers and package benefits

The sixth and final case study relating to agricultural finance concerned CBA. Two statements of Joanna White, CBA’s Managing Director, Corporate and Commercial Banking, were tendered into evidence.

The statements addressed CBA’s failure to apply fee waivers and ongoing package benefits to eligible Agri Advantage Plus Package customers.

### 6.1 Background

Between 2005 and 2014, CBA offered a package called the ‘Agri Advantage Plus Package’ to agribusiness customers.[[2573]](#footnote-2573) To access the fee waivers   
and rate discounts, customers paid a one-off establishment fee of $1,000   
or 0.25% of their borrowing limit, whichever was greater.[[2574]](#footnote-2574) In addition to   
the establishment fee, an annual fee of $500 was payable.[[2575]](#footnote-2575) In return, customers were entitled to fee waivers and rate discounts on 22   
CBA products.[[2576]](#footnote-2576)

The brochure for the package said:

It’s an exclusive package of discounted research, advice, banking services and financial solutions designed especially for Australian farmers …

When you join Agri Advantage Plus, you’ll receive discounts and preferential rates on specially selected Commonwealth Bank products and services. So you’ll pay less interest and fewer fees …[[2577]](#footnote-2577)

On 20 June 2014, CBA commenced a review of its adherence to the terms of the package, following an earlier review by the bank of another package (the Retail Banking Services Wealth Package).[[2578]](#footnote-2578) The earlier review had revealed that a number of wealth package customers had not obtained the package benefits because of ‘a breakdown in the package control environment over a number of years’, caused by errors related to matters such as the incorrect set up of products within the package and reports not working correctly to identify when a customer was not receiving the required benefits.[[2579]](#footnote-2579) The errors had not been prevented or detected through the bank’s risk management systems.

The review of the Agri Advantage Plus Package revealed similar issues. In particular, fee waivers had not been properly applied.[[2580]](#footnote-2580)

CBA made an initial breach report to ASIC on 14 July 2014. At the time   
of reporting, the bank had 2,655 active Agri Advantage Plus Packages   
on offer.[[2581]](#footnote-2581)

On 18 September 2014, CBA wrote to ASIC, indicating that they had reassessed the potential breaches as ‘significant’ for the purposes of Section 912D of the Corporations Act 2001 (Cth).[[2582]](#footnote-2582) CBA also said that additional information discovered as part of its investigation ‘support(ed)   
the view that there had been a breach of Section 912A(c) of the Corporations Act’, being a failure to comply with ‘financial services laws’.[[2583]](#footnote-2583) More specifically, the bank considered there was likely to have been a breach of Sections 12DA (prohibiting misleading and deceptive conduct) and 12DB (prohibiting the making of false or misleading representations)   
of the Australian Securities and Investments Commission Act 2001 (Cth) (the ASIC Act).[[2584]](#footnote-2584)

It took CBA approximately 11 months – from October 2014 to August 2015 – to quantify the financial impact to customers of the package benefits   
being incorrectly applied.[[2585]](#footnote-2585) Between September 2015 and November 2015, $7.673 million in remediation was paid to 8,408 customers, in   
five tranches.[[2586]](#footnote-2586)

CBA identified the causes of the failures to apply relevant benefits as:

• product complexity;

• manual and cumbersome processes to link, maintain and de-link products to and from the package;

• multiple systems hosting eligible products; and

• a control environment for the package that was weak, with no ultimate ‘owner’ responsible for its operation and execution.[[2587]](#footnote-2587)

CBA first notified the Commission of its failure to apply fee waivers to eligible Agri Advantage Plus customers by the production of voluminous RiskInSite spreadsheets on 13 February 2018. In response to concerns expressed by the Commission as to the volume of material produced and the difficulties caused in assessing the material in that form, CBA provided a table of incidents on 22 March 2018. Both the RiskInSite spreadsheets and the table identified conduct considered by CBA to potentially fall within the definition of misconduct.

On 18 May 2018, in response to a request from the Commission to identify any misconduct or conduct falling below community standards and expectations relating to agricultural finance, CBA provided a submission that identified a number of incidents, including the failure to apply fee waivers to Agri Advantage Plus customers.

### 6.2 What the case study showed

The case study was another demonstration of the importance of promises being met. When a financial entity makes a promise to a customer, its internal systems must be set to meet the promise. Failing to meet the promise will inevitably diminish the customer’s trust in the entity.

Failing to deliver what is promised is a breach of community standards and expectations. If the promise is contractual, the breach will very probably be misconduct for that reason alone. Whether a failure of the type identified in this case will breach a statutory provision will, as always, turn on the particular facts.

CBA was aware that it may have engaged in misconduct. It acknowledged as much when it notified ASIC of possible breaches of Sections 12DA and 12DB of the ASIC Act.

Conduct sufficient to breach those sections will ordinarily also breach the provisions of the Code that require fair and reasonable treatment. The conduct may also amount to a breach of Section 912A(1)(a) of the Corporations Act, which requires the holder of an **Australian financial services licence** to do all things necessary to ensure that the services covered by the licence are provided efficiently, honestly and fairly.

Whether, absent a misleading or deceptive, or false and misleading, statement, the failure to perform a contractual obligation will be a breach   
of Section 912A(1)(a) will again turn on the facts. But it is also to be recognised that a failure to take steps to notify customers of the breach and rectify the position may separately amount to a breach of the Section.

On the facts presented, it is possible that CBA breached one or more statutory provision. It is sufficient to record that the failure to provide what was promised was not fair. CBA may not have done all things necessary   
to ensure that it delivered the services efficiently, honestly and fairly. Plainly CBA’s conduct did not accord with the standards and expectations of   
the community.

### 6.3 Adequacy of internal systems

What happened can be attributed, at least in part, to the inadequacy of CBA’s ‘control environment’. The errors were not prevented or detected by the bank’s risk management systems and CBA’s IT systems were at least not set properly to deal with the product and (given the reliance on cumbersome manual processes) may have been inadequate to do so.

# Case studies: Remote communities

## 1 Aboriginal Community Benefit Fund

The Commission’s first case study relating to the interactions of Aboriginal and Torres Strait Islander people with **financial services entities** concerned a funeral insurance provider, the Aboriginal Community Benefit Fund (ACBF). In this case study, the Commission heard evidence from   
Ms Tracey Walsh, an Aboriginal and Torres Strait Islander woman from Mooroopna, Victoria. The Commission also heard evidence from Mr Bryn Jones, the CEO and a current Director of ACBF.

### 1.1 Background

ACBF was founded in about 1993.[[2588]](#footnote-2588) It markets itself as ‘Australia’s only funeral insurance plan dedicated to the Aboriginal community’.[[2589]](#footnote-2589) The organisation is not affiliated with or sponsored by any Aboriginal or Torres Strait Islander organisation or any government organisation.[[2590]](#footnote-2590) None of its directors or managers are Aboriginal or Torres Strait Islander people,[[2591]](#footnote-2591)   
and only a small number of its employees identify as Aboriginal or Torres Strait Islander.[[2592]](#footnote-2592)

ACBF has three types of funeral insurance policy on issue:

• The first policy, Fund 2, is only available to Aboriginal or Torres Strait Islander people.[[2593]](#footnote-2593) Fund 2 has not accepted any new members since around 2004. At that time, following Federal Court proceedings[[2594]](#footnote-2594) brought by Australian Securities and Investments Commission (ASIC) alleging breach of the **anti-hawking provisions** in the Corporations Act 2001 (Cth) (the Corporations Act),[[2595]](#footnote-2595) ACBF gave an undertaking to ASIC that   
it would stop taking new members.[[2596]](#footnote-2596)

• The second policy is the Community Plan.[[2597]](#footnote-2597) The Community Plan has been offered by ACBF since 2005, as a result of ACBF’s undertaking to ASIC to cease accepting new members of Fund 2.[[2598]](#footnote-2598) The Community Plan is a ‘funeral expenses policy’, which means that it is not a **financial produc**t and the corporate entity that offers the policy is not required to hold an **Australian financial services licence**.[[2599]](#footnote-2599) The only restrictions on membership are age and health-related.

• The third policy is the ACBF Plan,[[2600]](#footnote-2600) which was also established in 2005 as a result of ACBF’s undertaking to ASIC to cease accepting new members of Fund 2.[[2601]](#footnote-2601) Like the Community Plan, the ACBF Plan is a ‘funeral expenses policy’.[[2602]](#footnote-2602) It is available to Aboriginal and Torres Strait Islander people under the age of 70.[[2603]](#footnote-2603) There are now 13,460 policies under the ACBF Plan – almost five times the number of policies under Fund 2 and the Community Plan put together.[[2604]](#footnote-2604) Approximately 36% of policy holders of the ACBF Plan are under the age of 18.[[2605]](#footnote-2605)

### 1.2 Ms Walsh and ACBF

In late 2005, a representative from ACBF came to Ms Walsh’s workplace. Ms Walsh understood ACBF to be an ‘Aboriginal organisation’, because the brochures and posters that ACBF had displayed around her workplace used images and colours associated with Aboriginal culture,[[2606]](#footnote-2606) and because the name of the organisation included the word ‘Aboriginal’.[[2607]](#footnote-2607)

After speaking with the representative of ACBF, who Ms Walsh understood to be an Aboriginal person, Ms Walsh signed up to the ACBF Plan.[[2608]](#footnote-2608)   
Ms Walsh’s initial application form recorded her health level at ‘Level 1’,   
the best health rating. The application recorded that she would be offered a benefit amount of $12,000, with premiums of $18 each fortnight.[[2609]](#footnote-2609) ACBF later told Ms Walsh that it had re-assessed her health level as ‘Level 3’, the worst health rating, because she was taking medication for depression. As a result, ACBF offered her a reduced benefit amount of $8,000, for premium payments of $36 each fortnight.[[2610]](#footnote-2610)

Ms Walsh thought that the ACBF Plan worked like a savings plan.[[2611]](#footnote-2611) She thought that, if she paid less than her benefit amount, she would be entitled to a payout of the full benefit amount. If she paid over the benefit amount, she thought that any overpayments would be paid to her family upon   
her death.[[2612]](#footnote-2612)

During the life of the policy, Ms Walsh unsuccessfully attempted to increase her benefit amount on at least two occasions.[[2613]](#footnote-2613) By the end of 2016,   
Ms Walsh had paid over $10,000 to ACBF, for a maximum benefit   
amount of $8,000.[[2614]](#footnote-2614)

In May 2018, Ms Walsh’s lawyers assisted her to lodge a complaint with the Financial Ombudsman Service (FOS), which alleged misleading and deceptive conduct, unconscionable conduct and unlawful discrimination. This followed earlier correspondence between Ms Walsh’s lawyers and ACBF on these matters, in which ACBF had sought to dissuade Ms Walsh from lodging a complaint with FOS.[[2615]](#footnote-2615)

On 7 June 2018, ACBF made submissions to FOS strongly encouraging FOS to reject Ms Walsh’s claims.[[2616]](#footnote-2616) On the same day, ACBF wrote to   
Ms Walsh’s lawyers with a settlement offer.[[2617]](#footnote-2617) ACBF offered to raise   
Ms Walsh’s maximum benefit amount to $10,000 and to waive future payments. Mr Jones gave evidence that he had instructed ACBF’s lawyers to settle the claim. He said that this was to avoid the legal costs associated with the claim and because he felt sympathetic towards Ms Walsh, given she had paid premiums over her benefit amount.[[2618]](#footnote-2618) Mr Jones said that he did not believe that Ms Walsh had been misled about the character of ACBF, although he accepted that some documentation sent to Ms Walsh, relating to the nature of the payout to which she would be entitled, had included inaccurate wording.[[2619]](#footnote-2619)

Ms Walsh said, in her evidence, that she will accept ACBF’s offer.[[2620]](#footnote-2620) She said that before the offer was made, she did not feel as though she had any choice about whether to continue to pay ACBF for her plan. She felt as though ACBF had her ‘over a barrel’ and she could not walk away from the large amount of money she had already paid.[[2621]](#footnote-2621)

### 1.3 ACBF’s business

#### 1.3.1 Marketing ACBF products

Since 1999, following action taken by ASIC, ACBF has been required by court order to include a disclaimer in its advertising materials.[[2622]](#footnote-2622) The disclaimer is to the effect that ACBF is a private company, and that it is not sponsored by or otherwise connected with any governmental body or Aboriginal organisation.[[2623]](#footnote-2623) Mr Jones conceded that, notwithstanding this, some of ACBF’s advertising material (including internet[[2624]](#footnote-2624) and radio[[2625]](#footnote-2625) advertising) had not included the disclaimer.[[2626]](#footnote-2626)

The orders also required ACBF to remove from its marketing materials the Aboriginal flag and any suggestion that ACBF was established to advance the welfare of the Aboriginal community.[[2627]](#footnote-2627) In 2012, in accordance with a new advertising strategy, ACBF adopted a new logo (using red, yellow and orange colours), accompanied by the tagline ‘For you, for your family’.[[2628]](#footnote-2628) ACBF’s recent promotional material includes the phrase: ‘over 20 years working in the Aboriginal community’,[[2629]](#footnote-2629) and ACBF’s website features imagery that resembles Indigenous dot artwork, as well as photos of Aboriginal and Torres Strait Islander people.[[2630]](#footnote-2630) Mr Jones conceded that there had been confusion over the years about whether ACBF was an Aboriginal-owned company.[[2631]](#footnote-2631)

#### 1.3.2 Selling ACBF products

Until recently, ACBF had an arrangement with the Commonwealth Department of Human Services.[[2632]](#footnote-2632) Under this arrangement, ACBF could deduct the premiums of policy holders who received Centrelink payments directly from those Centrelink payments, by using the Centrepay system. ACBF was the only funeral insurer receiving payments through the Centrepay system.[[2633]](#footnote-2633) As a condition of its arrangement with the Department of Human Services, ACBF was not permitted to sell its policies in an unsolicited setting.[[2634]](#footnote-2634) Following a decision by the government to remove funeral insurance from the Centrepay system (a decision that was the subject of an unsuccessful court challenge by ACBF), the condition regarding unsolicited sales no longer applies.[[2635]](#footnote-2635)

Mr Jones said that ACBF currently sells its products through in-bound phone and website enquiries.[[2636]](#footnote-2636) Until recently, ACBF also engaged in door-to-door selling. Mr Jones told the Commission that ACBF has now ceased door-to-door selling.[[2637]](#footnote-2637) However, he said that there were four Indigenous employees who were ‘networking and working in the field to create connections with bodies’.[[2638]](#footnote-2638) Mr Jones conceded that their work involved looking for sales opportunities, including through land councils.[[2639]](#footnote-2639)

Mr Jones said that ACBF’s sales representatives ask customers and prospective customers about whether they have children they may want to sign up to funeral insurance policies.[[2640]](#footnote-2640) In ASIC’s 2014 internal report, ASIC found that ACBF had the ‘highest proportion of insurees in the lower age brackets’.[[2641]](#footnote-2641) The report found that 64% of persons insured by ACBF were aged under 30, and 36% were under 15.[[2642]](#footnote-2642)

Mr Jones emphasised that ACBF had recently had a ‘cultural audit’ report provided by an organisation called Mura Connect. The report recommended that ACBF continue to leverage its existing customer base for the purpose of signing up new customers, including children and families.[[2643]](#footnote-2643) The Mura Connect report also recommended that ACBF offer referral incentives to existing policy holders and research the benefits of offering family policies.[[2644]](#footnote-2644) In relation to the sale of policies for children, Mr Jones accepted that a motivating factor for ACBF is to sell as many policies as possible.[[2645]](#footnote-2645) He said that ACBF intended to implement its recommendations.

#### 1.3.3 Health statements

ACBF explained that new policy holders are required to submit an application form that includes a health statement.[[2646]](#footnote-2646) ACBF then uses a customer’s disclosed pre-existing health conditions to determine a health level ranking from Level 1 to Level 3.[[2647]](#footnote-2647) This health level, along with the customer’s age, determines the fortnightly premiums paid by the customer. Mr Jones said that the basis for designating certain conditions as Level 1, Level 2 or Level 3 was the ‘assumed risk associated with insuring someone with certain health’ issues.[[2648]](#footnote-2648) I understood Mr Jones to accept that this meant that ACBF’s health classification system resulted in ‘higher premiums for people with medical conditions that are more common amongst Aboriginal and Torres Strait Islander people’.[[2649]](#footnote-2649)

#### 1.3.4 ACBF’s premium structure

ACBF uses a stepped premium structure. That is, as each nominee under the policy enters a new age bracket, the holder of the policy must pay a higher premium.[[2650]](#footnote-2650) Mr Jones accepted that, other than providing a copy of a contribution table at the time of application, ACBF does not disclose to its customers that their premiums will increase over time.[[2651]](#footnote-2651) Mr Jones also conceded that ACBF does not provide any upfront estimate of the total cost of its policy to its customers, contrary to recommendations ASIC had made about funeral insurance in 2015.[[2652]](#footnote-2652)

Mr Jones accepted that ACBF plan holders could end up paying more in premiums than they would ever be entitled to recover under their policies.[[2653]](#footnote-2653) He accepted that ACBF did not clearly and prominently disclose this as a risk, again contrary to ASIC’s recommendations in relation to funeral insurance.[[2654]](#footnote-2654) Mr Jones said that, from January 2018, ACBF has released customers from paying further premiums if they have exceeded their maximum benefit payable, but said that ACBF has done this only where the customer contacts ACBF and identifies that they are struggling to make contributions.[[2655]](#footnote-2655) Since January 2018, ACBF has waived the future payments of only 24 customers who have paid more than their entitlement.[[2656]](#footnote-2656)

#### 1.3.5 ACBF policy cancellations

Mr Jones gave evidence that a policy holder’s policy will be cancelled if   
they miss four payments within a year.[[2657]](#footnote-2657) Over the last five years, ACBF   
has cancelled 13,175 ACBF Plan policies as a result of non-payment of premiums.[[2658]](#footnote-2658) Mr Jones said that 6,000 of those policies were cancelled following the decision by the government in August 2015 that funeral insurance providers could no longer be listed on Centrepay.[[2659]](#footnote-2659) Mr Jones   
said that those people whose payments were cancelled as a result of the direct debits from Centrepay being discontinued were ‘uncontactable’, and the location of those persons was not known to ACBF.[[2660]](#footnote-2660)

Mr Jones said that, generally speaking, once a policy is cancelled, the customer will lose their cover and they will not be entitled to any refund or credit in respect of the amounts they had paid to ACBF.[[2661]](#footnote-2661)

#### 1.3.6 ACBF payouts upon suicide

Until mid-2017, ACBF would not pay claims where the cause of death was suicide, although it would refund premiums in those circumstances.[[2662]](#footnote-2662) In his statement, Mr Jones said that ACBF’s previous position had been adopted because ACBF believed that customers and local community groups thought that paying out suicide claims could be seen to condone suicide.[[2663]](#footnote-2663) In cross-examination, however, Mr Jones accepted that at least one staff member had taken the view that ACBF had received harsh criticism for not paying out upon suicide.[[2664]](#footnote-2664)

Mr Jones was taken to ACBF media releases dated 27 June 2018,   
29 June 2018 and 2 July 2018.[[2665]](#footnote-2665) Mr Jones conceded that there were errors in relation to ACBF’s claims about suicide payments in the 27 June and   
29 June media releases, and that the incorrect statements were repeated in the media release dated 2 July 2018.[[2666]](#footnote-2666)

### 1.4 What the case study showed

#### 1.4.1 Misleading and deceptive conduct

As noted above, ACBF represents that it uniquely ‘provides a product and service tailored to meet the needs of Australia’s [Aboriginal and Torres Strait Islander] people’.[[2667]](#footnote-2667) It also represents that its policies are beneficial for Aboriginal and Torres Strait Islander people. In its submissions to the Commission, ACBF accepted that it promotes its products in this way and submitted that it was not misleading or deceptive for it do so.[[2668]](#footnote-2668)

ACBF submitted that its products were tailored to the needs of Aboriginal and Torres Strait Islander people for three reasons. The first was that its products are ‘specifically intended for Aboriginal and Torres Strait Islander clients’.[[2669]](#footnote-2669) The second was that ACBF permits its clients to miss up to four premium instalment payments, and then allows a further period of 31 days, before cancelling a policy for non-payment.[[2670]](#footnote-2670) The third was that ACBF had undertaken certain ‘cultural awareness activities’.[[2671]](#footnote-2671)

Of these reasons, only the second identifies a feature of ACBF’s products that ACBF considers will be of particular benefit to Aboriginal and Torres Strait Islander people. By contrast, I consider that there are a number of features of ACBF’s products that indicate that those products are neither tailored to meet the needs of Aboriginal and Torres Strait Islander people nor beneficial for them.

First, it appears that ACBF’s health classification system is structured in such a way that if a person has a medical condition that occurs more commonly in the Aboriginal and Torres Strait Islander population, he or she is likely to pay higher premiums. As noted above, Mr Jones appeared to accept that ACBF’s system resulted in ‘higher premiums for people with medical conditions that are more common amongst Aboriginal and Torres Strait Islander people’.[[2672]](#footnote-2672)

Second, until recently, ACBF policies did not pay out for suicide, despite the high rates of suicide in the Aboriginal and Torres Strait Islander community.[[2673]](#footnote-2673) Mr Jones said that, under the policy that applied until recently, in cases where a nominee committed suicide, or died as a result of intentional self-injury, the payout was limited to refunding the amount that ACBF determined had been paid as premiums.[[2674]](#footnote-2674)

Third, as found in ASIC’s 2015 report, ACBF is the ‘only insurer with significant numbers of persons insured under 30 for whom premiums were being paid’.[[2675]](#footnote-2675) An available inference is that ACBF plays on the cultural significance of funerals to Aboriginal and Torres Strait Islander people, and to Indigenous mortality statistics, to actively sell its policies to children and young people in those communities in circumstances where they have little need for the product. In its submissions, ACBF said I should not draw this inference.[[2676]](#footnote-2676) It suggested instead that the reason a high number of young people hold ACBF policies is that the largest proportion of the population of Aboriginal and Torres Strait Islander people is under the age of 18 years.[[2677]](#footnote-2677) On balance, in light of the evidence about ACBF’s marketing to young people,[[2678]](#footnote-2678) I prefer the inference that ACBF does rely on the cultural significance of funerals to Aboriginal and Torres Strait Islander people, and to Indigenous mortality statistics, to actively sell its policies to children and young people in those communities.

Fourth, ACBF is not an Aboriginal organisation nor is it affiliated with any Aboriginal or government organisation.

Fifth, the ACBF Plan is an ‘expenses only’ policy. ACBF did not dispute in its submissions that this is not sufficiently clear from some of ACBF’s promotional and marketing material.[[2679]](#footnote-2679)

Sixth, unlike some other policies available in the market,[[2680]](#footnote-2680) it is a feature of the ACBF Plan that any policy holder may pay more in premiums than they will ever be entitled to receive. ACBF accepted in its submissions that there were ACBF policies that may result in the policy holder paying more in premiums than the benefit amount provided under the policy.[[2681]](#footnote-2681)

For these reasons, I consider that it is at least arguable that ACBF does not, in fact, provide policies that are beneficial for, or tailored to, the needs of Aboriginal and Torres Strait Islander people.

Separately, ACBF’s current advertising materials (even with the disclaimer, which has not always been used) may induce consumers into thinking that it is an Aboriginal-owned company. Its materials use colours (red, yellow and orange) associated with Aboriginal culture, and use imagery that is significant in Aboriginal and Torres Strait Islander culture. The name of the plan includes the word ‘Aboriginal’. Its promotional material includes references to ACBF having spent ‘over 20 years working in the Aboriginal community’[[2682]](#footnote-2682), and the ACBF Plan is described as ‘Australia’s only funeral insurance plan dedicated to the Aboriginal community’.[[2683]](#footnote-2683) As previously noted, some of ACBF’s advertising material has failed to include a disclaimer that ACBF is a privately owned company with no government or Aboriginal community affiliations.[[2684]](#footnote-2684)

For these reasons, I consider that ACBF may have breached its obligations under Section 12DA of the Australian Securities and Investments Commission Act 2001 (Cth) (the ASIC Act) to not engage in conduct that is misleading or deceptive, or is likely to mislead or deceive, and under Section12DF(1) of the ASIC Act, which prohibits a person from ‘engaging in conduct that is liable to mislead the public as to the nature, the characteristics, the suitability for their purpose or the quantity of any financial services’.[[2685]](#footnote-2685)

I further consider that ACBF may have breached Section 12DB(e) of the ASIC Act, which prohibits the making of a ‘false or misleading representation that services have sponsorship, approval, performance characteristics, uses or benefits’. ACBF’s marketing materials as a whole, and specifically ACBF’s statements about its dedication to the Aboriginal community, may convey a representation that ACBF has the approval or endorsement of the Aboriginal community in a general sense.

#### 1.4.2 Conduct falling below community standards and expectations

I consider it clear that ACBF engaged in conduct that fell below community standards and expectations in a number of respects:

• First, contrary to ASIC’s recommendation, ACBF does not adequately warn its policy holders that they may pay more under their policies than they will ever be entitled to receive by way of payout.[[2686]](#footnote-2686) ACBF acknowledged in its submissions that it had not yet implemented this recommendation.[[2687]](#footnote-2687)

• Second, again contrary to ASIC’s recommendation, ACBF does not provide an upfront estimate of the total cost of the policy.[[2688]](#footnote-2688) ACBF also acknowledged in its submissions that it had not yet implemented this recommendation.[[2689]](#footnote-2689)

• Third, as discussed above, ACBF actively seeks to sell policies for children and young people, in circumstances where they are unlikely to receive any benefit from the policy.

• Fourth, where a plan is cancelled for non-payment of premiums, the amount paid under the previous policy will generally not be carried across.[[2690]](#footnote-2690) This is despite ACBF understanding that there is a very high rate of cancellations amongst its plan holders.

• Fifth, ACBF fails to adequately disclose its waiting period to plan holders, and (at least historically) provided confusing information to its plan holders about the completion of their waiting periods.[[2691]](#footnote-2691)

• Sixth, the product provided by ACBF is a low value product, when understood in light of the claims paid as a percentage of premiums received. In an ASIC internal report dated April 2014, the claims paid by ACBF, between 1 July 2012 to 30 June 2013, as a percentage of the premiums received was 13%.[[2692]](#footnote-2692) This was the lowest percentage of premiums paid by the insurers surveyed. Mr Jones rightly accepted that this data was concerning.[[2693]](#footnote-2693) In its submissions, ACBF said that I should not draw any conclusions from data for a single year and ACBF criticised the Commission for not requiring ACBF to produce data about different measurements of value.[[2694]](#footnote-2694) But it is important to recognise that ACBF was granted leave to appear and it was open to it to adduce evidence of the value that its policies presented. Based on the evidence available to me, it appears that ACBF’s product was low value compared with other products referred to in the ASIC report.

• Seventh, ACBF appears to have breached the consent orders made by the Federal Court in 1999 by not always using the required disclaimer in its advertising materials.[[2695]](#footnote-2695)

#### 1.4.3 Culture, governance and remuneration practices

The conduct criticised above can be attributed, at least in part, to ACBF’s remuneration and bonus scheme for its sales and field representatives.   
This scheme actively encouraged ACBF employees to aggressively target vulnerable persons and incentivised them to pursue signing up entire families, including infant children. This is particularly the case in relation to the key performance indicator (KPI) structure evidenced in the 2018 letter of employment that was tendered during the cross-examination of Mr Jones.[[2696]](#footnote-2696) In that letter, the staff member was to be paid $20 in respect of each of the first 29 nominees signed up, $30 in respect of each of the next 10, and so on, culminating in payments of $70 per nominee for the 70th to 100th nominees signed up.[[2697]](#footnote-2697)

The conduct can also be attributed, in part, to the fact that ACBF did not have a corporate culture that enabled it to communicate and sell its products to Aboriginal and Torres Strait Islander people in a respectful manner. The Mura Connect report found that the majority of ACBF staff are non-Indigenous, and that there was a lack of cultural understanding and confidence amongst ACBF staff.[[2698]](#footnote-2698) This in turn resulted in an environment in which Aboriginal and Torres Strait Islander people were unlikely to be offered a service that was tailored to their needs.

#### 1.4.4 Effectiveness of response and redress

ACBF did not respond effectively and adequately to the detriment suffered by Ms Walsh, one of its customers, as a result of its conduct. After it misrepresented the ACBF Plan to Ms Walsh, and after Ms Walsh challenged ACBF’s actions, ACBF corresponded with Ms Walsh in an aggressive and hostile manner over a significant period of time before finally making an offer to settle Ms Walsh’s dispute. This was despite the fact that, at the time that Ms Walsh’s lawyers first complained to ACBF, Ms Walsh had already paid substantially more than she would ever be entitled to receive under her policy.[[2699]](#footnote-2699)

## 2 Select

The second case study relating to funeral insurance concerned Select AFSL Pty Ltd (Select). Select promotes and distributes various insurance products, including, until relatively recently, funeral insurance.

The Commission heard evidence from Kathy Marika, a Yolngu woman from East Arnhem Land who now lives in regional New South Wales. Ms Marika is 60 years old and English is not her first language. Ms Marika was sold two funeral insurance policies by Select, trading as Let’s Insure, in 2015. The Commission also heard evidence from Mr Russell Howden, the Managing Director of Select.

### 2.1 Background

In August 2015, an external lead provider rang Ms Marika.[[2700]](#footnote-2700) Ms Marika does not know how the lead provider obtained her phone number.[[2701]](#footnote-2701) The person told Ms Marika they were calling to conduct a one minute survey.[[2702]](#footnote-2702) In the course of the call, Ms Marika told the person that she already had funeral insurance. The salesperson responded that he was ‘not here to sell [her] a second insurance, obviously that would be pointless’.[[2703]](#footnote-2703)

The next day, a Let’s Insure representative called Ms Marika to see if   
he could ‘switch’[[2704]](#footnote-2704) her to Let’s Insure. Ms Marika told the representative that she couldn’t have two policies and that she was ‘happy with the   
other one’.[[2705]](#footnote-2705)

Mr Howden accepted that both representatives were aware that Ms Marika already had funeral insurance and that she clearly indicated that she did not have any interest in taking out further funeral insurance.[[2706]](#footnote-2706)

Despite this, Let’s Insure called Ms Marika again on 9 September 2015. On that day, Let’s Insure sold Ms Marika two funeral insurance policies covering herself, her three children and her five grandchildren.[[2707]](#footnote-2707) Before Ms Marika agreed to take out the policies, the salesperson said to her: ‘you can actually have two at the same time, and that is what most people tend to do, cause with their one with work, it only covers them, and they say it expires when they stop working, which means your family don’t get the money …’.[[2708]](#footnote-2708) Mr Howden accepted that the representative was not authorised to make these statements and that the ‘statements should not have been made in circumstances where the representative did not have details of the work policy to which Ms Marika referred’.[[2709]](#footnote-2709)

Before Ms Marika agreed to take out the policies, she received an oral product disclosure statement (PDS). She was not asked for her consent to receive the product disclosure statement in this way.[[2710]](#footnote-2710)

Ms Marika’s evidence was that she found the Select representative difficult to understand. Among other things, he spoke ‘really fast, like a train’, and before she could ‘think about how to answer [his] questions, he would just start speaking again’.[[2711]](#footnote-2711) She said she was just trying to ‘catch up with the language so [she] kept saying yes’.[[2712]](#footnote-2712) Ms Marika said that she found the call confusing and frustrating. The representative did not wait for her to speak or to finish what she was saying.[[2713]](#footnote-2713) Ms Marika said she felt the representative did not treat her with respect.[[2714]](#footnote-2714)

Mr Howden accepted that there were several occasions in the call when   
Ms Marika appeared confused.[[2715]](#footnote-2715) He also accepted that there were ‘sufficient signals during the call that suggest [Ms Marika] may not have   
fully understood the product she was purchasing and the consequences of the purchase’.[[2716]](#footnote-2716)

The following day, the same Select representative called Ms Marika, offering her Coles Myer vouchers, if she provided the contact details of family friends and they took out policies with Let’s Insure. The representative said at one point: ‘you never know, if you’ve got like 30 [names and numbers], you get $600!’.[[2717]](#footnote-2717) Despite being induced to go through her old phone and her new phone to find and provide the contact details of family and friends, Ms Marika never received any vouchers.[[2718]](#footnote-2718)   
Mr Howden accepted that the conduct on the part of the representative  
was unreasonable, and constituted a ‘gross abuse of Select’s   
referral program’.[[2719]](#footnote-2719)

Less than a week later, on 16 September 2015, Ms Marika called Let’s Insure to try to cancel her policies[[2720]](#footnote-2720) because she could not afford to keep them.[[2721]](#footnote-2721) Another Let’s Insure employee called her back. Ms Marika told her ‘I’m not getting enough money to be able to pay for the insure’.[[2722]](#footnote-2722) The employee convinced Ms Marika to retain the policies, on the basis that she would waive the premium payments for a month. When asked whether this was a fair way to conduct the call, in light of the statutory cooling off period, Mr Howden said that it was.[[2723]](#footnote-2723)

In December 2016, with legal assistance, Ms Marika was able to cancel her policies.[[2724]](#footnote-2724) In a letter to her lawyers containing a settlement offer, Let’s Insure maintained that ‘at all times [it had] acted properly and in accordance with the law’ but said that it was prepared to refund the premiums.[[2725]](#footnote-2725)   
There was no evidence that any disciplinary action was taken at this time against the sales representative who had sold the policy, although   
Mr Howden conceded that representatives of Select would have listened to the recording of the call in which the sale was made.[[2726]](#footnote-2726) Mr Howden accepted that, although the payment to Ms Marika had been described to her lawyers as an ‘act of good will’, it was really a recognition that   
Ms Marika had been paying for a policy that she did not need, she did not want and she did not understand.[[2727]](#footnote-2727)

### 2.2 The 2015 spike in funeral insurance sales

Ms Marika was only one of a significant number of Aboriginal and Torres Strait Islander people who were mis-sold funeral insurance by Select   
in 2015.

Mr Howden gave evidence about a spike in sales to customers living in   
43 postcodes with a high proportion of Aboriginal and Torres Strait Islander people.[[2728]](#footnote-2728) Mr Howden attributed the spike to two sales incentive arrangements and to abuses of Select’s referral processes by two particular sales representatives.[[2729]](#footnote-2729)

Mr Howden was asked about three other possible causes: the sales tactics that its representatives were trained to use, the KPIs and incentives it had   
in place, and the adequacy of Select’s quality assurance and   
disciplinary frameworks.

In relation to Select’s sales tactics, the Commission heard that Select representatives were trained to actively overcome ‘obstacles’, including potential customers already having a funeral insurance policy[[2730]](#footnote-2730) or not being able to afford a policy.[[2731]](#footnote-2731) Select emphasised to its representatives that:

• there was no impediment to making a sale to a customer who already held funeral insurance with another company;[[2732]](#footnote-2732)

• it was permissible to play on a customer’s fears in order to sell policies;[[2733]](#footnote-2733) and

• the representative should assume the customer’s response is positive and lead the customer to mandatory confirmation.[[2734]](#footnote-2734)

Mr Howden maintained that Select did not sanction aggressive sales tactics. But he did accept that Select did push its agents with productivity targets and that this may have been a contributor to the spike in sales.[[2735]](#footnote-2735)

In relation to remuneration and incentives, the evidence was that, in 2015, commissions were payable on the first year’s premium for sales originated by a sales representative.[[2736]](#footnote-2736) These commissions comprised, on average, 30% of a sales representative’s total remuneration.[[2737]](#footnote-2737) In addition, during 2015, Select ran sales incentives campaigns offering a Vespa scooter[[2738]](#footnote-2738) and a cruise as prizes for high volumes of sales.[[2739]](#footnote-2739) (Select had a number   
of other incentives in place from time to time.) Select’s commission   
structure and sales incentives campaigns encouraged its representatives   
to sell aggressively.

In relation to quality assurance, Mr Howden gave evidence that, at the time Select sold the policies to Ms Marika, Select undertook random reviews of sales calls by its agents. Select listened to more calls from junior agents than from senior agents.[[2740]](#footnote-2740) For these reviews, Select used a scorecard that featured binary questions such as whether a product disclosure statement was given.[[2741]](#footnote-2741) Where a representative had not met some criteria, Select provided coaching and feedback to that representative.[[2742]](#footnote-2742)

From 2016, Select moved to a system of ‘phone licences’, by which Select would record points against a sales agent for certain specified ‘breaches’.[[2743]](#footnote-2743) Points were allocated according to severity of the breach.[[2744]](#footnote-2744) The breaches for each call were not cumulative. Agents would be penalised for only the most significant breach on a particular call,[[2745]](#footnote-2745) meaning that a maximum of 10 points could be deducted per call.[[2746]](#footnote-2746) Agents were allocated a maximum of 30 points, which were reinstated every six weeks.[[2747]](#footnote-2747) If, within a period of six weeks a representative:

• lost 10 points, the representative was given a formal warning;

• lost 20 points, the representative was given a second formal   
warning; and

• if a representative lost 30 points, the representative would   
be dismissed.[[2748]](#footnote-2748)

Under this system, a representative could complete an unethical sale, or could provide personal advice to a potential customer in breach of the Corporations Act, and have only 10 points deducted from the agent’s   
phone licence.[[2749]](#footnote-2749)

Mr Howden was asked whether Select’s quality assurance systems were sufficiently robust to deter and detect misconduct. He maintained that they were.[[2750]](#footnote-2750) But he conceded that they had not been sufficient to deter the misconduct of the two Select representatives who had significantly contributed to the 2015 spike in funeral insurance sales to Aboriginal and Torres Strait Islander customers.[[2751]](#footnote-2751)

One other point should be made about the policies issued by Select. Most Select policies have a stepped premiums structure.[[2752]](#footnote-2752) Select does not provide an upfront estimate of the total cost of its policies.[[2753]](#footnote-2753) Mr Howden said it would be ‘complex’ for Select to do that.[[2754]](#footnote-2754)

### 2.3 Correspondence with ASIC

Mr Howden gave evidence about its dealings with ASIC and with   
St Andrew’s, the issuer of the funeral insurance policies sold by Select.

On 17 January 2017, St Andrew’s made a voluntary disclosure to ASIC in relation to the potential mis-selling of funeral insurance by Select in 2015.[[2755]](#footnote-2755) Select maintains that no significant breach notification was required in respect of its mis-selling of funeral insurance to Aboriginal and Torres Strait Islander people.[[2756]](#footnote-2756) Nevertheless, Select has agreed to remediate   
affected customers.

In early 2018, ASIC expressed concerns to Select about Select’s life insurance sales practices. ASIC characterised its concerns as being similar to the concerns that had been identified in relation to Select’s sales of funeral insurance in 2015.[[2757]](#footnote-2757) The concerns included, but were not limited to, applying ‘pressure to close sales, even where the consumer raises a concern; use of the cooling off period and delayed payment to close sales’ and failing to explain features of the policy.[[2758]](#footnote-2758) Mr Howden accepted that there was some overlap between the funeral insurance mis-selling conduct in 2015 and the life insurance-related conduct in 2018.[[2759]](#footnote-2759)

On 19 March 2018, Select ceased distributing funeral insurance.[[2760]](#footnote-2760)   
Mr Howden did not accept that Select had done so as a result of   
St Andrew’s asking Select to stop distributing until it had improved its compliance and sales practices.[[2761]](#footnote-2761)

Around this time, Select had corresponded with St Andrew’s and Bank   
of Queensland (BOQ) about how to deal with this Commission. On   
19 February 2018, BOQ asked for Select’s consent to voluntarily disclose to the Commission issues relating to Select’s sales of funeral and life insurance.[[2762]](#footnote-2762) Select refused and said that it ‘did not consider there to have been any misconduct or conduct falling short of community standards or expectations arising out of any matter which would bring it within the scope’ of the Commission’s Terms of Reference.[[2763]](#footnote-2763) Select maintained this position in subsequent correspondence with St Andrew’s.[[2764]](#footnote-2764) As a result, Select’s mis-selling of funeral insurance was not voluntarily disclosed to   
the Commission.

### 2.4 What the case study showed

#### 2.4.1 Conduct in relation to Ms Marika

In the course of selling the funeral insurance policies to Ms Marika in September 2015, the representative of Select took into account the fact that Ms Marika already had a funeral insurance policy through her work. The representative of Select relied on this information about Ms Marika’s financial situation as the basis for:

• comparing the features of the funeral insurance product offered by Select to the features of funeral insurance products that people commonly hold through their work;[[2765]](#footnote-2765) and

• comparing the price of the product offered by Select to the price of other funeral insurance products.[[2766]](#footnote-2766)

In particular, the sales representative advised Ms Marika that she could have more than one funeral insurance policy in place at one time and suggested that she would cease to be covered by her existing funeral insurance policy when she stopped working.[[2767]](#footnote-2767) Mr Howden accepted that the representative was not authorised or licensed to provide personal advice and that the representative had ‘probably’ contravened Section 952C of the Corporations Act.[[2768]](#footnote-2768)

In its submissions, Select argued that the statements made by the representative did not constitute personal advice, but instead constituted statements of fact.[[2769]](#footnote-2769) I disagree. The representative took into account information about Ms Marika’s financial circumstances and used that information to draw comparisons between Select’s product and the type of product that Ms Marika said she already had. Further, the representative specifically told Ms Marika ‘you can actually have two at the same time’.[[2770]](#footnote-2770) The representative was not authorised to provide personal advice. His conduct, and the conduct of Select as the licensee might have contravened Section 952C of the Corporations Act.

Ms Marika’s conversations with those who rang her about Select funeral insurance have been described earlier. It will be recalled that in the second of those conversations, Ms Marika said that she did not want to have a second policy. Despite this, Let’s Insure rang her again and sold her Select funeral insurance. Contrary to Select’s submissions, I consider that this third call might have breached the anti-hawking provisions of the Corporations Act. That is, I consider that it is arguable that calling her after her unequivocal rejection of interest in buying a second funeral insurance policy was to make ‘an unsolicited telephone call’ to her for the purposes of Section 992A(3)(aa). I also consider that in the course of that call, Select might have provided an oral product disclosure statement to Ms Marika without expressly obtaining her consent to do so, which might have breached Section 992A(3)(e) of the Corporations Act.

Mr Howden accepted that in circumstances that included Ms Marika’s expressed wish not to purchase the insurance, her lack of understanding about the product that she was purchasing and her lack of understanding of the consequences of the purchase, it was unconscionable for Select to have sold the policies to Ms Marika.[[2771]](#footnote-2771) Select sought to resile from this position in its written submissions[[2772]](#footnote-2772) but I consider that Mr Howden’s concession was properly made. It follows that Select’s conduct might have contravened Section 12CA or Section 12CB of the ASIC Act.

It was not right for the Select sales representative to induce Ms Marika to provide the names and contact details of a significant number of family and friends during the phone call on 10 September 2015. Mr Howden accepted that this conduct was unreasonable and that it represented a gross abuse of Select’s referral program.[[2773]](#footnote-2773) This conduct fell below community standards and expectations.

It was also inappropriate for a Select representative to dissuade Ms Marika from cancelling her policies a week after she took them out. Ms Marika had expressed serious concerns about whether she could afford the policies. The representative dissuaded Ms Marika from cancelling her policies in circumstances where Ms Marika had a statutory right to cancel her policy   
in writing for 14 days, and the product disclosure statement that was applicable to her policy afforded her 30 days to cancel her policy.[[2774]](#footnote-2774)   
Again, this conduct fell below community standards and expectations.

#### 2.4.2 Conduct of Select more generally

The two sales representatives to whom Select attributed the 2015 spike in funeral insurance sales used the referral program to target Aboriginal and Torres Strait Islander people for potential sales. In the termination letters that Select gave the two representatives, Select told them that ‘there was no doubt in the company’s mind that they had failed to act in the utmost good faith by taking advantage of people in the postcodes with high proportions of Indigenous clients’.[[2775]](#footnote-2775)

Select’s reference to failing to act in the utmost good faith invites attention to Section 13 of the Insurance Contracts Act 1984 (Cth) and its provision that failure by a party to a contract of insurance to comply with that standard ‘is a breach of the requirements’ of the Act.[[2776]](#footnote-2776) It may be that the actions of the representatives engaged Section 13(2) (and Select did not submit to the contrary[[2777]](#footnote-2777)) but it is not necessary to pursue that question further. Instead, it may be noted that conduct of the kind engaged in by those representatives might properly be described as unconscionable. It follows that they may have contravened Section 12CA or Section 12CB of the ASIC Act. Again, Select did not challenge this conclusion in its submissions.[[2778]](#footnote-2778)

Select did not prevent the conduct of the two representatives who significantly contributed to the 2015 spike in funeral insurance sales. Not only did it not prevent that conduct, it had in place a system of remuneration and incentives that most likely contributed to it. Select encouraged its employees to sell aggressively and to overcome objections in a way that was designed not to permit potential purchasers to exit the selling process. As I have noted, Mr Howden accepted that Select pushed its agents with productivity targets.[[2779]](#footnote-2779) Select also provided incentives that induced its representatives to sell policies at all costs. Select did not have adequate internal systems in place to detect or deter misconduct within its organisation. Select’s quality assurance system in 2015, and even as varied in 2016, was inadequate to stop Select representatives from engaging in misconduct on calls and was insufficient to allow Select to detect when there was misconduct. Indeed, Mr Howden became aware of the   
mis-selling to Ms Marika only upon being told about Ms Marika’s case by   
the Commission.[[2780]](#footnote-2780)

It follows that it is at least arguable that Select failed to ensure that it did ‘all things necessary to ensure that the financial services [it provided were] provided … honestly and fairly’; failed to have ‘in place adequate arrangements for the management of conflicts of interest’ between the interests of its policy holders, or potential policy holders, and the interests of its sales representatives; and it failed to take ‘reasonable steps to ensure that its representatives compl[ied] with the financial services laws’, as required by Section 912A of the Corporations Act.

The referral program used by Select is troubling. When coupled with Select’s sales culture and Select’s remuneration and KPI arrangements, the referral program used by Select carried with it a substantial risk that Select representatives would mis-sell funeral insurance policies. It fell below community standards and expectations for Select to use such a program, in circumstances where it had not put in place adequate safeguards to ensure that the program would not be abused.

Finally, contrary to ASIC’s recommendation, Select failed to provide an upfront estimate of the total cost of its policies.[[2781]](#footnote-2781) This fell short of what the community would expect.

## 3 ANZ Basic accounts

The third case study focused on the experience of an ANZ customer who lived in a remote community in the Northern Territory, whose nearest bank branch was in Katherine, around 100 kilometres away. The case study raised issues about the availability of basic accounts and ANZ’s interaction with customers, particularly those living in remote locations.

The Commission heard evidence from Ms Thy Do, a Senior Family  
 Support Worker with Save the Children and from Mr Tony Tapsall,   
ANZ’s General Manager, Retail Branch Network, Northern Queensland   
and Northern Territory.

### 3.1 Background

Ms Do works with Save the Children in Katherine.[[2782]](#footnote-2782) She gave evidence about the assistance she provided to a client to open an ANZ Access   
Basic account.

Ms Do’s client is a woman in her 30s and single mother of three school-age children.[[2783]](#footnote-2783) Her client lives in a remote community about 100 kilometres from Katherine and speaks two Aboriginal languages.[[2784]](#footnote-2784) English is not her first language.[[2785]](#footnote-2785) Her main source of income is Centrelink payments.[[2786]](#footnote-2786)

The community in which Ms Do’s client lives has one privately owned ATM. Ms Do’s client was charged an ATM fee each time she checked her balance or tried to withdraw money from this ATM.[[2787]](#footnote-2787) She had incurred a significant amount of ATM fees.[[2788]](#footnote-2788) She also incurred significant dishonour fees and overdrawn fees on her transaction account.[[2789]](#footnote-2789) The dishonour fees resulted from rejected direct debit payments.[[2790]](#footnote-2790)

Together with a colleague, Ms Do researched available fee-free accounts for her client.[[2791]](#footnote-2791) Ms Do determined that ANZ had a particular product – the Access Basic account – suitable for her client.[[2792]](#footnote-2792) Ms Do thought the Access Basic account was appropriate because it was designed for concession cardholders, had no monthly service fee and did not incur dishonour or overdrawn fees.[[2793]](#footnote-2793)

On 19 December 2017, Ms Do drove to the remote community to pick up her client’s sister.[[2794]](#footnote-2794) The journey from Katherine to the community is about one and a half hours each way.[[2795]](#footnote-2795) The purpose of the trip was to attend at ANZ’s Katherine branch in order to open an Access Basic account.[[2796]](#footnote-2796) As later explained, the chief reason for the bank requiring the client to make   
an appointment is to create an opportunity for the bank to sell the client other products.

Once at the branch, an ANZ staff member explained to the group that it would not be possible to open a new account without a prior appointment.[[2797]](#footnote-2797) Mr Tapsall said that it was now the common practice of ANZ branches to require a customer to make an appointment to open a bank account.[[2798]](#footnote-2798)

Ms Do made an appointment for both her client and her client’s sister on 21 December 2017.[[2799]](#footnote-2799)

Ms Do drove again to the remote community on 21 December 2017   
to collect her client and her client’s sister. Ms Do’s client asked Ms Do   
to support her in the appointment with ANZ to help her understand   
the conversation.[[2800]](#footnote-2800)

Ms Do said that at the appointment, she told the banker that her client wished to open an Access Basic account.[[2801]](#footnote-2801) She explained that her client wanted a fee-free account, particularly one that did not attract dishonour or overdrawn fees, and a savings account.[[2802]](#footnote-2802)

The banker asked Ms Do’s client a series of questions in relation to her budget, expenses and savings.[[2803]](#footnote-2803) As Mr Tapsall’s evidence later showed, the banker conducted an ‘A–Z review’ intended to discover the customer’s ‘needs’.[[2804]](#footnote-2804) But as this case vividly demonstrated, the review was no more than a chance for the banker to sell additional products. The client was asked, in effect, whether she would ‘like’ to save some money to buy something.[[2805]](#footnote-2805) Unsurprisingly she answered yes and with some prompting, said she would like to save $5,000 to buy some furniture.[[2806]](#footnote-2806) This expression of hope was then treated as a statement of ‘need’, resulting in the banker opening a savings account for the client. Ms Do said that she was not sure whether her client understood the purpose or implications of the questions she was asked or whether the client meant her answers to be taken literally by the banker.[[2807]](#footnote-2807) At the end of the questions, the banker suggested that the client set up a direct debit arrangement to transfer $100 of her Centrelink payments each fortnight into the new savings account.[[2808]](#footnote-2808) Ms Do told the banker that she wasn’t sure that her client understood the implications of the direct debit and that this was a significant portion of her client’s income.[[2809]](#footnote-2809) The banker did not put the direct debit arrangement in place.[[2810]](#footnote-2810)

During the appointment the banker set up internet banking for Ms Do’s client, including setting up security questions.[[2811]](#footnote-2811)

Ms Do said that towards the end of the meeting, the banker turned her computer screen around to show the accounts that had been established. Ms Do saw that the screen listed a Progress Saver account and an Access Advantage account.[[2812]](#footnote-2812) Ms Do expressed confusion about why an Access Advantage account had been opened as there had been no discussion of an Access Advantage account during the meeting.[[2813]](#footnote-2813) What had been discussed was an Access Basic account. Ms Do said that the banker   
told her that it was not possible to open an Access Basic account at   
the branch.[[2814]](#footnote-2814)

Ms Do said that she asked the banker about the Access Advantage account and was told that the account attracts monthly fees but that the fees could be waived.[[2815]](#footnote-2815) Ms Do also said that she was told that the account attracted dishonour and overdrawn fees but that they should not be an issue, so long as the customer did not overdraw her account.[[2816]](#footnote-2816)

Ms Do’s evidence was that she again travelled to her client’s remote community on 4 January 2018, in order to assist her client to access internet banking.[[2817]](#footnote-2817) Upon logging in, Ms Do noticed that the accounts listed for her client were a Progress Saver Account and a Pensioner Advantage account.[[2818]](#footnote-2818) No Access Advantage Account was listed.[[2819]](#footnote-2819)

On 15 February 2018, Ms Do again met with her client and they called ANZ with the intention of changing her Pensioner Advantage Account to an Access Basic account.[[2820]](#footnote-2820) Ms Do said that at first, she was told that it was not possible to make such a change over the phone. After making a second phone call, Ms Do was told that it would be possible for her client to change her account but, because her client had failed to verify her identity using a verbal password on a previous occasion, it was not possible to do it on that day.[[2821]](#footnote-2821) The operator suggested that Ms Do and her client attend the Katherine ANZ branch to verify the client’s identity. That verification could not take place that day as the Katherine branch was closed due to an unexpected plumbing issue.[[2822]](#footnote-2822) Ms Do made a formal complaint to ANZ   
that day.[[2823]](#footnote-2823)

On 1 March 2018, Ms Do attended the ANZ Katherine branch with her client and they successfully re-verified her client’s identity.[[2824]](#footnote-2824) They also asked to change the Pensioner Advantage account to an Access Basic account but were told that this was not possible.[[2825]](#footnote-2825)

On the same day, Ms Do and her client telephoned ANZ to change her client’s account over the phone. They were told that it was not possible for her client to change from a Pensioner Advantage account to an Access Basic account.[[2826]](#footnote-2826) Instead, the operator opened an Access Basic account as an additional account for Ms Do’s client.[[2827]](#footnote-2827) In order to obtain a keycard for the account the operator required the client to send a text message to confirm that she was requesting a new keycard for the Access Basic account.[[2828]](#footnote-2828) The client was unable to send a text message at that time because she did not have credit on her mobile phone that day.[[2829]](#footnote-2829)

Ms Do’s evidence was that by the end of the phone conversation, her client had a Progress Saver account, a Pensioner Advantage account and an Access Basic account (which she could not access because she was not able to request a new keycard in the way required by ANZ).[[2830]](#footnote-2830)

Altogether, even with Ms Do’s assistance and despite being at all times eligible for such an account, it took about four months for Ms Do’s client to open a fee free account with ANZ.[[2831]](#footnote-2831)

Ms Do explained that she subsequently contacted ASIC’s Indigenous Outreach Program and provided feedback in writing about her client’s experience.[[2832]](#footnote-2832) Ms Do was later contacted by ANZ’s complaints department.[[2833]](#footnote-2833) As a result of that discussion, and subsequent discussions, Ms Do has received further correspondence in relation to delivery of a keycard to her client. In order to activate the keycard, Ms Do’s client will need to telephone ANZ.[[2834]](#footnote-2834)

### 3.2 Disputed events

Mr Tapsall told the Commission that in preparing to give evidence, he spoke with the ANZ employees who dealt with Ms Do and her client.[[2835]](#footnote-2835)   
Mr Tapsall’s statement outlined two versions of events: that of Ms Do and that of the banker responsible for establishing the accounts at the initial meeting. The banker gave her version of events to Mr Tapsall at a meeting in Melbourne.[[2836]](#footnote-2836) Both Mr Tapsall and the banker had travelled to Melbourne for that meeting.[[2837]](#footnote-2837)

Mr Tapsall told the Commission that he was ‘not making a call’ on which version was right.[[2838]](#footnote-2838) It is to be remembered that ANZ elected not to offer evidence from the relevant banker.

In its written submissions ANZ submitted that inconsistencies in the evidence of Ms Do and the banker ought be resolved in favour of the banker’s account.[[2839]](#footnote-2839) I reject that submission. Ms Do presented as a truthful and honest witness with a strong recollection of the events about which she gave evidence. To the extent that there are inconsistencies between the two accounts, I prefer the sworn account given by Ms Do to the hearsay account in Mr Tapsall’s statement.

### 3.3 What the case study showed

The case study demonstrated some of the difficulties faced by those in remote locations in dealing with banks. Where remoteness of location is coupled with language and cultural differences, those difficulties are   
very significant.

ANZ’s conduct fell below community standards and expectations in a number of respects.

First, ANZ did not take reasonable steps to make information about its banking services accessible to Ms Do’s client and failed to tell Ms Do’s client about accounts and services that were relevant to her:[[2840]](#footnote-2840)

• the banker did not explain the availability of a fee-free account to Ms Do’s client, although it was clear that she was entitled to open one; and

• the banker opened an account for Ms Do’s client that was inappropriate for a person in her circumstances, due (in particular) to the risk of attracting dishonour and overdrawn fees.[[2841]](#footnote-2841)

The most appropriate account should have been opened immediately. That it was not would cause frustration in any circumstance. That the account was not opened immediately in circumstances where the client had to make a three hour return trip to attend the branch could only have aggravated that frustration.[[2842]](#footnote-2842)

Second, on several occasions, ANZ failed to open the appropriate account type or to assist Ms Do’s client to change her account type over the phone after a less appropriate account was opened. The community is entitled to expect that once a mistake is identified by a customer, it will be resolved promptly. This did not happen here.

Third, the questions asked of Ms Do’s client during the appointment in ANZ’s A–Z review were not appropriately adapted for somebody with limited English, and limited financial literacy, and the security questions posed to Ms Do’s client in respect of internet banking lacked real significance or relevance to her.

Fourth, to the extent that the A–Z review was treated as an opportunity to sell the client other products, I consider that the conduct fell short of what the community would expect. A client had asked the bank to open a Basic Bank Account because operating her existing account had run up fees and charges. It was not appropriate to try to have her open (and in fact open) other accounts.

Fifth, ANZ failed to help Ms Do’s client to meet identification requirements over the phone[[2843]](#footnote-2843) and failed to take into account the large geographical barriers that made it difficult for Ms Do’s client to attend the Katherine branch to verify her identity. Mr Tapsall agreed that at least two of the calls where Ms Do’s client failed the identification process provided a graphic demonstration of the difficulties that can be encountered by some Aboriginal and Torres Strait Islander people when dealing with banks by telephone.[[2844]](#footnote-2844) It was plain that Ms Do’s client was struggling to answer the verification questions[[2845]](#footnote-2845) and that other clients of ANZ have encountered   
similar difficulties.[[2846]](#footnote-2846)

#### 3.3.1 Culture and adequacy of internal systems

ANZ’s internal systems and, in particular, its systems for dealing with Aboriginal and Torres Strait Islander customers, including its staff training, were a cause of the conduct that fell below community expectations.

While ANZ has taken some steps to modify its processes and procedures to accommodate Aboriginal and Torres Strait Islander customers, and to offer basic banking products, those systems are not adapted in a way that makes dealing effectively with the bank readily accessible for Aboriginal and Torres Strait Islander customers whose first language is not English, especially when the customers live in remote areas. The absence of specifically adapted telephone banking questions is perhaps the most obvious example of ANZ’s systems and processes unintentionally presenting barriers to some Aboriginal and Torres Strait Islander customers.

Further, the staff members in question in this case study (and perhaps more broadly) were inadequately trained in those procedures and products.   
Mr Tapsall’s evidence was that staff members in branches with higher concentrations of Aboriginal and Torres Strait Islander customers are not given any specific training to assist those customers.[[2847]](#footnote-2847) That position was accepted in ANZ’s written submissions.[[2848]](#footnote-2848) ANZ also accepted that   
the banker’s response regarding overdrawn and dishonour fees   
was inappropriate.[[2849]](#footnote-2849)

Given the particular difficulties faced by some Aboriginal and Torres Strait Islander consumers, ANZ’s failure to specifically train those staff most likely to have interaction with those Aboriginal and Torres Strait Islander customers who would benefit from a modified approach, contributed to the events outlined by Ms Do.

## 4 ANZ (Groote Eylandt)

The final case study in this topic concerned ANZ’s practice of providing informal overdrafts on some transaction accounts. The case study focused, in particular, on the position of ANZ customers on Groote Eylandt, although some statistical evidence was also received of the position throughout the Northern Territory.

The Commission heard evidence from Mr Philip Bowden, a financial counsellor with Anglicare NT, and from Mr Tony Tapsall, ANZ’s General Manger, Retail Branch Network, Northern Queensland and   
Northern Territory.

### 4.1 Background

Mr Bowden is a qualified financial counsellor employed by Anglicare NT. He assists clients throughout East Arnhem Land, including Groote Eylandt.[[2850]](#footnote-2850)

Groote Eylandt has a population of about 1,500 people, a high proportion of whom are Aboriginal and Torres Strait Islander people. There are three main townships and a privately operated mine.[[2851]](#footnote-2851)

There is a wide range of both literacy and financial literacy levels in the Groote Eylandt community, but most of the clients who Mr Bowden assists have low levels of financial literacy.[[2852]](#footnote-2852) As an example, Mr Bowden referred to a client with a negative account balance who had not understood the effect of the minus symbol.[[2853]](#footnote-2853) The client was confused as to why she could not withdraw funds.[[2854]](#footnote-2854)

Mr Bowden said that English was not the first language of many of his clients on Groote Eylandt and that it was often a person’s third or   
fourth language.[[2855]](#footnote-2855)

### 4.2 Informal overdrafts

Informal overdrafts, sometimes referred to as ‘shadow limits’, provide an account holder with the capacity to draw more funds from their account than the amount standing to the credit of the account. Informal overdrafts attach to certain ANZ accounts unless automatic exclusionary criteria are applied to the account by ANZ’s information technology system.[[2856]](#footnote-2856)

There is no action required by an ANZ customer to establish an informal overdraft.[[2857]](#footnote-2857) It attaches to an account at the sole discretion of ANZ.[[2858]](#footnote-2858)   
Mr Tapsall said that ANZ customers are notified of the possible availability of an informal overdraft by Clause 2.19 of ANZ’s Terms and Conditions – a 104 page document.[[2859]](#footnote-2859) Mr Tapsall agreed that, even after reading the Terms and Conditions, a customer would only know whether there was a possibility that they may be offered an informal overdraft.[[2860]](#footnote-2860)

At all relevant times, ANZ customers were permitted to opt out of informal overdrafts, including by attending at a branch or by telephone banking.[[2861]](#footnote-2861)   
Mr Tapsall said that at the time of his first statement to the Commission,   
he did not know that an informal overdraft could be turned off over  
the phone.[[2862]](#footnote-2862)

Once an account with an informal overdraft becomes overdrawn by $50 or more, a fee of $6 per day is applied for each business day the account remains overdrawn.[[2863]](#footnote-2863) The maximum fee is capped at 10 business days per month.[[2864]](#footnote-2864) Interest is also charged at the ANZ retail index rate plus a margin of 8.5%.[[2865]](#footnote-2865) At the time of Mr Tapsall’s witness statement concerning informal overdrafts,[[2866]](#footnote-2866) the rate of interest charged by ANZ on overdrawn amounts was 17.2% per annum.[[2867]](#footnote-2867)

Mr Tapsall agreed that it is difficult for an ANZ customer to ascertain the rate of interest charged on overdrawn amounts.[[2868]](#footnote-2868)

### 4.3 The extent of informal overdrafts in the Northern Territory

In each of 2016 and 2017, ANZ had charged in excess of $1.27 million in informal overdraft fees to account holders in the Northern Territory and in excess of $215,000 in interest on informal overdrafts.[[2869]](#footnote-2869)

Mr Tapsall’s first witness statement contained some information on the prevalence of informal overdrafts on Groote Eylandt and the use of the so-called ‘90% arrangements’ under the Code of Operation, about which I will say more later.[[2870]](#footnote-2870) As at 23 May 2018, 179 account holders on Groote Eylandt had an informal overdraft attached to their account.[[2871]](#footnote-2871) In the period from 1 January 2018 to 31 May 2018, 768 account holders on Groote Eylandt received a payment capable of engaging the Code of Operation.[[2872]](#footnote-2872) The statement did not reveal how many of those account holders had a debt to ANZ at any relevant period. In the same period, eight account holders had taken up the ‘90% arrangements’.[[2873]](#footnote-2873)

### 4.4 Client 1 and Client 2

Mr Bowden gave evidence of the particular circumstances of two of Anglicare NT’s clients. Each client had met with a financial capability worker employed by Anglicare NT.[[2874]](#footnote-2874) Mr Bowden had reviewed the financial capability worker’s notes and spoke with her before giving evidence.[[2875]](#footnote-2875)

Client 1 was referred to the financial capability worker by Centrelink.[[2876]](#footnote-2876)   
The referral was made because the client’s family would often take his   
bank card and spend money from his account, resulting in his account   
being overdrawn on multiple occasions.[[2877]](#footnote-2877) As a consequence, the client’s Centrelink payments were sometimes used to clear the overdrawn amount, leaving him without funds in the account after receiving his fortnightly benefit.[[2878]](#footnote-2878)

Client 1 spoke little or no English and struggled to understand the concept of an overdraft.[[2879]](#footnote-2879) With the assistance of a Centrelink translator, the financial capability worker explained to Client 1 what an overdraft was.[[2880]](#footnote-2880) The client then agreed to turn off the overdraft feature on his account.[[2881]](#footnote-2881) The financial capability worker assisted the client to talk to ANZ so that the informal overdraft was removed.[[2882]](#footnote-2882)

Once the informal overdraft was removed, the client had a debt of $600.[[2883]](#footnote-2883) That debt was to be progressively paid off from his Centrelink payments.[[2884]](#footnote-2884) The financial capability worker ensured that the ‘90% arrangements’ applied, so that only 10% of each of his Centrelink payment could be applied towards the outstanding debt.[[2885]](#footnote-2885)

Client 2 was referred to the financial capability worker because she wanted to learn how to save and because her account was overdrawn by $310.[[2886]](#footnote-2886) When first referred to Anglicare NT, the client did not understand what an overdraft was.[[2887]](#footnote-2887) The financial capability worker provided some education about overdrafts and the client decided to contact the bank to cancel any overdraft available on her account.[[2888]](#footnote-2888)

The financial capability worker assisted the client to call ANZ but was informed that the request to switch off an informal overdraft could not be made over the phone and that it would be necessary to visit a branch.[[2889]](#footnote-2889) The financial capability worker drove the client to the Groote Eylandt branch.[[2890]](#footnote-2890) At the branch, the client was told that it was possible to cancel the overdraft but that because the account was locked at that time, it would be necessary to return to the bank on Friday after the client’s Centrelink payment had been deposited so that the outstanding balance could   
be cleared.[[2891]](#footnote-2891)

After this payment had been received, the financial capability worker assisted the client to return to the branch and take out cash from her account.[[2892]](#footnote-2892) The ‘90% arrangements’ applied to the account.[[2893]](#footnote-2893) Ten% of the client’s Centrelink payment was used to pay back the overdraft.[[2894]](#footnote-2894) Because the client took out money, leaving the account overdrawn, her account remained locked until the overdraft was paid off.[[2895]](#footnote-2895)

### 4.5 Code of Operation

The ‘90% arrangements’, which I have mentioned in connection with   
both Client 1 and Client 2, arise under a Code of Operation between the Commonwealth Department of Human Services, the Commonwealth Department of Veterans Affairs (DVA) and various **authorised deposit-taking institutions** (ADIs). Under the Code of Operation, ‘the default position is that a customer should be able to retain at least 90% of their income support payment or DVA payments in any fortnightly period.’[[2896]](#footnote-2896)

The Code of Operation places the onus on the bank to implement the ‘90% arrangements’ where applicable. Mr Tapsall said that ANZ only implements the ‘90% arrangements’ after a customer has asked to make the arrangements.[[2897]](#footnote-2897) He accepted that ANZ’s current practices do not meet the requirements of the Code of Operation.[[2898]](#footnote-2898)

Mr Tapsall also said that at the time he gave evidence (during the week of   
2 July 2018), there were discussions underway within ANZ in relation to the application of the Code of Operation, with a view to bringing ANZ’s systems and processes into compliance with the Code of Operation’s terms.[[2899]](#footnote-2899)

### 4.6 What the case study showed

#### 4.6.1 Implementation of the Code of Operation

The Code of Operation is a widely-adopted benchmark for conduct to which ANZ is a signatory. Mr Tapsall accepted that ANZ’s current policies and procedures in respect of the ‘90% arrangements’ do not conform with the Code of Operation.[[2900]](#footnote-2900) Contrary to the Code of Operation, ANZ places the onus on its customers to ‘opt in’ to the arrangements. I consider that this conduct might be misconduct.

In its written submissions, ANZ submitted that there was insufficient evidence to demonstrate the Code of Operation is a widely adopted benchmark for conduct.[[2901]](#footnote-2901) I find that a surprising submission. The version   
of the Code of Operation exhibited to Mr Tapsall’s first witness statement states that it was ‘developed and endorsed by’, among others, two Departments of the Commonwealth Government and the Australian Bankers’ Association.[[2902]](#footnote-2902) It is said to be a ‘statement of best practice between’ those departments and ‘the representative bodies on behalf of relevant members’ that are ADIs.[[2903]](#footnote-2903)

ANZ’s submission did not allude to those matters. Rather, it sought to draw support from evidence of Ms Lynda Edwards, a financial counsellor who gave general evidence at the start of the second sitting week. The particular evidence relied upon was a statement by Ms Edwards that the Code of Operation is not applied by banks in a systemic way.[[2904]](#footnote-2904)

Ms Edwards’ evidence suggests that the Code of Operation may not be universally implemented. That does not demonstrate that it is not a ‘widely adopted benchmark’. That the Code of Operation was developed and endorsed by the Australian Bankers’ Association on behalf of its members leads inevitably to the conclusion the Code of Operation is a document that if breached is a form of misconduct.

#### 4.6.2 Disclosure of information

ANZ did not provide effective and readily accessible information about the attachment of informal overdrafts to transaction accounts or about the fees and interest charges applicable to informal overdrafts. Mr Tapsall rightly accepted that the community would expect ANZ to be more forthcoming about the prospect of an informal overdraft being attached to an account.[[2905]](#footnote-2905) That expectation finds reflection in Clause 3.1(b)(i) and Clause 8(a) of the 2013 Code of Banking Practice, which require effective disclosure of information in an accessible manner. The little information disclosed by ANZ about informal overdrafts was opaque.

As Mr Tapsall recognised, even after reading the Terms and Conditions applicable to transaction accounts, a customer would only be aware of the possibility that they may be offered an informal overdraft.[[2906]](#footnote-2906) Mr Tapsall did not point to any other document that would better inform customers nor was any such document referred to in ANZ’s written submissions.

ANZ submitted that no finding should be made about possible breach of Clause 3.1(b)(i) or 8(a) because ‘there is no evidence that the Terms and Conditions or Fees and Charges documents are inaccessible to all customer[s], or to any particular customers’.[[2907]](#footnote-2907) That submission is not to the point. Objectively assessed, the information as to informal overdrafts is not effective or accessible. A customer cannot readily ascertain if an informal overdraft is attached to an account, or ascertain the circumstances in which an overdraft may be attached, by reading either or both of the documents pointed to by ANZ. This conduct might amount to a breach of one or both of the identified provisions of the Code.

No less importantly, however, I consider ANZ’s conduct in providing informal overdrafts with high rates of interest and high fees to customers with low incomes on an opt-out rather than opt-in basis, was conduct falling below community standards and expectations.

#### 4.6.3 Culture, governance practices and adequacy of internal systems

The conduct described (apart from conduct about the ‘90% arrangements’) was attributable to a culture that was insufficiently concerned with providing customers with an appropriate product. Informal overdrafts may be a useful tool for some customers on some occasions but by granting shadow limits on an opt-out, rather than opt-in, basis – including to accounts held by low income earners – ANZ prioritised its own position over that of some of   
its customers.

The conduct of not applying the ‘90% arrangements’ automatically was the result of inadequate internal systems at ANZ. While the Code of Operation anticipates that the default position is that customers who receive a defined benefit and have an account that is overdrawn should be placed on the 90% arrangements, ANZ has no systems for identifying those who are eligible for their application.

1. *Briginshaw v Briginshaw* (1938) 60 CLR 336 at 361–2. [↑](#footnote-ref-1)
2. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, 7 [13]. [↑](#footnote-ref-2)
3. Transcript, Anthony John Waldron, 13 March 2018, 65. [↑](#footnote-ref-3)
4. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018,   
   Exhibit AJW-1 (Tab 166) [NAB.032.001.2605 at .2605]. [↑](#footnote-ref-4)
5. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, 8–9 [19]. [↑](#footnote-ref-5)
6. Transcript, Anthony John Waldron, 13 March 2018, 65. [↑](#footnote-ref-6)
7. Transcript, Anthony John Waldron, 13 March 2018, 79. [↑](#footnote-ref-7)
8. Exhibit 1.9, undated, Task Force Steering Committee, 1. [↑](#footnote-ref-8)
9. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 126) [NAB.005.074.0522]; Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018 (Tab 127) [NAB.0005.074.0550]. [↑](#footnote-ref-9)
10. Exhibit 1.5, 2 April 2015, Email from Windridge to Bosnich dated 02/04/2016, 1. [↑](#footnote-ref-10)
11. Transcript, Anthony John Waldron, 13 March 2018, 97. [↑](#footnote-ref-11)
12. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, 9 [25]. [↑](#footnote-ref-12)
13. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018,   
    Exhibit AJW-1 (Tab 161) [NAB.005.037.0887 at .0889]. [↑](#footnote-ref-13)
14. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018,   
    Exhibit AJW-1 (Tab 161) [NAB.005.037.0887 at .0896]. [↑](#footnote-ref-14)
15. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018,   
    Exhibit AJW-1 (Tab 159) [NAB.032.001.0042]. [↑](#footnote-ref-15)
16. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018,   
    Exhibit AJW-1 (Tab 167) [NAB.032.001.0069]. [↑](#footnote-ref-16)
17. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018,   
    9 [26]; Transcript, Anthony John Waldron, 14 March 2018, 144–5. [↑](#footnote-ref-17)
18. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, 12–13 [55]–[56]; Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 167) [NAB.032.001.0069 at .0071]; Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, (Tab 126) [NAB.005.074.0522 at .0540]. [↑](#footnote-ref-18)
19. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 126) [NAB.005.074.0522 at .0540]; Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 161) [NAB.005.037.0887 at .0964–.0965]; Transcript, Anthony John Waldron, 13 March 2018, 83, 100. [↑](#footnote-ref-19)
20. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 126) [NAB.005.074.0522 at .0540]; Transcript, Anthony John Waldron,   
    13 March 2018, 100. [↑](#footnote-ref-20)
21. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 126) [NAB.005.074.0522 at .0540]; Transcript, Anthony John Waldron,   
    13 March 2018, 101. [↑](#footnote-ref-21)
22. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 126) [NAB.005.074.0522 at .0540]; Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 161) [NAB.005.037.0887 at .0964–.0965]; Transcript, Anthony John Waldron, 13 March 2018, 100. [↑](#footnote-ref-22)
23. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 167) [NAB.032.001.0069]; Transcript, Anthony John Waldron, 14 March 2018, 118. [↑](#footnote-ref-23)
24. Transcript, Anthony John Waldron, 14 March 2018, 116–17. [↑](#footnote-ref-24)
25. Transcript, Anthony John Waldron, 14 March 2018, 118, 125, 135. [↑](#footnote-ref-25)
26. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, 10 [29]. [↑](#footnote-ref-26)
27. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, 11 [30]. [↑](#footnote-ref-27)
28. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, 11 [40]. [↑](#footnote-ref-28)
29. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, 12 [42]. [↑](#footnote-ref-29)
30. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, 11 [39]. [↑](#footnote-ref-30)
31. NAB, *Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,  
    2 [4(a)]. [↑](#footnote-ref-31)
32. NAB, *Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,   
    18 [63]. [↑](#footnote-ref-32)
33. NAB, *Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,   
    4 [14] (emphasis added). [↑](#footnote-ref-33)
34. NAB, *Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,   
    4 [16]. [↑](#footnote-ref-34)
35. NAB, *Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,   
    5 [17]. [↑](#footnote-ref-35)
36. NAB, *Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,   
    8 [31]. [↑](#footnote-ref-36)
37. NAB*, Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,   
    5 [19]. [↑](#footnote-ref-37)
38. NAB*, Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,   
    21 [91]. [↑](#footnote-ref-38)
39. Transcript, Anthony John Waldron, 13 March 2018, 73; Transcript, Anthony John Waldron, 14 March 2018, 124. [↑](#footnote-ref-39)
40. Exhibit 1.9, undated, Task Force Steering Committee, 2; see also Exhibit 1.4,   
    Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 131) [NAB.005.043.0427 at .0432]; Transcript, Anthony John Waldron, 14 March 2018, 124; Transcript, Anthony John Waldron, 13 March 2018, 85. [↑](#footnote-ref-40)
41. Exhibit 1.200, Witness statement of Lynda Maree Dean, 15 August 2018, Exhibit LMD-1 (Tab 1) [NAB.005.903.0001]. [↑](#footnote-ref-41)
42. Transcript, Anthony John Waldron, 14 March 2018, 154. [↑](#footnote-ref-42)
43. For example, Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 29) [NAB 005.061.0028]; see also Transcript, Anthony John Waldron, 14 March 2018, 174–5. [↑](#footnote-ref-43)
44. Transcript, Anthony John Waldron, 14 March 2018, 166; Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 253) [NAB.005.037.0722   
    at .0726]. [↑](#footnote-ref-44)
45. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 125) [NAB.005.062.0003 at .0005]; see also Transcript, Anthony John Waldron,   
    13 March 2018, 78–9. [↑](#footnote-ref-45)
46. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 131) [NAB.005.043.0427 at .0432]. [↑](#footnote-ref-46)
47. Transcript, Anthony John Waldron, 14 March 2018, 164; Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, 35 [222]. [↑](#footnote-ref-47)
48. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 162) [NAB.032.001.0044 at .0049]; Transcript, Anthony John Waldron, 14 March 2018, 130; Transcript, Anthony John Waldron, 14 March 2018, 155. [↑](#footnote-ref-48)
49. NAB, *Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,   
    21 [93]. [↑](#footnote-ref-49)
50. NAB, *Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,   
    21 [93]. [↑](#footnote-ref-50)
51. Transcript, Anthony John Waldron, 14 March 2018, 164; Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, 35 [222]. [↑](#footnote-ref-51)
52. Exhibit 1.14, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 155) [NAB.005.043.0298 at .0013]. [↑](#footnote-ref-52)
53. Transcript, Anthony John Waldron, 14 March 2018, 165–6. [↑](#footnote-ref-53)
54. Transcript, Anthony John Waldron, 14 March 2018, 166. [↑](#footnote-ref-54)
55. NAB, *Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,   
    22 [99], 5 [17(c)]. [↑](#footnote-ref-55)
56. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 129) [NAB.005.046.2163 at .2165]. [↑](#footnote-ref-56)
57. See, eg, Transcript, Anthony John Waldron, 14 March 2018, 128. [↑](#footnote-ref-57)
58. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 117) [NAB.005.068.0025 at .0028]; see Transcript, Anthony John Waldron,   
    13 March 2018, 76–7. [↑](#footnote-ref-58)
59. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 125) [NAB.005.062.0003 at .0006]. [↑](#footnote-ref-59)
60. Transcript, Anthony John Waldron, 13 March 2018, 79, 80. [↑](#footnote-ref-60)
61. Transcript, Anthony John Waldron, 13 March 2018, 80. [↑](#footnote-ref-61)
62. NAB, *Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,   
    21 [95]. [↑](#footnote-ref-62)
63. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 116) [NAB.005.039.0003]. [↑](#footnote-ref-63)
64. Transcript, Anthony John Waldron, 13 March 2018, 73. [↑](#footnote-ref-64)
65. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 116) [NAB.005.039.0003 at .0008]. [↑](#footnote-ref-65)
66. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 117) [NAB.005.068.0025 at .0027]. [↑](#footnote-ref-66)
67. See, eg, Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018,   
    47–9 [283]–[294]. [↑](#footnote-ref-67)
68. NAB, *Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,   
    22 [101]. [↑](#footnote-ref-68)
69. NAB, *Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,   
    22 [101]. [↑](#footnote-ref-69)
70. NAB, *Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,   
    10 [35]. [↑](#footnote-ref-70)
71. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 159) [NAB.032.001.0042]. [↑](#footnote-ref-71)
72. Transcript, Anthony John Waldron, 14 March 2018, 118. [↑](#footnote-ref-72)
73. Transcript, Anthony John Waldron, 14 March 2018, 183; Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, 46 [273]. [↑](#footnote-ref-73)
74. Transcript, Anthony John Waldron, 14 March 2018, 184. [↑](#footnote-ref-74)
75. Transcript, Anthony John Waldron, 14 March 2018, 182–3. [↑](#footnote-ref-75)
76. NAB, *Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,   
    10–11 [37]–[39], 13–14 [45]–[47]; Transcript, Anthony John Waldron,   
    14 March 2018, 194. [↑](#footnote-ref-76)
77. NAB, *Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,   
    10 [35]. [↑](#footnote-ref-77)
78. NAB, *Submissions of National Australia Bank – Introducer Case Study*, 3 April 2018,   
    5 [19]. [↑](#footnote-ref-78)
79. Exhibit 1.4, Witness statement of Anthony John Waldron, 2 March 2018, Exhibit AJW-1 (Tab 167) [NAB.032.001.0069]. [↑](#footnote-ref-79)
80. Exhibit 1.27, Witness statement of Daniel James Huggins, 2 March 2018; Exhibit 1.28, Witness statement of Daniel James Huggins, 7 March 2018. [↑](#footnote-ref-80)
81. Exhibit 1.24, Witness statement of Mark Andrew Harris, 7 March 2018; Exhibit 1.25, Witness statement of Mark Andrew Harris, 12 March 2018. [↑](#footnote-ref-81)
82. Exhibit 1.27, Witness statement of Daniel James Huggins, 2 March 2018, 3 [18]. [↑](#footnote-ref-82)
83. Exhibit 1.27, Witness statement of Daniel James Huggins, 2 March 2018, 3 [18]. [↑](#footnote-ref-83)
84. Exhibit 1.27, Witness statement of Daniel James Huggins, 2 March 2018, 5 [31]. [↑](#footnote-ref-84)
85. Exhibit 1.27, Witness statement of Daniel James Huggins, 2 March 2018, 6 [36]. [↑](#footnote-ref-85)
86. Transcript, Daniel James Huggins, 15 March 2018, 266. [↑](#footnote-ref-86)
87. Exhibit 1.27, Witness statement of Daniel James Huggins, 2 March 2018, Exhibit DH-11 [CBA.0001.0027.4036 at .4038]. [↑](#footnote-ref-87)
88. Transcript, Daniel James Huggins, 15 March 2018, 267–8. [↑](#footnote-ref-88)
89. Exhibit 1.201, Witness statement of Daniel James Huggins, 26 July 2018, 6 [28]. [↑](#footnote-ref-89)
90. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 1 [4(b)]. [↑](#footnote-ref-90)
91. Transcript, Daniel James Huggins, 15 March 2018, 267. [↑](#footnote-ref-91)
92. Exhibit 1.27, Witness statement of Daniel James Huggins, 2 March 2018, Exhibit DH-4 [CBA.0001.0028.0344 at .0370, cl 2.10]. [↑](#footnote-ref-92)
93. Exhibit 1.27, Witness statement of Daniel James Huggins, 2 March 2018, 7 [40]. [↑](#footnote-ref-93)
94. Exhibit 1.27, Witness statement of Daniel James Huggins, 2 March 2018, 7 [43]. [↑](#footnote-ref-94)
95. Exhibit 1.27, Witness statement of Daniel James Huggins, 2 March 2018, Exhibit DH-4 [CBA.0001.0028.0344]. [↑](#footnote-ref-95)
96. See, eg, Transcript, Daniel James Huggins, 15 March 2018, 252. [↑](#footnote-ref-96)
97. Transcript, Daniel James Huggins, 15 March 2018, 252; Exhibit 1.27, Witness statement of Daniel James Huggins, 2 March 2018, Exhibit DH-4 [CBA.0001.0028.0344 at .0357]. [↑](#footnote-ref-97)
98. Exhibit 1.27, Witness statement of Daniel James Huggins, 2 March 2018, Exhibit DH-4 [CBA.0001.0028.0344 at .0363]. [↑](#footnote-ref-98)
99. Exhibit 1.27, Witness statement of Daniel James Huggins, 2 March 2018, Exhibit DH-4 [CBA.0001.0028.0344 at .0355, .0385–.0386]. [↑](#footnote-ref-99)
100. Exhibit 1.201, Witness statement of Daniel James Huggins, 26 July 2018, 9 [41]. [↑](#footnote-ref-100)
101. Exhibit 1.201, Witness statement of Daniel James Huggins, 26 July 2018, 10 [43]. [↑](#footnote-ref-101)
102. Transcript, Daniel James Huggins, 15 March 2018, 246. [↑](#footnote-ref-102)
103. Transcript, Daniel James Huggins, 15 March 2018, 246. [↑](#footnote-ref-103)
104. Transcript, Daniel James Huggins, 15 March 2018, 246. [↑](#footnote-ref-104)
105. Transcript, Daniel James Huggins, 15 March 2018, 245–6. [↑](#footnote-ref-105)
106. Exhibit 1.201, Witness statement of Daniel James Huggins, 26 July 2018,   
     11–12 [49]–[52]. [↑](#footnote-ref-106)
107. Exhibit 1.37, 10 February 2017, Letter from Mr Narev to Mr Sedgwick dated 10/02/2017 and the Annexed Issues Paper Submission dated 10/02/2017 [CBA.0001.0038.0929]. [↑](#footnote-ref-107)
108. Exhibit 1.37, 10 February 2017, Letter from Mr Narev to Mr Sedgwick dated 10/02/2017 and the Annexed Issues Paper Submission dated 10/02/2017 [CBA.0001.0038.0929   
     at .0930]. [↑](#footnote-ref-108)
109. Transcript, Daniel James Huggins, 15 March 2018, 240. [↑](#footnote-ref-109)
110. Transcript, Daniel James Huggins, 15 March 2018, 239. [↑](#footnote-ref-110)
111. Transcript, Daniel James Huggins, 15 March 2018, 239. [↑](#footnote-ref-111)
112. Transcript, Daniel James Huggins, 15 March 2018, 241; Exhibit 1.37, 10 February 2017, Letter from Mr Narev to Mr Sedgwick dated 10/02/2017 and the Annexed Issues Paper Submission dated 10/02/2017, 11 [24]. [↑](#footnote-ref-112)
113. Transcript, Daniel James Huggins, 15 March 2018, 241. [↑](#footnote-ref-113)
114. Transcript, Daniel James Huggins, 15 March 2018, 243. [↑](#footnote-ref-114)
115. Transcript, Daniel James Huggins, 15 March 2018, 258–9. [↑](#footnote-ref-115)
116. Exhibit 1.27, Witness statement of Daniel James Huggins, 2 March 2018, Exhibit DH-8 [CBA.0507.0003.0448 at .0464]. [↑](#footnote-ref-116)
117. Transcript, Daniel James Huggins, 15 March 2018, 259–60. [↑](#footnote-ref-117)
118. Exhibit 1.201, Witness statement of Daniel James Huggins, 26 July 2018, 16 [69]. [↑](#footnote-ref-118)
119. Transcript, Daniel James Huggins, 15 March 2018, 270–1. [↑](#footnote-ref-119)
120. Transcript, Daniel James Huggins, 15 March 2018, 274–5. [↑](#footnote-ref-120)
121. Transcript, Daniel James Huggins, 15 March 2018, 272. [↑](#footnote-ref-121)
122. Transcript, Daniel James Huggins, 15 March 2018, 272. [↑](#footnote-ref-122)
123. Exhibit 1.24, Witness statement of Mark Andrew Harris, 7 March 2018, 2 [7]. [↑](#footnote-ref-123)
124. Exhibit 1.24, Witness statement of Mark Andrew Harris, 7 March 2018, Exhibit MAH-1 [RCD.0014.0001.0021]; see also Transcript, Mark Andrew Harris, 14 March 2018, 218–9. [↑](#footnote-ref-124)
125. Transcript, Mark Andrew Harris, 14 March 2018, 219; Exhibit 1.24, Witness statement of Mark Andrew Harris, 7 March 2018, 3 [14], also 2 [7]. [↑](#footnote-ref-125)
126. Exhibit 1.24, Witness statement of Mark Andrew Harris, 7 March 2018, 3 [14]. [↑](#footnote-ref-126)
127. Transcript, Daniel James Huggins, 15 March 2018, 274. [↑](#footnote-ref-127)
128. Transcript, Daniel James Huggins, 15 March 2018, 269. [↑](#footnote-ref-128)
129. Exhibit 1.201, Witness statement of Daniel James Huggins, 26 July 2018, Exhibit DH-3 [CBA.0001.0428.0728]. [↑](#footnote-ref-129)
130. Exhibit 1.201, Witness statement of Daniel James Huggins, 26 July 2018, 2 [11(d)]. [↑](#footnote-ref-130)
131. Exhibit 1.201, Witness statement of Daniel James Huggins, 26 July 2018, 7 [31(b)]. [↑](#footnote-ref-131)
132. Exhibit 1.38, 16 August 2017, Internal Audit Report dated 16/08/2017 [CBA.0508.0001.0029]. [↑](#footnote-ref-132)
133. Exhibit 1.38, 16 August 2017, Internal Audit Report dated 16/08/2017 [CBA.0508.0001.0029 at .0035]. [↑](#footnote-ref-133)
134. Exhibit 1.39, 5 September 2017, Issues Logs dated September 2017, 2. [↑](#footnote-ref-134)
135. Exhibit 1.39, 5 September 2017, Issues Logs dated September 2017, 1. [↑](#footnote-ref-135)
136. Exhibit 1.39, 5 September 2017, Issues Logs dated September 2017, 18. [↑](#footnote-ref-136)
137. Exhibit 1.39, 5 September 2017, Issues Logs dated September 2017, 18. [↑](#footnote-ref-137)
138. Exhibit 1.39, 5 September 2017, Issues Logs dated September 2017, 19. [↑](#footnote-ref-138)
139. Exhibit 1.39, 5 September 2017, Issues Logs dated September 2017, 20. [↑](#footnote-ref-139)
140. Transcript, Daniel James Huggins, 15 March 2018, 301. [↑](#footnote-ref-140)
141. Transcript, Daniel James Huggins, 15 March 2018, 300. [↑](#footnote-ref-141)
142. Transcript, Daniel James Huggins, 15 March 2018, 299; Exhibit 1.39, 5 September 2017, Issues Logs dated September 2017, 2. [↑](#footnote-ref-142)
143. Transcript, Daniel James Huggins, 15 March 2018, 300. [↑](#footnote-ref-143)
144. Exhibit 1.39, 5 September 2017, Issues Logs dated September 2017, 8. [↑](#footnote-ref-144)
145. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 3 [11]. [↑](#footnote-ref-145)
146. Corporations Acts 912A(1)(aa), NCCP Act s 47(1)(b). There being no dispute that s 47(1)(b) applies, and there being no relevant difference between that Section and s 912A(1)(aa), it is not necessary to examine whether or when the latter provision applies. It is enough to proceed by reference only to s 47(1)(b) of the NCCP Act. [↑](#footnote-ref-146)
147. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 2 [4(d)]. [↑](#footnote-ref-147)
148. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 3 [9],   
     4 [16]. [↑](#footnote-ref-148)
149. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 5 [22]. [↑](#footnote-ref-149)
150. Explanatory Memorandum, National Consumer Credit Protection Bill 2009 (Cth) [2.115]. [↑](#footnote-ref-150)
151. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 4 [17]. [↑](#footnote-ref-151)
152. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018,   
     4 [17(d)]. [↑](#footnote-ref-152)
153. ASIC, *Report 516: Review of Mortgage Broker Remuneration*, March 2017, 14 [51]–[54]. [↑](#footnote-ref-153)
154. Exhibit 1.27, Witness statement of Daniel James Huggins, 2 March 2018, Exhibit DH-8 [CBA.0507.0003.0448 at .0464]. [↑](#footnote-ref-154)
155. Exhibit 1.27, Witness statement of Daniel James Huggins, 2 March 2018, Exhibit DH-9 [CBA.0507.0004.1654 at .0658]. [↑](#footnote-ref-155)
156. Exhibit 1.78, Witness statement of David Lee Smith, 6 March 2018. [↑](#footnote-ref-156)
157. Exhibit 1.78, Witness statement of David Lee Smith, 6 March 2018, 2 [9]. [↑](#footnote-ref-157)
158. Exhibit 1.78, Witness statement of David Lee Smith, 6 March 2018, 2 [10]. [↑](#footnote-ref-158)
159. CBA, ‘CBA Announces Intention to Demerge Wealth Management and Mortgage Broking Businesses’ (Media Release, 25 June 2018) <www.commbank.com.au/guidance/  
     newsroom/demerger-of-wealth-and-mortgage-broking-businesses-201806.html>. [↑](#footnote-ref-159)
160. Transcript, Lynda Gay Harris, 16 March 2018, 373–4; Transcript, Lynda Gay Harris,   
     16 March 2018, 377 (Meehan); Transcript, Lynda Gay Harris, 15 March 2018, 318 (Sahay); Exhibit 1.64, 10 February 2015, Document Entitled Matter of Bernie Meehan, Overview; Transcript, Lynda Gay Harris, 16 March 2018, 374; Transcript, Lynda Gay Harris, 16 March 2018, 378 (Meehan). [↑](#footnote-ref-160)
161. Exhibit 1.78, Witness statement of David Lee Smith, 6 March 2018, 7–8 [57]–[61]. [↑](#footnote-ref-161)
162. Transcript, Lynda Gay Harris, 16 March 2018, 380; Exhibit 1.67, 3 September 2008, Contract between AHL and Nair, 10 [10.1]. [↑](#footnote-ref-162)
163. Transcript, Lynda Gay Harris, 15 March 2018, 319 (Sahay); Transcript, Lynda Gay Harris, 16 March 2018, 381 (Khalil); Transcript, Lynda Gay Harris, 16 March 2018, 378 (Nair); Exhibit 1.60, 24 June 2014, Email from Whyte to Gilbey. [↑](#footnote-ref-163)
164. Transcript, Lynda Gay Harris, 16 March 2018, 348 (Khalil); Transcript, Lynda Gay Harris, 16 March 2018, 365 (Nair). [↑](#footnote-ref-164)
165. Transcript, Lynda Gay Harris, 15 March 2018, 315 (Sahay); Transcript, Lynda Gay Harris, 16 March 2018, 346–7 (Khalil); Transcript, Lynda Gay Harris, 16 March 2018, 365 (Nair). [↑](#footnote-ref-165)
166. Transcript, Lynda Gay Harris, 16 March 2018, 346 (Khalil); Transcript, Lynda Gay Harris, 16 March 2018, 353 (Khalil); Transcript, Lynda Gay Harris, 16 March 2018, 366 (Nair); Exhibit 1.60, 24 June 2014, Email from Whyte to Gilbey; Transcript, Lynda Gay Harris,   
     16 March 2018, 344 (Sahay). [↑](#footnote-ref-166)
167. Exhibit 1.53, 10 December 2013, Email from Tomkins to Rasby dated 10/12/2013 (Sahay); Exhibit 1.55, 7 March 2014, Email from Kennedy dated 03/02/2014 (Khalil), Exhibit 1.57, 26 March 2014, Email from Howell to Whyte and Associated Emails dated 26/03/2014 (Khalil), Transcript, Lynda Gay Harris, 16 March 2018, 357 (Khalil); Exhibit 1.60, 24 June 2014, Email from Whyte to Gilbey; Transcript, Lynda Gay Harris,   
     16 March 2018, 366 (Nair). [↑](#footnote-ref-167)
168. Transcript, Lynda Gay Harris, 16 March 2018, 371–2. [↑](#footnote-ref-168)
169. Transcript, Lynda Gay Harris, 16 March 2018, 371–2; Exhibit 1.64, 10 February 2015, Document Entitled Matter of Bernie Meehan, Overview dated 10/02/2015. [↑](#footnote-ref-169)
170. Exhibit 1.58, 10 April 2014, ASIC Cessation of Credit Representative Form dated 10/04/2014 (Khalil); Transcript, Lynda Gay Harris, 16 March 2018, 359 (Khalil); Transcript, Lynda Gay Harris, 16 March 2018, 376 (Meehan). [↑](#footnote-ref-170)
171. Exhibit 1.59, 14 October 2014, Aussie Response to ASIC Letter dated 13/10/2014, 2; Transcript, Lynda Gay Harris, 16 March 2018, 359. [↑](#footnote-ref-171)
172. Transcript, Lynda Gay Harris, 16 March 2018, 361 (Khalil); Transcript, Lynda Gay Harris, 16 March 2018, 369 (Nair); Transcript, Lynda Gay Harris, 16 March 2018, 344 (Sahay). [↑](#footnote-ref-172)
173. Transcript, Lynda Gay Harris, 15 March 2018, 330 (Sahay); Transcript, Lynda Gay Harris, 16 March 2018, 378 (Meehan); Transcript, Lynda Gay Harris, 16 March 2018, 361 (Khalil); Transcript, Lynda Gay Harris, 16 March 2018, 369 (Nair). [↑](#footnote-ref-173)
174. Transcript, Lynda Gay Harris, 16 March 2018, 345. [↑](#footnote-ref-174)
175. Transcript, Lynda Gay Harris, 15 March 2018, 312; Transcript, Lynda Gay Harris,   
     16 March 2018, 345, 383, 381. [↑](#footnote-ref-175)
176. Transcript, Lynda Gay Harris, 16 March 2018, 340–2; Transcript, Lynda Gay Harris,   
     15 March 2018, 322; Exhibit 1.42, 8 August 2013, Email from McKenzie to MacDonald dated 08/08/2013; Exhibit 1.43, 9 August 2013, Email from McKenzie dated 09/08/2013; Exhibit 1.47, 19 September 2013, Email to McKenzie and accompanying emails; Exhibit 1.52, 10 December 2013, Email from Fitzgerald to Meekin dated 10/12/2013; Exhibit 1.53, 10 December 2013, Email from Tomkins to Rasby dated 10/12/2013. [↑](#footnote-ref-176)
177. Transcript, Lynda Gay Harris, 15 March 2018, 326; Transcript, Lynda Gay Harris,   
     16 March 2018, 342. [↑](#footnote-ref-177)
178. Transcript, Lynda Gay Harris, 16 March 2018, 362. [↑](#footnote-ref-178)
179. Transcript, Lynda Gay Harris, 16 March 2018, 370. [↑](#footnote-ref-179)
180. Transcript, Lynda Gay Harris, 16 March 2018, 370–1; cf AHL, *Round 1 Hearing – Consumer Lending Closing Submissions, Part A*, 3 April 2018, 14–15 [44]. [↑](#footnote-ref-180)
181. CBA, *Commonwealth Bank and Its Associated Australian Entities (Group) – Revised Table (2)*, 22 March 2018, 1–2. [↑](#footnote-ref-181)
182. AHL, *Round 1 Hearing – Consumer Lending Closing Submissions, Part A*, 3 April 2018,   
     1 [1]. [↑](#footnote-ref-182)
183. AHL, *Round 1 Hearing – Consumer Lending Closing Submissions, Part A,* 3 April 2018,   
     3 [7]. [↑](#footnote-ref-183)
184. Exhibit 1.73, Witness statement of Giles Edward Boddy, 5 March 2018, 1 [2]. [↑](#footnote-ref-184)
185. Transcript, Giles Edward Boddy, 16 March 2018, 393. [↑](#footnote-ref-185)
186. Exhibit 1.74, 11 December 2017, Group Audit and Assurance Internal Audit Report dated 11/12/2017. [↑](#footnote-ref-186)
187. Exhibit 1.74, 11 December 2017, Group Audit and Assurance Internal Audit Report dated 11/12/2017, 24. [↑](#footnote-ref-187)
188. Exhibit 1.74, 11 December 2017, Group Audit and Assurance Internal Audit Report dated 11/12/2017, 1 (emphasis added). [↑](#footnote-ref-188)
189. Exhibit 1.74, 11 December 2017, Group Audit and Assurance Internal Audit Report dated 11/12/2017, 1–2 (emphasis added). [↑](#footnote-ref-189)
190. Exhibit 1.74, 11 December 2017, Group Audit and Assurance Internal Audit Report dated 11/12/2017, 2. [↑](#footnote-ref-190)
191. Exhibit 1.74, 11 December 2017, Group Audit and Assurance Internal Audit Report dated 11/12/2017, 2. [↑](#footnote-ref-191)
192. Transcript, Giles Edward Boddy, 16 March 2018, 393. [↑](#footnote-ref-192)
193. Commission’s Terms of Reference, (d)(i). [↑](#footnote-ref-193)
194. Exhibit 1.82, Witness statement of Robert Emmett Regan, 8 March 2018. [↑](#footnote-ref-194)
195. Exhibit 1.86, Witness statement of William Andrew Ranken, 4 March 2018. [↑](#footnote-ref-195)
196. Transcript, William Andrew Ranken, 19 March 2018, 453. [↑](#footnote-ref-196)
197. Transcript, William Andrew Ranken, 19 March 2018, 454. [↑](#footnote-ref-197)
198. Transcript, William Andrew Ranken, 19 March 2018, 454. [↑](#footnote-ref-198)
199. Transcript, William Andrew Ranken, 19 March 2018, 454. [↑](#footnote-ref-199)
200. Transcript, William Andrew Ranken, 19 March 2018, 455. [↑](#footnote-ref-200)
201. Transcript, William Andrew Ranken, 19 March 2018, 455. [↑](#footnote-ref-201)
202. Transcript, William Andrew Ranken, 19 March 2018, 455. [↑](#footnote-ref-202)
203. Transcript, William Andrew Ranken, 19 March 2018, 458. [↑](#footnote-ref-203)
204. Transcript, William Andrew Ranken, 19 March 2018, 463–4. [↑](#footnote-ref-204)
205. Transcript, William Andrew Ranken, 19 March 2018, 469. [↑](#footnote-ref-205)
206. Transcript, William Andrew Ranken, 19 March 2018, 469. [↑](#footnote-ref-206)
207. Transcript, William Andrew Ranken, 19 March 2018, 469. [↑](#footnote-ref-207)
208. Transcript, William Andrew Ranken, 19 March 2018, 464–6. [↑](#footnote-ref-208)
209. Transcript, William Andrew Ranken, 19 March 2018, 463–4; see also Transcript, William Andrew Ranken, 19 March 2018, 471; Exhibit 1.86, Witness statement of William Andrew Ranken, 4 March 2018, 9 [54(h)]. [↑](#footnote-ref-209)
210. Transcript, William Andrew Ranken, 19 March 2018, 464. [↑](#footnote-ref-210)
211. Transcript, William Andrew Ranken, 19 March 2018, 473; see also Exhibit 1.87, 28 April 2017, KPMG Targeted Review 2016/2017, 9. [↑](#footnote-ref-211)
212. Exhibit 1.87, 28 April 2017, KPMG Targeted Review 2016/2017, 18. [↑](#footnote-ref-212)
213. Transcript, William Andrew Ranken, 19 March 2018, 474. [↑](#footnote-ref-213)
214. Transcript, William Andrew Ranken, 19 March 2018, 477. [↑](#footnote-ref-214)
215. Transcript, William Andrew Ranken, 19 March 2018, 477. [↑](#footnote-ref-215)
216. Transcript, William Andrew Ranken, 19 March 2018, 477. [↑](#footnote-ref-216)
217. Transcript, William Andrew Ranken, 19 March 2018, 477–8. [↑](#footnote-ref-217)
218. Transcript, William Andrew Ranken, 19 March 2018, 478. [↑](#footnote-ref-218)
219. Transcript, Robert Emmett Regan, 16 March 2018, 436, 443. [↑](#footnote-ref-219)
220. Transcript, Robert Emmett Regan, 16 March 2018, 435, 443. [↑](#footnote-ref-220)
221. Transcript, Robert Emmett Regan, 16 March 2018, 435. [↑](#footnote-ref-221)
222. Transcript, Robert Emmett Regan, 16 March 2018, 436; Exhibit 1.82, Witness statement of Robert Emmett Regan, 8 March 2018, 1–2 [4]. [↑](#footnote-ref-222)
223. Transcript, Robert Emmett Regan, 16 March 2018, 437. [↑](#footnote-ref-223)
224. Transcript, Robert Emmett Regan, 16 March 2018, 438–9. [↑](#footnote-ref-224)
225. Exhibit 1.82, Witness statement of Robert Emmett Regan, 8 March 2018, 4 [16]. [↑](#footnote-ref-225)
226. Transcript, Robert Emmett Regan, 16 March 2018, 438–9. [↑](#footnote-ref-226)
227. Exhibit 1.86, Witness statement of William Andrew Ranken, 4 March 2018, Exhibit   
     WAR-7 [ANZ.800.141.3018 at .3020]. [↑](#footnote-ref-227)
228. Transcript, Robert Emmett Regan, 16 March 2018, 442. [↑](#footnote-ref-228)
229. Exhibit 1.86, Witness statement of William Andrew Ranken, 4 March 2018, 10 [59(b)(i)], 11 [59(b)(iv)], 11 [59(b)(vi)]. [↑](#footnote-ref-229)
230. Transcript, William Andrew Ranken, 19 March 2018, 482. [↑](#footnote-ref-230)
231. Transcript, William Andrew Ranken, 19 March 2018, 482–3. [↑](#footnote-ref-231)
232. Transcript, William Andrew Ranken, 19 March 2018, 482–3. [↑](#footnote-ref-232)
233. Transcript, William Andrew Ranken, 19 March 2018, 484; Exhibit 1.90, undated,   
     Log of Assessor’s Comments re Regan, 9–10 (entry dated 3 August 2017). [↑](#footnote-ref-233)
234. Transcript, William Andrew Ranken, 19 March 2018, 486. [↑](#footnote-ref-234)
235. Transcript, William Andrew Ranken, 19 March 2018, 483–4; Exhibit 1.90, undated,   
     Log of Assessor’s Comments re Regan, 7–8 (entry dated 3 October 2017). [↑](#footnote-ref-235)
236. See, eg, Transcript, William Andrew Ranken, 19 March 2018, 484; Exhibit 1.86,   
     Witness statement of William Andrew Ranken, 4 March 2018, Exhibit WAR-10 [ANZ.800.141.3233 at .3233]. [↑](#footnote-ref-236)
237. Transcript, Robert Emmett Regan, 16 March 2018, 443; Exhibit 1.82, Witness statement of Robert Emmett Regan, 8 March 2018, 7 [27]–[29]. [↑](#footnote-ref-237)
238. Transcript, Robert Emmett Regan, 16 March 2018, 443; Exhibit 1.82, Witness statement of Robert Emmett Regan, 8 March 2018, 7 [27]–[28]. [↑](#footnote-ref-238)
239. Transcript, Robert Emmett Regan, 16 March 2018, 443; Exhibit 1.82, Witness statement of Robert Emmett Regan, 8 March 2018, 5 [17], 7 [27]–[28]. [↑](#footnote-ref-239)
240. Transcript, William Andrew Ranken, 19 March 2018, 469. [↑](#footnote-ref-240)
241. ANZ, *ANZ’s Submission on Findings and Questions Arising from Case Studies Involving ANZ*, 3 April 2018, 3–4 [2.12]–[2.17]. [↑](#footnote-ref-241)
242. Contrary to s 130(1)(c) of the NCCP Act. [↑](#footnote-ref-242)
243. Contrary to s 131(1) of the NCCP Act. [↑](#footnote-ref-243)
244. ANZ, *ANZ’s Submission on Findings and Questions Arising from Case Studies Involving ANZ*, 3 April 2018, 2 [2.7]. [↑](#footnote-ref-244)
245. ANZ, *ANZ’s Submission on Findings and Questions Arising from Case Studies Involving ANZ*, 3 April 2018, 3 [2.9]. [↑](#footnote-ref-245)
246. Transcript, Clive Richard van Horen, 19 March 2018, 537. [↑](#footnote-ref-246)
247. Transcript, Clive Richard van Horen, 19 March 2018, 564. [↑](#footnote-ref-247)
248. Exhibit 1.92, Witness statement of Irene Savidis, 9 March 2018. [↑](#footnote-ref-248)
249. Exhibit 1.95, Witness statement of Clive Richard van Horen, 9 March 2018; Exhibit 1.96, Witness statement of Clive Richard van Horen in relation to Ms Savidis, 9 March 2018; Exhibit 1.97, Witness statement of Clive Richard van Horen, 5 March 2018. [↑](#footnote-ref-249)
250. Transcript, Clive Richard van Horen, 19 March 2018, 504. [↑](#footnote-ref-250)
251. Transcript, Clive Richard van Horen, 19 March 2018, 504; Exhibit 1.95, Witness statement of Clive Richard van Horen, 9 March 2018, 7 [28]. [↑](#footnote-ref-251)
252. Transcript, Clive Richard van Horen, 19 March 2018, 511; Exhibit 1.95, Witness statement of Clive Richard van Horen, 9 March 2018, Exhibit CVH-7 [CBA.0001.0027.0002 at .0002]. [↑](#footnote-ref-252)
253. Transcript, Clive Richard van Horen, 19 March 2018, 511. [↑](#footnote-ref-253)
254. Exhibit 1.99, October 2011, ASIC Report Numbered 256, 10; Transcript, Clive Richard van Horen, 19 March 2018, 512. [↑](#footnote-ref-254)
255. Transcript, Clive Richard van Horen, 19 March 2018, 513. [↑](#footnote-ref-255)
256. Transcript, Clive Richard van Horen, 19 March 2018, 520, 521. [↑](#footnote-ref-256)
257. Transcript, Clive Richard van Horen, 19 March 2018, 521. [↑](#footnote-ref-257)
258. Transcript, Clive Richard van Horen, 19 March 2018, 522. [↑](#footnote-ref-258)
259. Transcript, Clive Richard van Horen, 19 March 2018, 522. [↑](#footnote-ref-259)
260. Transcript, Clive Richard van Horen, 19 March 2018, 516; Exhibit 1.95,   
     Witness statement of Clive Richard van Horen, 9 March 2018, Exhibit CVH-9 [CBA.0001.0024.0118]. [↑](#footnote-ref-260)
261. Transcript, Clive Richard van Horen, 19 March 2018, 517. [↑](#footnote-ref-261)
262. Transcript, Clive Richard van Horen, 19 March 2018, 516. [↑](#footnote-ref-262)
263. Transcript, Clive Richard van Horen, 19 March 2018, 518. [↑](#footnote-ref-263)
264. Transcript, Clive Richard van Horen, 19 March 2018, 528. [↑](#footnote-ref-264)
265. Transcript, Clive Richard van Horen, 19 March 2018, 528. [↑](#footnote-ref-265)
266. Transcript, Clive Richard van Horen, 19 March 2018, 528. [↑](#footnote-ref-266)
267. Transcript, Clive Richard van Horen, 19 March 2018, 529. [↑](#footnote-ref-267)
268. Transcript, Clive Richard van Horen, 19 March 2018, 532–4. [↑](#footnote-ref-268)
269. Transcript, Clive Richard van Horen, 19 March 2018, 534–5. [↑](#footnote-ref-269)
270. Transcript, Clive Richard van Horen, 19 March 2018, 535. [↑](#footnote-ref-270)
271. Transcript, Irene Savidis, 19 March 2018, 496. [↑](#footnote-ref-271)
272. Transcript, Irene Savidis, 19 March 2018, 495. [↑](#footnote-ref-272)
273. Transcript, Irene Savidis, 19 March 2018, 495. [↑](#footnote-ref-273)
274. Transcript, Clive Richard van Horen, 19 March 2018, 537. [↑](#footnote-ref-274)
275. Transcript, Clive Richard van Horen, 19 March 2018, 538. [↑](#footnote-ref-275)
276. Transcript, Clive Richard van Horen, 19 March 2018, 539. [↑](#footnote-ref-276)
277. Transcript, Clive Richard van Horen, 19 March 2018, 539. [↑](#footnote-ref-277)
278. Transcript, Clive Richard van Horen, 19 March 2018, 539. [↑](#footnote-ref-278)
279. Transcript, Clive Richard van Horen, 19 March 2018, 539. [↑](#footnote-ref-279)
280. Transcript, Clive Richard van Horen, 19 March 2018, 541. [↑](#footnote-ref-280)
281. Transcript, Clive Richard van Horen, 19 March 2018, 543. [↑](#footnote-ref-281)
282. Transcript, Clive Richard van Horen, 19 March 2018, 543, 546. [↑](#footnote-ref-282)
283. Transcript, Clive Richard van Horen, 19 March 2018, 545; see also 544. [↑](#footnote-ref-283)
284. Exhibit 1.95, Witness statement of Clive Richard van Horen, 9 March 2018, 17 [98]; Transcript, Clive Richard van Horen, 19 March 2018, 546. [↑](#footnote-ref-284)
285. Transcript, Clive Richard van Horen, 19 March 2018, 548. [↑](#footnote-ref-285)
286. Transcript, Clive Richard van Horen, 19 March 2018, 549. [↑](#footnote-ref-286)
287. Transcript, Clive Richard van Horen, 19 March 2018, 549. [↑](#footnote-ref-287)
288. Transcript, Clive Richard van Horen, 19 March 2018, 549. [↑](#footnote-ref-288)
289. Exhibit 1.95, Witness statement of Clive Richard van Horen, 9 March 2018,   
     Exhibit CVH-25 [CBA.0001.0025.0606]. [↑](#footnote-ref-289)
290. Transcript, Clive Richard van Horen, 19 March 2018, 552; Exhibit 1.95,   
     Witness statement of Clive Richard van Horen, 9 March 2018, Exhibit CVH-26 [CBA.0001.0027.3043]. [↑](#footnote-ref-290)
291. Transcript, Clive Richard van Horen, 19 March 2018, 553. [↑](#footnote-ref-291)
292. Transcript, Clive Richard van Horen, 19 March 2018, 546. [↑](#footnote-ref-292)
293. Transcript, Clive Richard van Horen, 19 March 2018, 557; Exhibit 1.97,  
     Witness statement of Clive Richard van Horen, 5 March 2018, 1 [4]. [↑](#footnote-ref-293)
294. Transcript, Clive Richard van Horen, 19 March 2018, 558; see also Exhibit 1.107,   
     29 January 2018, Paragraphs 131 to 138 of CBA Group Response, 2 [137]. [↑](#footnote-ref-294)
295. Transcript, Clive Richard van Horen, 19 March 2018, 558–9. [↑](#footnote-ref-295)
296. Transcript, Clive Richard van Horen, 19 March 2018, 563–4; see also Exhibit 1.111,   
     5 March 2018, Life Product Strategy Bank Channel Distribution dated 05/03/2018, 2 [3.3]. [↑](#footnote-ref-296)
297. Transcript, Clive Richard van Horen, 19 March 2018, 570. [↑](#footnote-ref-297)
298. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 13 [63]. [↑](#footnote-ref-298)
299. Exhibit 1.99, October 2011, ASIC Report Numbered 256, 23 [89]. [↑](#footnote-ref-299)
300. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 13 [63]. [↑](#footnote-ref-300)
301. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 13 [63]. [↑](#footnote-ref-301)
302. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 15 [75]. [↑](#footnote-ref-302)
303. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 16 [77]. [↑](#footnote-ref-303)
304. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 16 [77]. [↑](#footnote-ref-304)
305. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 16 [79]. [↑](#footnote-ref-305)
306. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 11 [58]. [↑](#footnote-ref-306)
307. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018,   
     12 [61(b)]. [↑](#footnote-ref-307)
308. Transcript, Clive Richard van Horen, 19 March 2018, 544. [↑](#footnote-ref-308)
309. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 13 [63]. [↑](#footnote-ref-309)
310. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 16 [80]. [↑](#footnote-ref-310)
311. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 16 [80]. [↑](#footnote-ref-311)
312. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 16 [79], [80]. [↑](#footnote-ref-312)
313. Transcript, Clive Richard van Horen, 19 March 2018, 563. [↑](#footnote-ref-313)
314. Transcript, Clive Richard van Horen, 19 March 2018, 566. [↑](#footnote-ref-314)
315. Transcript, Clive Richard van Horen, 19 March 2018, 564. [↑](#footnote-ref-315)
316. Transcript, Clive Richard van Horen, 19 March 2018, 563. [↑](#footnote-ref-316)
317. Transcript, Clive Richard van Horen, 19 March 2018, 568. [↑](#footnote-ref-317)
318. Taking into account that some applications were submitted jointly by more than one customer: Exhibit 1.113, Witness statement of Clive van Horen, 9 March 2018, 7 [31]. [↑](#footnote-ref-318)
319. Transcript, Clive Richard van Horen, 20 March 2018, 585. [↑](#footnote-ref-319)
320. Exhibit 1.113, Witness statement of Clive Richard van Horen. 9 March 2018, 1 [7]. [↑](#footnote-ref-320)
321. Exhibit 1.113, Witness statement of Clive Richard van Horen, 9 March 2018, 2 [11(d)]. [↑](#footnote-ref-321)
322. Exhibit 1.113, Witness statement of Clive Richard van Horen, 9 March 2018, 2 [8]. [↑](#footnote-ref-322)
323. Exhibit 1.113, Witness statement of Clive Richard van Horen, 9 March 2018, 2 [11(d)(i)]. [↑](#footnote-ref-323)
324. Exhibit 1.113, Witness statement of Clive Richard van Horen, 9 March 2018, 4 [15]. [↑](#footnote-ref-324)
325. Exhibit 1.113, Witness statement of Clive Richard van Horen, 9 March 2018, 5 [21]. [↑](#footnote-ref-325)
326. Exhibit 1.113, Witness statement of Clive Richard van Horen, 9 March 2018, 5 [21(a)]; Transcript, Clive Richard van Horen, 20 March 2018, 586. [↑](#footnote-ref-326)
327. Transcript, Clive Richard van Horen, 20 March 2018, 590. [↑](#footnote-ref-327)
328. Transcript, Clive Richard van Horen, 20 March 2018, 593. [↑](#footnote-ref-328)
329. Exhibit 1.113, Witness statement of Clive van Horen, 9 March 2018, 5 [22]. [↑](#footnote-ref-329)
330. Transcript, Clive Richard van Horen, 20 March 2018, 590; Exhibit 1.113,   
     Witness statement of Clive van Horen, 9 March 2018, 5 [22]. [↑](#footnote-ref-330)
331. Transcript, Clive Richard van Horen, 20 March 2018, 616. [↑](#footnote-ref-331)
332. Exhibit 1.113, Witness statement of Clive van Horen, 9 March 2018, 6 [26]. [↑](#footnote-ref-332)
333. Exhibit 1.113, Witness statement of Clive van Horen, 9 March 2018, 7 [31], 6 [28]. [↑](#footnote-ref-333)
334. Exhibit 1.113, Witness statement of Clive van Horen, 9 March 2018, 9 [40]. [↑](#footnote-ref-334)
335. Transcript, Clive Richard van Horen, 20 March 2018, 589. [↑](#footnote-ref-335)
336. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 19 [93]. [↑](#footnote-ref-336)
337. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 19 [94]. [↑](#footnote-ref-337)
338. Transcript, Clive Richard van Horen, 20 March 2018, 584. [↑](#footnote-ref-338)
339. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 19 [96]. [↑](#footnote-ref-339)
340. Exhibit 1.113, Witness statement of Clive Richard van Horen, 9 March 2018, 5 [22]. [↑](#footnote-ref-340)
341. Exhibit 1.113, Witness statement of Clive Richard van Horen, 9 March 2018, 5 [22]. [↑](#footnote-ref-341)
342. Transcript, Clive Richard van Horen, 20 March 2018, 594. [↑](#footnote-ref-342)
343. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 19 [93]. [↑](#footnote-ref-343)
344. Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, Exhibit HF1 (Tab 12) [ANZ.800.077.0033]; see also Transcript, Heang Forbes, 20 March 2018, 639. [↑](#footnote-ref-344)
345. Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, 2 [7]. [↑](#footnote-ref-345)
346. Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, 4 [26]. [↑](#footnote-ref-346)
347. Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, Exhibit HF2 (Tab 3) [ANZ.800.255.7837]; Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, Exhibit HF2 (Tab 28) [ANZ.800.259.0129]. [↑](#footnote-ref-347)
348. Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, Exhibit HF1 (Tab 1) [ANZ.800.077.0001]. [↑](#footnote-ref-348)
349. Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, Exhibit HF1 (Tab 6) [ANZ.800.255.9453]. [↑](#footnote-ref-349)
350. Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018 3 [17];   
     Transcript, Heang Forbes, 20 March 2018, 625. [↑](#footnote-ref-350)
351. Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, 5 [35]–[36]. [↑](#footnote-ref-351)
352. Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, 5 [37(c)]. [↑](#footnote-ref-352)
353. Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, 8 [53]. [↑](#footnote-ref-353)
354. Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, Exhibit HF1 (Tab 2) [ANZ.800.255.7833]; see also Transcript, Heang Forbes, 20 March 2018, 630. [↑](#footnote-ref-354)
355. Transcript, Heang Forbes, 20 March 2018, 634. [↑](#footnote-ref-355)
356. Transcript, Heang Forbes, 20 March 2018, 634. [↑](#footnote-ref-356)
357. Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, 9 [57]. [↑](#footnote-ref-357)
358. Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, Exhibit HF1 (Tab 25) [ANZ.800.255.8729 at .8730]. [↑](#footnote-ref-358)
359. Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, Exhibit HF1 (Tab 25) [ANZ.800.255.8729 at .8730]. [↑](#footnote-ref-359)
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361. Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, Exhibit HF1 (Tab 19) [ANZ.800.255.9022]; Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, Exhibit HF1 (Tab 20) [ANZ.800.255.9026]; Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, Exhibit HF1 (Tab 21) [ANZ.800.255.9030]; Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, Exhibit HF1 (Tab 22) [ANZ.800.255.9034]; Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, Exhibit HF1 (Tab 23) [ANZ.800.255.9038]. [↑](#footnote-ref-361)
362. Exhibit 1.122, Witness statement of Heang Forbes, 1 March 2018, Exhibit HF1 [ANZ.800.255.8807]. [↑](#footnote-ref-362)
363. Exhibit 1.124, 19 January 2017, Email from ANZ to ASIC dated 19/01/2017. [↑](#footnote-ref-363)
364. Transcript, Heang Forbes, 20 March 2018, 645. [↑](#footnote-ref-364)
365. Transcript, Heang Forbes, 20 March 2018, 646. [↑](#footnote-ref-365)
366. Exhibit 1.127, undated, items 134, 135, 137, 138 and 151 of ANZ Response to 2 February 2018 Inquiry, 36 [137]; Transcript, Sarah Mary Stubbings, 20 March 2018, 651. [↑](#footnote-ref-366)
367. Exhibit 1.127, undated, items 134, 135, 137, 138 and 151 of ANZ Response to 2 February 2018 Inquiry, 36 [137]; Transcript, Sarah Mary Stubbings, 20 March 2018, 651. [↑](#footnote-ref-367)
368. Exhibit 1.126, Witness statement of Sarah Mary Stubbings, 5 March 2018, 7 [33]; Transcript, Sarah Mary Stubbings, 20 March 2018, 668. [↑](#footnote-ref-368)
369. Exhibit 1.127, undated, items 134, 135, 137, 138 and 151 of ANZ Response to 2 February 2018 Inquiry, 36 [138]; Transcript, Sarah Mary Stubbings, 21 March 2018, 689. [↑](#footnote-ref-369)
370. Transcript, Sarah Mary Stubbings, 20 March 2018, 682. [↑](#footnote-ref-370)
371. Transcript, Sarah Mary Stubbings, 21 March 2018, 695, 710. [↑](#footnote-ref-371)
372. Exhibit 1.127, undated, items 134, 135, 137, 138 and 151 of ANZ Response to 2 February 2018 Inquiry, 35 [135]; Transcript, Sarah Mary Stubbings, 20 March 2018, 652. [↑](#footnote-ref-372)
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375. Transcript, Sarah Mary Stubbings, 21 March 2018, 710. [↑](#footnote-ref-375)
376. Transcript, Sarah Mary Stubbings, 21 March 2018, 707. [↑](#footnote-ref-376)
377. Transcript, Sarah Mary Stubbings, 21 March 2018, 709. [↑](#footnote-ref-377)
378. Transcript, Sarah Mary Stubbings, 20 March 2018, 664, 665; Exhibit 1.126, Witness statement of Sarah Stubbings, 5 March 2018, Exhibit SMS-7 [ANZ.800.223.1330   
     at .1335]. [↑](#footnote-ref-378)
379. Transcript, Sarah Mary Stubbings, 20 March 2018, 665, 664; Exhibit 1.126, Witness statement of Sarah Stubbings, 5 March 2018, Exhibit SMS-7 [ANZ.800.223.1330   
     at .1335]. [↑](#footnote-ref-379)
380. Exhibit 1.126, Witness statement of Sarah Stubbings, 5 March 2018, 7 [31]; ANZ, *ANZ’s Submission on Findings and Questions Arising from Case Studies Involving ANZ*, 3 April 2018, 17 [4.28]. [↑](#footnote-ref-380)
381. Exhibit 1.133, April 2014, Key Learnings Document dated April 2014, 19;   
     Transcript, Sarah Mary Stubbings, 20 March 2018, 677. [↑](#footnote-ref-381)
382. Transcript, Sarah Mary Stubbings, 20 March 2018, 677. [↑](#footnote-ref-382)
383. Transcript, Sarah Mary Stubbings, 21 March 2018, 689–90, 694. [↑](#footnote-ref-383)
384. Transcript, Sarah Mary Stubbings, 21 March 2018, 699. [↑](#footnote-ref-384)
385. Transcript, Sarah Mary Stubbings, 21 March 2018, 701. [↑](#footnote-ref-385)
386. Transcript, Sarah Mary Stubbings, 21 March 2018, 704. [↑](#footnote-ref-386)
387. Transcript, Sarah Mary Stubbings, 21 March 2018, 705. [↑](#footnote-ref-387)
388. ANZ, *ANZ’s Submission on Findings and Questions Arising from Case Studies   
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     Involving ANZ*, 3 April 2018, 17 [4.29]. [↑](#footnote-ref-389)
390. Transcript, Sarah Mary Stubbings, 20 March 2018, 660.25, 659. [↑](#footnote-ref-390)
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396. Transcript, Sarah Mary Stubbings, 21 March 2018, 693–4. [↑](#footnote-ref-396)
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     Involving ANZ*, 3 April 2018, 15 [4.22]. [↑](#footnote-ref-397)
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399. Transcript, Sarah Mary Stubbings, 21 March 2018, 702. [↑](#footnote-ref-399)
400. ANZ, *ANZ’s Submission on Findings and Questions Arising from Case Studies   
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401. ANZ, *ANZ’s Submission on Findings and Questions Arising from Case Studies   
     Involving ANZ*, 3 April 2018, 17 [4.28(a)]. [↑](#footnote-ref-401)
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     Involving ANZ*, 3 April 2018, 17 [4.28(d)]. [↑](#footnote-ref-402)
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     Involving ANZ*, 3 April 2018, 17 [4.28(a)]. [↑](#footnote-ref-403)
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     Involving ANZ*, 3 April 2018, 17 [4.28(a)]. [↑](#footnote-ref-404)
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     Involving ANZ*, 3 April 2018, 14 [4.21]. [↑](#footnote-ref-406)
407. cf ANZ, *ANZ’s Submission on Findings and Questions Arising from Case Studies Involving ANZ*, 3 April 2018, 17 [4.28(b)–(c)]. [↑](#footnote-ref-407)
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410. Exhibit 1.141, Witness statement of Phillip George Godkin, 5 March 2018, 1 [3]. [↑](#footnote-ref-410)
411. Exhibit 1.141, Witness statement of Phillip George Godkin, 5 March 2018, 3 [11]. [↑](#footnote-ref-411)
412. Transcript, Phillip George Godkin, 21 March 2018, 733–4. [↑](#footnote-ref-412)
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414. Transcript, Phillip George Godkin, 21 March 2018, 734. [↑](#footnote-ref-414)
415. Transcript, Phillip George Godkin, 21 March 2018, 734. [↑](#footnote-ref-415)
416. Transcript, Phillip George Godkin, 21 March 2018, 763–4. [↑](#footnote-ref-416)
417. Transcript, Phillip George Godkin, 21 March 2018, 769–70. [↑](#footnote-ref-417)
418. Transcript, Phillip George Godkin, 21 March 2018, 764–5; Exhibit 1.145,   
     24 February 2017, Page from the Second Line Controls Assurance Memo. [↑](#footnote-ref-418)
419. Transcript, Phillip George Godkin, 21 March 2018, 733; Exhibit 1.141, Witness   
     statement of Mr Phillip George Godkin dated 5 March 2018, 8–9 [36], 11–12 [47]–[48]. [↑](#footnote-ref-419)
420. Transcript, Phillip George Godkin, 21 March 2018, 776. [↑](#footnote-ref-420)
421. Transcript, Phillip George Godkin, 21 March 2018, 746; see also Transcript,   
     Phillip George Godkin, 21 March 2018, 773–5. [↑](#footnote-ref-421)
422. Transcript, Phillip George Godkin, 21 March 2018, 745–6; see also Transcript,   
     Phillip George Godkin, 21 March 2018, 776. [↑](#footnote-ref-422)
423. Transcript, Phillip George Godkin, 21 March 2018, 745. [↑](#footnote-ref-423)
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425. Transcript, Phillip George Godkin, 21 March 2018, 767. [↑](#footnote-ref-425)
426. Transcript, Phillip George Godkin, 21 March 2018, 766–7. [↑](#footnote-ref-426)
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433. Transcript, Phillip George Godkin, 21 March 2018, 781. [↑](#footnote-ref-433)
434. Transcript, Phillip George Godkin, 21 March 2018, 785. [↑](#footnote-ref-434)
435. Exhibit 1.147, undated, Page from the Board Risk and Compliance Committee  
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436. Transcript, Phillip George Godkin, 21 March 2018, 752. [↑](#footnote-ref-436)
437. Transcript, Phillip George Godkin, 21 March 2018, 752. [↑](#footnote-ref-437)
438. Transcript, Phillip George Godkin, 21 March 2018, 753–4. [↑](#footnote-ref-438)
439. Transcript, Phillip George Godkin, 21 March 2018, 754; see also Transcript,   
     Phillip George Godkin, 21 March 2018, 753, 756. [↑](#footnote-ref-439)
440. Transcript, Phillip George Godkin, 21 March 2018, 757–8; see also Transcript,   
     Phillip George Godkin, 21 March 2018, 780, 787–8. [↑](#footnote-ref-440)
441. Transcript, Phillip George Godkin, 21 March 2018, 756–7. Exhibit 1.144, 5 August 2015, Group Assurance Report, 4. [↑](#footnote-ref-441)
442. Transcript, Phillip George Godkin, 21 March 2018, 753. [↑](#footnote-ref-442)
443. Transcript, Phillip George Godkin, 21 March 2018, 754. [↑](#footnote-ref-443)
444. Transcript, Phillip George Godkin, 21 March 2018, 754. [↑](#footnote-ref-444)
445. Exhibit 1.138, Witness statement of Nalini Devi Thiruvangadam, 15 March 2018,   
     6 [26], 8 [34]. [↑](#footnote-ref-445)
446. Exhibit 1.138, Witness statement of Nalini Devi Thiruvangadam, 15 March 2018,   
     2 [9]–[10]. [↑](#footnote-ref-446)
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448. Exhibit 1.138, Witness statement of Nalini Devi Thiruvangadam, 15 March 2018, 3 [11],   
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     1 [4]–[5], 7[28]. [↑](#footnote-ref-450)
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452. Exhibit 1.138, Witness statement of Nalini Devi Thiruvangadam, 15 March 2018,   
     12 [54]. [↑](#footnote-ref-452)
453. Exhibit 1.142, Witness statement of Phillip George Godkin, 5 March 2018, 5–6 [17]; Transcript, Phillip George Godkin, 21 March 2018, 735–8, 740; Westpac, *Westpac Banking Corporation – Submissions on Auto Finance Case Study*, 3 April 2018, 1–2 [4]. [↑](#footnote-ref-453)
454. Transcript, Phillip George Godkin, 21 March 2018, 736. [↑](#footnote-ref-454)
455. Exhibit 1.142, Witness statement of Mr Phillip George Godkin, 5 March 2018, 5 [17(e)]. [↑](#footnote-ref-455)
456. Exhibit 1.142, Witness statement of Mr Phillip George Godkin, 5 March 2018, 5 [17(e)]. [↑](#footnote-ref-456)
457. Transcript, Phillip George Godkin, 21 March 2018, 742–3. [↑](#footnote-ref-457)
458. Transcript, Phillip George Godkin, 21 March 2018, 743. [↑](#footnote-ref-458)
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464. Transcript, Phillip George Godkin, 21 March 2018, 764. [↑](#footnote-ref-464)
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     5 [18]–[19]. [↑](#footnote-ref-492)
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     Witness statement of Guy Samuel Mendelson, 4 May 2018, 3 [12], 4 [15]. [↑](#footnote-ref-495)
496. Transcript, Guy Samuel Mendelson, 22 March 2018, 831. [↑](#footnote-ref-496)
497. Transcript, Guy Samuel Mendelson, 22 March 2018, 831. [↑](#footnote-ref-497)
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502. Transcript, Guy Samuel Mendelson, 22 March 2018, 836. [↑](#footnote-ref-502)
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522. Transcript, Guy Samuel Mendelson, 22 March 2018, 822; see also Transcript,   
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523. Transcript, Guy Samuel Mendelson, 22 March 2018, 845–6. [↑](#footnote-ref-523)
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540. Exhibit 1.161, Witness statement of Clive Richard van Horen, 22 March 2018, 2 [12]. [↑](#footnote-ref-540)
541. Exhibit 1.161, Witness statement of Clive Richard van Horen, 22 March 2018, 3 [16]. [↑](#footnote-ref-541)
542. Exhibit 1.161, Witness statement of Clive Richard van Horen, 22 March 2018, 3 [16]; Transcript, Clive Richard van Horen, 22 March 2018, 873. [↑](#footnote-ref-542)
543. Exhibit 1.161, Witness statement of Clive Richard van Horen, 22 March 2018, 3 [16],   
     4 [25(e)]; Transcript, Clive Richard van Horen, 22 March 2018, 873–5. [↑](#footnote-ref-543)
544. Exhibit 1.161, Witness statement of Clive Richard van Horen, 22 March 2018, 3 [18]–[23]. [↑](#footnote-ref-544)
545. Transcript, Clive Richard van Horen, 22 March 2018, 874, 881. [↑](#footnote-ref-545)
546. Exhibit 1.161, Witness statement of Clive Richard van Horen, 22 March 2018, 4 [25(g)], [25(h)]; Transcript, Clive Richard van Horen, 22 March 2018, 874, 881; see also CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 20 [99(b)]. [↑](#footnote-ref-546)
547. ASIC Regulatory Guide 209: Credit Licensing: Responsible Lending Conduct. [↑](#footnote-ref-547)
548. Transcript, Clive Richard van Horen, 22 March 2018, 877–8. [↑](#footnote-ref-548)
549. Transcript, Clive Richard van Horen, 22 March 2018, 878. [↑](#footnote-ref-549)
550. Transcript, Clive Richard van Horen, 22 March 2018, 881; Exhibit 1.161,   
     Witness statement of Clive Richard van Horen, 22 March 2018, 5 [25(k)]. [↑](#footnote-ref-550)
551. Transcript, Clive Richard van Horen, 22 March 2018, 881. [↑](#footnote-ref-551)
552. Transcript, Clive Richard van Horen, 22 March 2018, 882; Exhibit 1.161,   
     Witness statement of Clive Richard van Horen, 22 March 2018, 5 [25(k)]. [↑](#footnote-ref-552)
553. Transcript, Clive Richard van Horen, 22 March 2018, 882. [↑](#footnote-ref-553)
554. Transcript, Clive Richard van Horen, 22 March 2018, 883. [↑](#footnote-ref-554)
555. Transcript, Clive Richard van Horen, 22 March 2018, 889. [↑](#footnote-ref-555)
556. Exhibit 1.161, Witness statement of Clive Richard van Horen, 22 March 2018,   
     6–7 [29], [33]. [↑](#footnote-ref-556)
557. Exhibit 1.161, Witness statement of Clive Richard van Horen, 22 March 2018, 7 [33(d)]. [↑](#footnote-ref-557)
558. Transcript, Clive Richard van Horen, 22 March 2018, 884; see also Transcript,   
     Clive Richard van Horen, 22 March 2018, 886, 890. [↑](#footnote-ref-558)
559. Exhibit 1.160, Witness statement of David James Harris, 18 March 2018, 1–2 [6]–[7]; Transcript, David James Harris, 22 March 2018, 863. [↑](#footnote-ref-559)
560. Exhibit 1.160, Witness statement of David James Harris, 18 March 2018, 2 [10]; Transcript, David James Harris, 22 March 2018, 863–4. [↑](#footnote-ref-560)
561. Exhibit 1.160, Witness statement of David James Harris, 18 March 2018, 2–3 [12]–[15]; Transcript, David James Harris, 22 March 2018, 864. [↑](#footnote-ref-561)
562. Exhibit 1.160, Witness statement of David James Harris, 18 March 2018, 3 [17]; Transcript, David James Harris, 22 March 2018, 864. [↑](#footnote-ref-562)
563. Exhibit 1.160, Witness statement of David James Harris, 18 March 2018, 4 [20]; Transcript, David James Harris, 22 March 2018, 865. [↑](#footnote-ref-563)
564. Transcript, Clive Richard van Horen, 22 March 2018, 893. [↑](#footnote-ref-564)
565. Exhibit 1.160, Witness statement of David James Harris, 18 March 2018, 4 [22]. [↑](#footnote-ref-565)
566. Exhibit 1.160, Witness statement of David James Harris, 18 March 2018, 4 [22]; Transcript, David James Harris, 22 March 2018, 865. [↑](#footnote-ref-566)
567. Transcript, Clive Richard van Horen, 22 March 2018, 876. [↑](#footnote-ref-567)
568. Transcript, Clive Richard van Horen, 22 March 2018, 896. [↑](#footnote-ref-568)
569. Transcript, Clive Richard van Horen, 22 March 2018, 896. [↑](#footnote-ref-569)
570. Transcript, Clive Richard van Horen, 22 March 2018, 876. [↑](#footnote-ref-570)
571. Exhibit 1.160, Witness statement of David James Harris, 18 March 2018, 5 [24]; Transcript, David James Harris, 22 March 2018, 865; see also Transcript,   
     Clive Richard van Horen, 22 March 2018, 896. [↑](#footnote-ref-571)
572. Exhibit 1.160, Witness statement of David James Harris, 18 March 2018, 5 [25]; Transcript, David James Harris, 22 March 2018, 866. [↑](#footnote-ref-572)
573. Exhibit 1.160, Witness statement of David James Harris, 18 March 2018, 5 [25]; Transcript, David James Harris, 22 March 2018, 866. [↑](#footnote-ref-573)
574. Transcript, Clive Richard van Horen, 22 March 2018, 876. [↑](#footnote-ref-574)
575. Transcript, Clive Richard van Horen, 22 March 2018, 876. [↑](#footnote-ref-575)
576. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 22 [107]. [↑](#footnote-ref-576)
577. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 22 [108]. [↑](#footnote-ref-577)
578. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018,   
     22 [110]–[111]. [↑](#footnote-ref-578)
579. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 22 [109]. [↑](#footnote-ref-579)
580. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 23 [114]. [↑](#footnote-ref-580)
581. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 23 [119]. [↑](#footnote-ref-581)
582. CBA*, Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 23 [119]. [↑](#footnote-ref-582)
583. Mr van Horen gave evidence about a ‘very, very significant investment project’ to update its ‘collections environment’, but this evidence appeared to be confined to CBA’s collections activity: Transcript, Clive Richard van Horen, 22 March 2018, 897 line 43 to 898 line 2. [↑](#footnote-ref-583)
584. Transcript, David James Harris, 22 March 2018, 867. [↑](#footnote-ref-584)
585. Transcript, David James Harris, 22 March 2018, 867. [↑](#footnote-ref-585)
586. Transcript, Clive Richard van Horen, 22 March 2018, 897. [↑](#footnote-ref-586)
587. CBA, *Round 1 Hearing – Consumer Lending Closing Submissions*, 3 April 2018, 23 [120]. [↑](#footnote-ref-587)
588. Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018,   
     Exhibit WDM-7 [WBC.104.002.0001]; Exhibit 1.164, Witness statement of   
     William David Malcolm, 19 March 2018, Exhibit WDM-8 [WBC.104.002.0003]. [↑](#footnote-ref-588)
589. Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018, 16 [73]; Transcript, William David Malcolm, 23 March 2018, 919. [↑](#footnote-ref-589)
590. Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018, 17 [74]; Transcript, William David Malcolm, 23 March 2018, 919. [↑](#footnote-ref-590)
591. Exhibit 1.176, 18 June 2015, ASIC Note dated 18 June 2015 1 [4]. [↑](#footnote-ref-591)
592. Transcript, William David Malcom, 23 March 2018, 919. [↑](#footnote-ref-592)
593. Transcript, William David Malcom, 23 March 2018, 919; Exhibit 1.164,   
     Witness statement of William David Malcom, 19 March 2018, 8 [32]–[33]. [↑](#footnote-ref-593)
594. Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018, 6 [26]. [↑](#footnote-ref-594)
595. Transcript, William David Malcolm, 23 March 2018, 917–8. [↑](#footnote-ref-595)
596. Transcript, William David Malcolm, 23 March 2018, 918. [↑](#footnote-ref-596)
597. Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018, Exhibit WDM-8 [WBC.104.002.0003]. A hard cut off also applied for customers with a low utilisation ration (defined as 10% or lower) on the basis that Westpac did not have sufficient information to conclude that the customer was capable of servicing a higher credit limit. See Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018, 7 [29], [31], 9–10 [41]–[42]. [↑](#footnote-ref-597)
598. Transcript, William David Malcolm, 23 March 2018, 914. [↑](#footnote-ref-598)
599. Transcript, William David Malcolm, 23 March 2018, 914, 931. [↑](#footnote-ref-599)
600. Transcript, William David Malcolm, 23 March 2018, 914. [↑](#footnote-ref-600)
601. Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018,   
     Exhibit WDM-8 [WBC.104.002.0003 at .0004]. [↑](#footnote-ref-601)
602. Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018,   
     Exhibit WDM-8 [WBC.104.002.0003 at .0004]. [↑](#footnote-ref-602)
603. Transcript, William David Malcolm, 23 March 2018, 920–1. [↑](#footnote-ref-603)
604. Transcript, William David Malcolm, 23 March 2018, 919. [↑](#footnote-ref-604)
605. Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018,   
     Exhibit WDM-7 [WBC.104.002.0001]. [↑](#footnote-ref-605)
606. Transcript, William David Malcolm, 23 March 2018, 912–13. [↑](#footnote-ref-606)
607. Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018, 13 [57]. [↑](#footnote-ref-607)
608. Transcript, William David Malcolm, 23 March 2018, 919. [↑](#footnote-ref-608)
609. Transcript, William David Malcolm, 23 March 2018, 929–30. [↑](#footnote-ref-609)
610. Transcript, William David Malcolm, 23 March 2018, 937. [↑](#footnote-ref-610)
611. Transcript, William David Malcolm, 23 March 2018, 929. [↑](#footnote-ref-611)
612. Exhibit 1.170, 12 September 2012, Letter ASIC to ABA. [↑](#footnote-ref-612)
613. Exhibit 1.170, 12 September 2012, Letter ASIC to ABA, 2. [↑](#footnote-ref-613)
614. Exhibit 1.171, 5 October 2012, Westpac email re ASIC Letter dated 05/10/2012; Transcript, William David Malcolm, 23 March 2018, 930–1. [↑](#footnote-ref-614)
615. Exhibit 1.171, 5 October 2012, Westpac email re ASIC Letter dated 05/10/2012;   
     Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018,   
     Exhibit WDM-12 [WBC.099.001.2070]. [↑](#footnote-ref-615)
616. Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018,   
     Exhibit WDM-12 [WBC.099.001.2070 at .2074]. [↑](#footnote-ref-616)
617. Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018,   
     Exhibit WDM-12 [WBC.099.001.2070 at .2072]. [↑](#footnote-ref-617)
618. Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018,   
     Exhibit WDM-12 [WBC.099.001.2070 at .0271]; Transcript, William David Malcolm,   
     23 March 2018, 933. [↑](#footnote-ref-618)
619. Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018,   
     Exhibit WDM-12 [WBC.099.001.2070 at .0270]; Transcript, William David Malcom,   
     23 March 2018, 932. [↑](#footnote-ref-619)
620. Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018,   
     Exhibit WDM-14 [WBC.050.097.6212]. [↑](#footnote-ref-620)
621. Transcript, William David Malcolm, 23 March 2018, 954. [↑](#footnote-ref-621)
622. Exhibit 1.172, 13 January 2014, ASIC Letter to Westpac. [↑](#footnote-ref-622)
623. Exhibit 1.173, 9 September 2014, Letter Westpac to ASIC re Section 253 Notice dated 15/08/2014, 4; see also Exhibit 1.172, 13 January 2014, ASIC Letter to Westpac dated 13/01/2014, 2. [↑](#footnote-ref-623)
624. Exhibit 1.173, 23 August 2014, Letter Westpac to ASIC re Section 253 Notice. [↑](#footnote-ref-624)
625. Transcript, William David Malcolm, 23 March 2018, 943–4; Exhibit 1.164,   
     Witness statement of William David Malcolm, 19 March 2018, 16 [71]. [↑](#footnote-ref-625)
626. Transcript, William David Malcolm, 23 March 2018, 943–4. [↑](#footnote-ref-626)
627. Transcript, William David Malcolm, 23 March 2018, 944. [↑](#footnote-ref-627)
628. Transcript, William David Malcolm, 23 March 2018, 946. [↑](#footnote-ref-628)
629. Transcript, William David Malcolm, 23 March 2018, 947; Exhibit 1.175, 28 May 2015, ASIC Speaking Notes for Meeting with Chairman of Westpac dated 28/05/2015, 1. [↑](#footnote-ref-629)
630. Exhibit 1.175, 28 May 2015, ASIC Speaking Notes for Meeting with Chairman of Westpac dated 28/05/2015, 3. [↑](#footnote-ref-630)
631. Exhibit 1.175, 28 May 2015, ASIC Speaking Notes for Meeting with Chairman of Westpac dated 28/05/2015, 3. [↑](#footnote-ref-631)
632. Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018, 16 [68]. [↑](#footnote-ref-632)
633. Transcript, William David Malcolm, 23 March 2018, 952–3. [↑](#footnote-ref-633)
634. Transcript, William David Malcolm, 23 March 2018, 952. [↑](#footnote-ref-634)
635. Transcript, William David Malcolm, 23 March 2018, 950. [↑](#footnote-ref-635)
636. Westpac, *Westpac Banking Corporation – Credit Card Limit Increase Submissions*,   
     3 April 2018, 1 [3]. [↑](#footnote-ref-636)
637. Westpac, *Westpac Banking Corporation – Credit Card Limit Increase Submissions*,   
     3 April 2018, 1 [3]. [↑](#footnote-ref-637)
638. Westpac, *Westpac Banking Corporation – Credit Card Limit Increase Submissions*,   
     3 April 2018, 17 [74]. [↑](#footnote-ref-638)
639. Westpac, *Westpac Banking Corporation – Credit Card Limit Increase Submissions*,   
     3 April 2018, 1 [3]. [↑](#footnote-ref-639)
640. See, eg, Westpac, *Westpac Banking Corporation – Credit Card Limit Increase Submissions*, 3 April 2018, 14 [59], 15 [64], 16 [71]. [↑](#footnote-ref-640)
641. Westpac, *Westpac Banking Corporation – Credit Card Limit Increase Submissions*,   
     3 April 2018, 4 [27]. [↑](#footnote-ref-641)
642. Westpac, *Westpac Banking Corporation – Credit Card Limit Increase Submissions*,   
     3 April 2018, 1 [3], 8 [34]. [↑](#footnote-ref-642)
643. Westpac, *Westpac Banking Corporation – Credit Card Limit Increase Submissions*,   
     3 April 2018, 11 [49]. [↑](#footnote-ref-643)
644. NCCP Act s128(b)(c), s129. [↑](#footnote-ref-644)
645. NCCP Act s130(1)(b)(c). [↑](#footnote-ref-645)
646. NCCP Act s131(2)(a). [↑](#footnote-ref-646)
647. NCCP Act s132(2)(b). [↑](#footnote-ref-647)
648. Westpac, *Westpac Banking Corporation – Credit Card Limit Increase Submissions*,   
     3 April 2018, 16 [72]. [↑](#footnote-ref-648)
649. Westpac, *Westpac Banking Corporation – Credit Card Limit Increase Submissions*,   
     3 April 2018, 14 [61]. [↑](#footnote-ref-649)
650. ASIC, Regulatory Guide 209: Credit Licensing: Responsible Lending Conduct. [↑](#footnote-ref-650)
651. Exhibit 1.164, Witness statement of William David Malcolm, 19 March 2018,   
     Exhibit WDM-12 [WBC.099.001.2070]. [↑](#footnote-ref-651)
652. Transcript, William David Malcolm, 23 March 2018, 961. [↑](#footnote-ref-652)
653. Transcript, William David Malcolm, 23 March 2018, 961; see also Westpac, *Westpac Banking Corporation – Credit Card Limit Increase Submissions*, 3 April 2018, 18 [78]. [↑](#footnote-ref-653)
654. Westpac, *Westpac Banking Corporation – Credit Card Limit Increase Submissions*,   
     3 April 2018, 13 [57]. [↑](#footnote-ref-654)
655. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 4 [17], [19]. [↑](#footnote-ref-655)
656. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 14 [76]–[77]. [↑](#footnote-ref-656)
657. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 5 [27]–[29]. [↑](#footnote-ref-657)
658. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 6 [32]. [↑](#footnote-ref-658)
659. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 6 [34];   
     Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, Exhibit AM-3 [CIT.5200.0001.0141 at .0142]. [↑](#footnote-ref-659)
660. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 7 [37(a)]. [↑](#footnote-ref-660)
661. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 8 [37(b)]. [↑](#footnote-ref-661)
662. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 2 [7]. [↑](#footnote-ref-662)
663. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 6–7 [34]–[35]. [↑](#footnote-ref-663)
664. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 8 [39]. [↑](#footnote-ref-664)
665. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 8 [39]. [↑](#footnote-ref-665)
666. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 8 [39]. [↑](#footnote-ref-666)
667. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018,   
     Exhibit AM-4 [CIT.5200.0001.0158]. [↑](#footnote-ref-667)
668. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 8 [41]. [↑](#footnote-ref-668)
669. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 10 [53];   
     Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, Exhibit AM-5 [CIT.5200.0001.0151 at .0153–.0154]. [↑](#footnote-ref-669)
670. Citi, *Response of Citigroup Pty Limited and Associated Entities,* 29 January 2018*,*20–1 [75(b)]. [↑](#footnote-ref-670)
671. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 10 [53];   
     Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, Exhibit AM-5 [CIT.5200.0001.0151 at .0153]. [↑](#footnote-ref-671)
672. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 11 [55]. [↑](#footnote-ref-672)
673. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, Exhibit AM-8 [CIT.5200.0001.0137]; Exhibit 1.183, Witness statement of Alan Saul Machet,   
     28 February 2018, Exhibit AM-9 [CIT.5200.0002.1393]. [↑](#footnote-ref-673)
674. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, Exhibit AM-10 [CIT.5200.0002.1400]; Exhibit 1.183, Witness statement of Alan Saul Machet,   
     28 February 2018, Exhibit AM-10 [CIT.5200.0002.1402]. [↑](#footnote-ref-674)
675. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 14 [76]–[77]; see also Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 14 [72]. [↑](#footnote-ref-675)
676. Citi, *Response of Citigroup Pty Limited and Associated Entities*,29 January 2018, 3 [5], 20–1 [75(b)]. [↑](#footnote-ref-676)
677. Citi, *International Transaction Fees Case Study Supplementary Submission*,   
     6 August 2018, 1 [2]. [↑](#footnote-ref-677)
678. Citi, *International Transaction Fees Case Study Supplementary Submission*,   
     6 August 2018, 1 [2]. [↑](#footnote-ref-678)
679. Citi, *Citi International Transaction Fees Case Study*, 3 April 2018, 6 [20], 7 [23];   
     Citi, *International Transaction Fees Case Study Supplementary Submission*,6 August 2018, 5 [16(d)]. [↑](#footnote-ref-679)
680. Exhibit 1.183, Witness statement of Alan Saul Machet, 28 February 2018, 6–7 [34]–[35]. [↑](#footnote-ref-680)
681. Citi, *International Transaction Fees Case Study Supplementary Submission,*6 August 2018, 3 [8]. [↑](#footnote-ref-681)
682. Citi, *Citi International Transaction Fees Case Study*, 3 April 2018, 8 [26]. [↑](#footnote-ref-682)
683. cf Citi, *Citi International Transaction Fees Case Study*, 3 April 2018, 8 [28];  
     see also Citi, *International Transaction Fees Case Study Supplementary Submission,*  
     6 August 2018, 5 [17]. [↑](#footnote-ref-683)
684. Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, 3 [1];   
     Transcript, Anthony Regan, 16 April 2018, 1053, 1056. [↑](#footnote-ref-684)
685. Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, 8 [20], [21],   
     14–15 [53]–[55], [58]. [↑](#footnote-ref-685)
686. Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, 6–8 [19(a)(ix)],   
     [21]–[22]; AMP, *AMP Group Submission*, 29 January 2018, 6 [4.8.3]. [↑](#footnote-ref-686)
687. Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, 8 [22], 15 [60]. [↑](#footnote-ref-687)
688. Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, 16 [67]–[68],   
     17–18 [70]–[71]. [↑](#footnote-ref-688)
689. Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, 16 [68]. [↑](#footnote-ref-689)
690. Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, 16 [62], 18 [74]. [↑](#footnote-ref-690)
691. Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, 18–19 [75]. [↑](#footnote-ref-691)
692. Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, 19–20 [79]. [↑](#footnote-ref-692)
693. Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, 20 [80]–[82]. [↑](#footnote-ref-693)
694. Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, 31 [151];   
     AMP, *AMP Group Submission*, 29 January 2018, 11 [5.4.10]. [↑](#footnote-ref-694)
695. Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, 31 [151];   
     Transcript, Anthony Regan, 16 April 2018, 1061. [↑](#footnote-ref-695)
696. Transcript, Anthony Regan, 16 April 2018, 1062–3; in Mr Regan’s statement, Mr Regan refers to the ‘broad understanding’ held in the AMP Advice Licensees from about June 2011 that the Advice Licensees were not capable of providing certain services the subject of ongoing service fees to customers while the customers were in the BOLR pool or the subject of ringfencing: see Exhibit 2.13, 16 April 2018, Witness statement of Anthony Regan, 42 [215]; AMP admits that it charged fees to clients while they were in the BOLR pool: see AMP, *AMP Group Submission Case Study 1: Fees for No Service*, 4 May 2018, [16]; AMP, *Schedule A to AMP Group Response to Letter dated 2 February 2018*,   
     13 February 2018, 3–4 [3(a)–(e)]; AMP, *AMP Group Submission*, 29 January 2018,   
     11–12 [5.4.14]–[5.4.15]; see also the five breach reports made by AMP to ASIC on   
     27 May 2015: Exhibit 2.13, Witness statement of Anthony Reagan, 11 April 2018,   
     Exhibit AGR-1 (Tab 24) [AMP.6000.0001.1469], on 5 December 2016: Exhibit 2.13, Witness statement of Anthony Reagan, 11 April 2018, Exhibit AGR-1 (Tab 29) [AMP.6000.0001.3573], on 3 May 2017: Exhibit 2.13, Witness statement of Anthony Reagan, 11 April 2018, Exhibit AGR-1 (Tab 30) [AMP.6000.0001.1894]; Exhibit 2.13, Witness statement of Anthony Reagan, 11 April 2018, Exhibit AGR-1 (Tab 31) [AMP.6000.0001.3575], on 8 June 2017: Exhibit 2.13, Witness statement of Anthony Reagan, 11 April 2018, Exhibit AGR-1 (Tab 32) [AMP.6000.0001.3577]; AMP has now changed its off-boarding processes: see Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, 38–9 [193]–[197]. [↑](#footnote-ref-696)
697. Transcript, Anthony Regan, 16 April 2018, 1062; Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, 30 [146]. [↑](#footnote-ref-697)
698. Transcript, Anthony Regan, 16 April 2018, 1062, 1066. [↑](#footnote-ref-698)
699. Transcript, Anthony Regan, 16 April 2018, 1067–8. [↑](#footnote-ref-699)
700. Transcript, Anthony Regan, 16 April 2018, 1062–3, 1084. [↑](#footnote-ref-700)
701. Transcript, Anthony Regan, 16 April 2018, 1079; Exhibit 2.13, Witness statement   
     of Anthony Reagan, 11 April 2018, Exhibit AGR-1 (Tab 33) [AMP.9000.0001.1460]. [↑](#footnote-ref-701)
702. Transcript, Anthony Regan, 16 April 2018, 1081. [↑](#footnote-ref-702)
703. See, eg, Exhibit 2.14, 14 January 2011, Emails of January 2011 concerning approval of dial-up fees for buyer of last resort, 1; Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-1 (Tab 34) [AMP.6000.0011.8670 at .8672, .8691];   
     Exhibit 2.33, 14 June 2013, Emails Rakich to Parra and others, 1–2; Exhibit 2.35,   
     30 August 2013, Emails between Byrne and Marsh and others, 1; Exhibit 2.36, undated, PowerPoint presentation client transfer policies and processes. [↑](#footnote-ref-703)
704. Transcript, Anthony Regan, 17 April 2018, 1121–2; Exhibit 2.29, 11 November 2016, Emails between Marsh, Collins and others dated 11/11/2016, 1. [↑](#footnote-ref-704)
705. Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, 35 [174]. [↑](#footnote-ref-705)
706. Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, 29 [133], 36 [178]; Transcript, Anthony Regan, 17 April 2018, 1073; AMP, *AMP Group Submission Case Study 1: Fees for No Service*, 4 May 2018, 8 [26]; Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-1 (Tab 28) [AMP.6000.0042.0001]; see also Letter from AMP to ASIC confirming that a direction was sent to the relevant teams in AMP advising that the 90 Day Exception was to cease immediately; Exhibit 2.13,   
     Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-1 (Tab 43) [AMP.6000.0010.0015]. [↑](#footnote-ref-706)
707. Exhibit 2.29, 11 November 2016, Emails between March, Collins and others, 1: ‘5. In this period it appears likely that there were instances where rather than enter the BOLR ID, registers were retained in seller IDs to facilitate a sale … and incidents where part (only) of registers were transferred to buyers or transactions did not complete’ – ‘this period’ appears to refer to a time after January 2014. However, note that a Clayton Utz report dated 16 October 2017 indicated that a decision to ‘ringfence’ clients was made by Michael Guggenheimer on 4 July 2011, Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-1 (Tab 3) [AMP.6000.0010.0440 at 0462]. [↑](#footnote-ref-707)
708. Transcript, Anthony Regan, 16 April 2018, 1070. [↑](#footnote-ref-708)
709. See Clayton Utz report, Exhibit 2.13, Witness statement of Anthony Regan,   
     11 April 2018, Exhibit AGR-1 (Tab 3) [AMP.6000.0010.0440 at 0465]: ‘However, unlike at least the 90 Day Exception, it is not clear that a 3 month limit was necessarily imposed … there is no express time limit for these registers to be ring-fenced’. [↑](#footnote-ref-709)
710. Transcript, Anthony Regan, 17 April 2018, 1123; Exhibit 2.29, 11 November 2016,   
     Emails between Marsh, Collins and others, 1. [↑](#footnote-ref-710)
711. Breach reports from AMP to ASIC: Exhibit 2.13, Witness statement of Anthony Regan,   
     11 April 2018, Exhibit AGR-1 (Tab 30) [AMP.6000.0001.1894]; Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-1 (Tab 31) [AMP.6000.0001.3575]; Exhibit 2.13, Witness statement of Anthony Regan,   
     11 April 2018, 29 [134], [136], 36 [179], 37 [183], 38 [189]. [↑](#footnote-ref-711)
712. Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, 29 [134];   
     Transcript, Anthony Regan, 17 April 2018, 1114. [↑](#footnote-ref-712)
713. See [46] and footnote 38 of the Clayton Utz Report, Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-1 (Tab 3) [AMP.6000.0010.0440 at .0462]. [↑](#footnote-ref-713)
714. AMP also attributed this conduct to ‘systems and process errors’: see AMP, *Schedule A to AMP Group Response to Letter dated 2 February 2018*, 13 February 2018, 3 [3(a)]. [↑](#footnote-ref-714)
715. AMP, *AMP Group Submission*, 29 January 2018, 12 [5.4.15]; AMP, *Schedule A to AMP Group Response to Letter dated 2 February 2018*, 13 February 2018, 3 [3], [3(a)], [3(b)]. [↑](#footnote-ref-715)
716. AMP, *Schedule A to AMP Group Response to Letter dated 2 February 2018*,   
     13 February 2018, 4 [3(c)]. [↑](#footnote-ref-716)
717. AMP, *Schedule A to AMP Group Response to Letter dated 2 February 2018*,   
     13 February 2018, 4 [3(d)]. [↑](#footnote-ref-717)
718. AMP, *Schedule A to AMP Group Response to Letter dated 2 February 2018*,   
     13 February 2018, 4 [3(e)]. [↑](#footnote-ref-718)
719. AMP, *Schedule A to AMP Group Response to Letter dated 2 February 2018*,   
     13 February 2018, 3 [3], 4. [↑](#footnote-ref-719)
720. AMP, *Schedule A to AMP Group Response to Letter dated 2 February 2018*,   
     13 February 2018, 3 [3]. [↑](#footnote-ref-720)
721. AMP, *Schedule A to AMP Group Response to Letter dated 2 February 2018*,   
     13 February 2018, 3 [3(a)], 3 [3(b)], 3 [3(c)], 4 [3(d)], 4 [3(e)]. [↑](#footnote-ref-721)
722. Transcript, Anthony Regan, 16 April 2018, 1072, 1085. [↑](#footnote-ref-722)
723. Transcript, Anthony Regan, 16 April 2018, 1073, 1085. [↑](#footnote-ref-723)
724. Transcript, Anthony Regan, 17 April 2018, 1127. [↑](#footnote-ref-724)
725. Transcript, Anthony Regan, 16 April 2018, 1196. [↑](#footnote-ref-725)
726. AMP, *AMP Group Submission Case Study 1: Fees for No Service*, 4 May 2018, 19 [65]. [↑](#footnote-ref-726)
727. AMP, *AMP Group Submission Case Study 1: Fees for No Service*, 4 May 2018, 19 [66]. [↑](#footnote-ref-727)
728. AMP, *AMP Group Submission Case Study 1: Fees for No Service* , 4 May 2018,   
     19–20 [67]. [↑](#footnote-ref-728)
729. AMP, *AMP Group Submission Case Study 1: Fees for No Service* , 4 May 2018, 5 [18]   
     and 21 [73]. [↑](#footnote-ref-729)
730. AMP, *AMP Group Submission Case Study 1: Fees for No Service*, 4 May 2018, 20 [73]. [↑](#footnote-ref-730)
731. The obligation upon licensees to do all things necessary to ensure that the financial services covered by the licence are provided efficiently, honestly and fairly. [↑](#footnote-ref-731)
732. The obligation upon licensees to comply with financial services law. [↑](#footnote-ref-732)
733. The obligation upon licensees to take reasonable steps to ensure that their representatives comply with the financial services laws. [↑](#footnote-ref-733)
734. The prohibition on accepting payment without intending or being able to supply the relevant financial services. [↑](#footnote-ref-734)
735. The obligation on licensees to, as soon as practicable and in any case within 10 business days after becoming aware of the breach or likely breach, lodge a written report on the matter with ASIC. [↑](#footnote-ref-735)
736. Transcript, Anthony Regan, 17 April 2018, 1113. [↑](#footnote-ref-736)
737. Exhibit 2.26, 12 June 2015, Emails between Morgan, Guggenheimer and others, 2; Transcript, Anthony Regan, 17 April 2018, 1110–11. [↑](#footnote-ref-737)
738. Exhibit 2.26, 12 June 2015, Emails between Morgan, Guggenheimer and others, 2; Transcript, Anthony Regan, 17 April 2018, 1111. [↑](#footnote-ref-738)
739. Exhibit 2.26, 12 June 2015, Emails between Morgan, Guggenheimer and others, 1; Transcript, Anthony Regan, 17 April 2018, 1112. [↑](#footnote-ref-739)
740. Transcript, Anthony Regan, 17 April 2018, 1111–12. [↑](#footnote-ref-740)
741. Transcript, Anthony Regan, 17 April 2018, 1113. [↑](#footnote-ref-741)
742. Exhibit 2.171, Witness statement of Anthony Regan, 11 April 2018, 19–21 [77]. [↑](#footnote-ref-742)
743. AMP, *AMP Group Submission Case Study 1: Fees for No Service*, 4 May 2018,   
     21 [77]–[78]. [↑](#footnote-ref-743)
744. Transcript, Anthony Regan, 16 April 2018, 1060–1, 1070; Transcript, Anthony Regan,   
     17 April 2018, 1167–8. [↑](#footnote-ref-744)
745. AMP, *AMP Group Submission Case Study 1: Fees for No Service*, 4 May 2018, 22 [83]. [↑](#footnote-ref-745)
746. Exhibit 2.171, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-2   
     (Tab 19) [AMP.6000.0006.5018]. [↑](#footnote-ref-746)
747. Exhibit 2.171, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-2   
     (Tab 18) [AMP.6000.0003.8310]. [↑](#footnote-ref-747)
748. Exhibit 2.171, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-2   
     (Tab 18) [AMP.6000.0003.8310 at .8312]; Exhibit 2.171, Witness statement of   
     Anthony Regan, 11 April 2018, Exhibit AGR-2 (Tab 19) [AMP.6000.0006.5018 at .5022]. [↑](#footnote-ref-748)
749. Exhibit 2.171, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-2   
     (Tab 18) [AMP.6000.0003.8310 at 8317–.8320]; Exhibit 2.171, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-2 (Tab 19) [AMP.6000.0006.5018 at .5022]. [↑](#footnote-ref-749)
750. Exhibit 2.171, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-2   
     (Tab 19) [AMP.6000.0006.5018 at .5022]. [↑](#footnote-ref-750)
751. Transcript, Anthony Regan, 17 April 2018, 1106–7. [↑](#footnote-ref-751)
752. Exhibit 2.171, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-2   
     (Tab 19) [AMP.6000.0006.5018 at .5022]. [↑](#footnote-ref-752)
753. Exhibit 2.171, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-2   
     (Tab 19) [AMP.6000.0006.5018 at .5024–.5027]. [↑](#footnote-ref-753)
754. Exhibit 2.171, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-2   
     (Tab 19) [AMP.6000.0006.5018 at .5025]. [↑](#footnote-ref-754)
755. Exhibit 2.171, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-2   
     (Tab 19) [AMP.6000.0006.5018 at .5025]. [↑](#footnote-ref-755)
756. Exhibit 2.171, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-2   
     (Tab 19) [AMP.6000.0006.5018 at .5046]. [↑](#footnote-ref-756)
757. Exhibit 2.171, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-2   
     (Tab 19) [AMP.6000.0006.5018 at .5046]. [↑](#footnote-ref-757)
758. AMP, *Schedule A to AMP Group Response to Letter dated 2 February 2018*, 13 February 2018, 4. [↑](#footnote-ref-758)
759. Transcript, Anthony Regan, 16 April 2018, 1090; Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-1 (Tab 24) [AMP.6000.0001.1469 at .1470]. [↑](#footnote-ref-759)
760. Transcript, Anthony Regan, 16 April 2018, 1090; Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-1 (Tab 24) [AMP.6000.0001.1469 at .1470]. [↑](#footnote-ref-760)
761. Transcript, Anthony Regan, 16 April 2018, 1091; Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-1 (Tab 24) [AMP.6000.0001.1469 at .1471]. [↑](#footnote-ref-761)
762. Transcript, Anthony Regan, 16 April 2018, 1091; Exhibit 2.19, 19 June 2015, Letter AMP to ASIC, 1. [↑](#footnote-ref-762)
763. Transcript, Anthony Regan, 16 April 2018, 1091; Exhibit 2.19, 19 June 2015, Letter AMP to ASIC, 3. [↑](#footnote-ref-763)
764. Transcript, Anthony Regan, 17 April 2018, 1108–9; Exhibit 2.25, 23 June 2015,   
     Letter AMP to ASIC, 1. [↑](#footnote-ref-764)
765. Transcript, Anthony Regan, 17 April 2018, 1110; Exhibit 2.25, 23 June 2015,   
     Letter AMP to ASIC, 2. [↑](#footnote-ref-765)
766. Transcript, Anthony Regan, 16 April 2018, 1096; Exhibit 2.21, 17 August 2015,   
     Letter AMP to ASIC dated 17/08/2015, 9. [↑](#footnote-ref-766)
767. Transcript, Anthony Regan, 16 April 2018, 1092–3; Exhibit 2.20, 31 August 2015,   
     Letter AMP to ASIC dated 31/08/2015, 2. [↑](#footnote-ref-767)
768. Transcript, Anthony Regan, 17 April 2018, 1117; Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-1 (Tab 3) [AMP.6000.0010.0440 at .0501]. [↑](#footnote-ref-768)
769. Transcript, Anthony Regan, 16 April 2018, 1096–7; Exhibit 2.22, 16 April 2018, PowerPoint presentation AMP to ASIC dated 17/09/2015, 6. [↑](#footnote-ref-769)
770. Transcript, Anthony Regan, 16 April 2018, 1097; Exhibit 2.22, 16 April 2018,   
     PowerPoint presentation AMP to ASIC dated 17/09/2015, 3. [↑](#footnote-ref-770)
771. Clayton Utz Report, Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-1 (Tab 3) [AMP.6000.0010.0440 at 0462]. [↑](#footnote-ref-771)
772. Transcript, Anthony Regan, 16 April 2018, 1098; Exhibit 2.23, undated,   
     Letter AMP to ASIC, 3. [↑](#footnote-ref-772)
773. Transcript, Anthony Regan, 16 April 2018, 1098–9; Transcript, Anthony Regan,   
     17 April 2018, 1103–5; Exhibit 2.23, undated, Letter AMP to ASIC, 4–5. [↑](#footnote-ref-773)
774. Transcript, Anthony Regan, 17 April 2018, 1117–8; Exhibit 2.27, 26 November 2015, Letter AMP to ASIC, 2. [↑](#footnote-ref-774)
775. Transcript, Anthony Regan, 17 April 2018, 1118–9; Exhibit 2.28, 14 December 2015, Letter AMP to ASIC dated 14/12/2015, 2. [↑](#footnote-ref-775)
776. Transcript, Anthony Regan, 17 April 2018, 1119–20; Exhibit 2.28, 14 December 2015, Letter AMP to ASIC dated 14/12/2015, 2. [↑](#footnote-ref-776)
777. Transcript, Anthony Regan, 17 April 2018, 1120. [↑](#footnote-ref-777)
778. Transcript, Anthony Regan, 17 April 2018, 1125; Exhibit 2.13, Witness statement   
     of Anthony Regan, 11 April 2018, Exhibit AGR-1 (Tab 43) [AMP.6000.0010.0015]. [↑](#footnote-ref-778)
779. Transcript, Anthony Regan, 17 April 2018, 1126–7; Exhibit 2.13, Witness statement   
     of Anthony Regan, 11 April 2018, Exhibit AGR-1 (Tab 30) [AMP.6000.0001.1894]. [↑](#footnote-ref-779)
780. AMP relied on the way in which those misrepresentations were characterised in the report prepared by Clayton Utz dated 16 October 2017: see AMP, *AMP Group Submission Case Study 1: Fees for No Service*, 4 May 2018, 8 [30]. [↑](#footnote-ref-780)
781. AMP, *AMP Group Submission Case Study 1: Fees for No Service*, 4 May 2018, 8 [30]. [↑](#footnote-ref-781)
782. Mr Regan’s admissions span the following pages of the transcript: Transcript, Anthony Regan, 16 April 2018, 1090–9; Transcript, Anthony Regan, 17 April 2018, 1103–27. [↑](#footnote-ref-782)
783. Transcript, Anthony Regan, 17 April 2018, 1173; Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-1 (Tab 2) [AMP.6000.0033.0001 at 0002]. [↑](#footnote-ref-783)
784. Exhibit 2.13, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-1 (Tab 2) [AMP.6000.0033.0001 at .0003]. [↑](#footnote-ref-784)
785. AMP, *AMP Group Submission Case Study 1: Fees for No Service*, 4 May 2018, [31]–[58]. [↑](#footnote-ref-785)
786. AMP, *AMP Group Submission Case Study 1: Fees for No Service*, 4 May 2018, [55]–[56]. [↑](#footnote-ref-786)
787. AMP, *AMP Group Submission Case Study 1: Fees for No Service*, 4 May 2018, [100]. [↑](#footnote-ref-787)
788. ASIC, Regulatory Guide 112: Independence of Experts, March 2011 <https://download.asic.gov.au/media/3336169/rg112-published-25-august-2015.pdf>. [↑](#footnote-ref-788)
789. See, eg, *Phosphate Co‑Operative Co of Australia Pty Ltd v Shears* [1989] VR 665. [↑](#footnote-ref-789)
790. Exhibit 2.43, 17 October 2017, Emails between Baker Cook and Zhang, 1. [↑](#footnote-ref-790)
791. AMP, *AMP Group Submission Case Study 1: Fees for No Service*, 4 May 2018, 3 [4],   
     15 [57]. [↑](#footnote-ref-791)
792. AMP, *AMP Group Submission Case Study 1: Fees for No Service*, 4 May 2018, 3 [4] [↑](#footnote-ref-792)
793. AMP, *AMP Group Submission Case Study 1: Fees for No Service* , 4 May 2018, 15 [57]. [↑](#footnote-ref-793)
794. AMP, *AMP Group Submission Case Study 1: Fees for No Service* , 4 May 2018, 15 [57]. [↑](#footnote-ref-794)
795. AMP, *AMP Group Submission Case Study 1: Fees for No Service* , 4 May 2018, 12 [46]. [↑](#footnote-ref-795)
796. Transcript, Anthony Regan, 17 April 2018, 1178, 1179, 1182; Exhibit 2.55,   
     4 October 2017, Emails between Mavrakis and Salter dated 04/10/2017, 1. [↑](#footnote-ref-796)
797. See, eg, Transcript, Anthony Regan, 17 April 2018, 1176; Exhibit 2.48, 17 April 2018, Emails between Salter and Mavrakis dated 18/09/2017, 1; Transcript, Anthony Regan,   
     17 April 2018, 1176–8; Exhibit 2.49, 17 April 2018, Emails between Mavrakis and Salter dated 19/09/2017, 1. [↑](#footnote-ref-797)
798. Transcript, Anthony Regan, 17 April 2018, 1184, 1185; Exhibit 2.56, 17 April 2018, Emails between Salter and Mavrakis dated 04/10/2017, 1, Exhibit 2.57, 17 April 2018, Draft Clayton Utz report with annotations by Salter, 36, 41; Transcript, Anthony Regan, 17 April 2018, 1185, 1186, 1187; Exhibit 2.58, 17 April 2018, Emails between Salter and Mavrakis dated 05/10/2017, 1; Exhibit 2.59, 17 April 2018, Draft Clayton Utz report with annotations by Salter dated 05/10/2017, 35, 36; Transcript, Anthony Regan,   
     17 April 2018, 1187, 1188; Exhibit 2.60, 17 April 2018, Emails between Salter and Mavrakis, undated, 1; Exhibit 2.61, 17 April 2018, Drafts sent by Salter to Mavrakis attached to Exhibit 2.60, 3–5. [↑](#footnote-ref-798)
799. Transcript, Anthony Regan, 17 April 2018, 1178; AMP, *AMP Group Submission Case Study 1: Fees for No Service*, 4 May 2018, 12 [46]. [↑](#footnote-ref-799)
800. Exhibit 2.52, 24 September 2017, Draft Clayton Utz report mark up dated 24/09/2017, 9; Transcript, Anthony Regan, 17 April 2018, 1180. [↑](#footnote-ref-800)
801. Transcript, Anthony Regan, 17 April 2018, 1186; Exhibit 2.59, 5 October 2017,   
     Draft Clayton Utz report with annotations by Salter dated 05/10/2017, 35, 36. [↑](#footnote-ref-801)
802. Transcript, Anthony Regan, 17 April 2018, 1187–8; Exhibit 2.60, 6 October 2017,   
     Emails between Salter and Mavrakis, undated, 1; Exhibit 2.61, undated, Drafts sent   
     by Salter to Mavrakis attached to Exhibit 2.60, 3–5. [↑](#footnote-ref-802)
803. Transcript, Anthony Regan, 17 April 2018, 1189; Exhibit 2.62, undated, Bundle of documents relating to final report comprising email Mavrakis to Brenner submitting final BOLR report 6 October 2017, Letter Clayton Utz to Brenner and report. [↑](#footnote-ref-803)
804. Transcript, Anthony Regan, 17 April 2018, 1191; Exhibit 2.63, 11 October 2017,   
     Email Salter to Mavrakis dated 11/10/2017, 1. [↑](#footnote-ref-804)
805. Transcript, Anthony Regan, 17 April 2018, 1192–3 and Exhibit 2.65, 4 October 2017, Email Salter to Medcraft, Brenner and others. [↑](#footnote-ref-805)
806. Transcript, Anthony Regan, 17 April 2018, 1172–3; Exhibit 2.43, 17 October 2017,   
     Emails between Baker Cook and Zhang dated 17/10/2017. [↑](#footnote-ref-806)
807. AMP also represented this to ASIC in other ways, including in an email dated 4 October 2017: see Exhibit 2.65, 4 October 2017, Email Salter to Medcraft, Brenner and others. The representation made to ASIC in this email was consistent with the representation made to ASIC at the 16 October meeting: see Transcript, Anthony Regan, 17 April 2018, 1193. [↑](#footnote-ref-807)
808. Corporations Act s 1315. [↑](#footnote-ref-808)
809. Exhibit 2.73, Witness statement of Marianne Perkovic, 3 April 2018, 1 [1];   
     see also Transcript, Marianne Perkovic, 18 April 2018, 1269. [↑](#footnote-ref-809)
810. Exhibit 2.73, Witness statement of Marianne Perkovic, 3 April 2018, 1 [2]. [↑](#footnote-ref-810)
811. Or, in the case of BWFA Limited, conducted. [↑](#footnote-ref-811)
812. Exhibit 2.73, Witness statement of Marianne Perkovic, 3 April 2018, 2 [14]. [↑](#footnote-ref-812)
813. Authorised representatives are not employees but instead are authorised to provide financial services on behalf of an Australian financial services licence holder – in this case, CFPL. This term has this meaning for where it is used throughout this section of the report. [↑](#footnote-ref-813)
814. Exhibit 2.73, Witness statement of Marianne Perkovic, 3 April 2018, 2 [14]. [↑](#footnote-ref-814)
815. Exhibit 2.75, Witness statement of Marianne Perkovic, 3 April 2018, 2 [13]. [↑](#footnote-ref-815)
816. Exhibit 2.75, Witness statement of Marianne Perkovic, 3 April 2018, 2 [12]. [↑](#footnote-ref-816)
817. Exhibit 2.78, Witness statement of Marianne Perkovic, 9 April 2018, 2 [10]. [↑](#footnote-ref-817)
818. Exhibit 2.73, Witness statement of Marianne Perkovic, 3 April 2018, 5 [28], 6 [30], [36],   
     7 [38], [45], [47], 8 [54], [56]. [↑](#footnote-ref-818)
819. Exhibit 2.73, Witness statement of Marianne Perkovic, 3 April 2018, 4 [24]. [↑](#footnote-ref-819)
820. Exhibit 2.73, Witness statement of Marianne Perkovic, 3 April 2018, 5 [27]. [↑](#footnote-ref-820)
821. Exhibit 2.73, Witness statement of Marianne Perkovic, 3 April 2018, 5 [29]. [↑](#footnote-ref-821)
822. Exhibit 2.73, Witness statement of Marianne Perkovic, 3 April 2018, 6 [35]. [↑](#footnote-ref-822)
823. Exhibit 2.73, Witness statement of Marianne Perkovic, 3 April 2018, 6 [37]. [↑](#footnote-ref-823)
824. Exhibit 2.73, Witness statement of Marianne Perkovic, 3 April 2018, 7 [44]. [↑](#footnote-ref-824)
825. Exhibit 2.73, Witness statement of Marianne Perkovic, 3 April 2018, 7 [46]. [↑](#footnote-ref-825)
826. Exhibit 2.73, Witness statement of Marianne Perkovic, 3 April 2018, 8 [52]–[53]. [↑](#footnote-ref-826)
827. Exhibit 2.73, Witness statement of Marianne Perkovic, 3 April 2018, 8 [55]. [↑](#footnote-ref-827)
828. Transcript, Marianne Perkovic, 18 April 2018, 1292–3. [↑](#footnote-ref-828)
829. Exhibit 2.73, Witness statement of Marianne Perkovic, 3 April 2018, 11 [78]. [↑](#footnote-ref-829)
830. Exhibit 2.74, Witness statement of Marianne Perkovic, 9 April 2018, 7–9 [46]. The number of clients is calculated as clients who had an ongoing service agreement. [↑](#footnote-ref-830)
831. Exhibit 2.78, Witness statement of Marianne Perkovic, 9 April 2018, 5–6 [29]–[33]. [↑](#footnote-ref-831)
832. Exhibit 2.78, Witness statement of Marianne Perkovic, 3 April 2018, 5–6 [34]. [↑](#footnote-ref-832)
833. Exhibit 2.75, Witness statement of Marianne Perkovic, 3 April 2018, 3 [19]. [↑](#footnote-ref-833)
834. Exhibit 2.75, Witness statement of Marianne Perkovic, 3 April 2018, 5–6 [34]. [↑](#footnote-ref-834)
835. CBA, *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – Submission*, 29 January 2018, 11–13 [39]–[45]. [↑](#footnote-ref-835)
836. CBA, *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – Submission*, 29 January 2018, 12 [41]. [↑](#footnote-ref-836)
837. Transcript, Marianne Perkovic, 18 April 2018, 1269. [↑](#footnote-ref-837)
838. Transcript, Marianne Perkovic, 18 April 2018, 1312. [↑](#footnote-ref-838)
839. Transcript, Marianne Perkovic, 18 April 2018, 1270. [↑](#footnote-ref-839)
840. Transcript, Marianne Perkovic, 18 April 2018, 1269. [↑](#footnote-ref-840)
841. Exhibit 2.78, Witness statement of Marianne Perkovic, 9 April 2018, [58];   
     Transcript, Marianne Perkovic, 18 April 2018, 1270. [↑](#footnote-ref-841)
842. Transcript, Marianne Perkovic, 18 April 2018, 1270. [↑](#footnote-ref-842)
843. Exhibit 2.75, Witness statement of Marianne Perkovic, 3 April 2018, [80]. [↑](#footnote-ref-843)
844. CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 3 [9]. [↑](#footnote-ref-844)
845. Transcript, Marianne Perkovic, 19 April 2018, 1339, 1340, 1341. [↑](#footnote-ref-845)
846. Transcript, Marianne Perkovic, 19 April 2018, 1338. [↑](#footnote-ref-846)
847. Transcript, Marianne Perkovic, 19 April 2018, 1339. [↑](#footnote-ref-847)
848. See CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 2 [7]; see also CBA, *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – Submission*, 29 January 2018, 12 [40]. [↑](#footnote-ref-848)
849. Exhibit 2.87, Undated, Appendix 1 to CFPL Response to Notice of Direction, 4. [↑](#footnote-ref-849)
850. Exhibit 2.87, Undated, Appendix 1 to CFPL Response to Notice of Direction, 55–65; Transcript, Marianne Perkovic, 19 April 2018, 138–9. [↑](#footnote-ref-850)
851. Exhibit 2.81, 18 April 2018, Memorandum from Henderson to Chambers and others dated 12/04/2012. [↑](#footnote-ref-851)
852. Exhibit 2.81, 18 April 2018, Memorandum from Henderson to Chambers and others dated 12/04/2012. [↑](#footnote-ref-852)
853. Transcript, Marianne Perkovic, 18 April 2018, 1297. [↑](#footnote-ref-853)
854. Exhibit 2.83, 11 May 2012, Email from Perkovic to Spring and others dated   
     11/05/2012, 1. [↑](#footnote-ref-854)
855. Exhibit 2.75, Witness statement of Marianne Perkovic, 3 April 2018, 8 [47]. [↑](#footnote-ref-855)
856. Exhibit 2.75, Witness statement of Marianne Perkovic, 3 April 2018, 8 [49]. [↑](#footnote-ref-856)
857. Exhibit 2.84, 6 June 2012, Draft Report of Deloitte, 17. [↑](#footnote-ref-857)
858. Exhibit 2.85, 19 July 2012, Business Issues Management Report of Deloitte’s, 4. [↑](#footnote-ref-858)
859. Exhibit 2.85, 19 July 2012, Business Issues Management Report of Deloitte’s, 4. [↑](#footnote-ref-859)
860. Exhibit 2.85, 19 July 2012, Business Issues Management Report of Deloitte’s, 6. [↑](#footnote-ref-860)
861. Transcript, Marianne Perkovic, 18 April 2018, 1317–18. [↑](#footnote-ref-861)
862. CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 19 [61]. [↑](#footnote-ref-862)
863. CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 19 [62]. [↑](#footnote-ref-863)
864. CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 11 [31]. [↑](#footnote-ref-864)
865. CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 10–11 [29]. [↑](#footnote-ref-865)
866. Exhibit 2.89, 20 November 2012, Draft Deloitte Report concerning Count, Business Issue Management, 14 [↑](#footnote-ref-866)
867. Exhibit 2.73, Witness statement of Marianne Perkovic, [124]; Exhibit 2.73,   
     Witness statement of Marianne Perkovic, 3 April 2018, MP-2 [CBA.9000.0006.0001]. [↑](#footnote-ref-867)
868. Exhibit 2.73, Witness statement of Marianne Perkovic, [125]; Exhibit 2.73,   
     Witness statement of Marianne Perkovic, 3 April 2018, MP-3 [CBA.0001.0039.0453]. [↑](#footnote-ref-868)
869. Exhibit 2.75, Witness statement of Marianne Perkovic, 3 April 2018 (Tab 2) [CBA.0508.0008.0008]. [↑](#footnote-ref-869)
870. See CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 2 [7]; see also CBA, *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – Submission*, 29 January 2018, 12 [40]. [↑](#footnote-ref-870)
871. See CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 2–3 [7]–[8]. [↑](#footnote-ref-871)
872. See CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 4–5 [13]; see also CBA, *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – Submission*, 29 January 2018, 12 [41]. [↑](#footnote-ref-872)
873. Transcript, Marianne Perkovic, 18 April 2018, 1270; see also CBA, *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – Submission*, 29 January 2018, [39]. [↑](#footnote-ref-873)
874. See CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 2–3 [8]. [↑](#footnote-ref-874)
875. Transcript, Marianne Perkovic, 19 April 2018, 1343. [↑](#footnote-ref-875)
876. Transcript, Marianne Perkovic, 19 April 2018, 1343. [↑](#footnote-ref-876)
877. See CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 17 [51]–[52]. [↑](#footnote-ref-877)
878. See CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 18 [56]. [↑](#footnote-ref-878)
879. Transcript, Marianne Perkovic, 19 April 2018, 1344. [↑](#footnote-ref-879)
880. Transcript, Marianne Perkovic, 19 April 2018, 1345. [↑](#footnote-ref-880)
881. Transcript, Marianne Perkovic, 19 April 2018, 1345. [↑](#footnote-ref-881)
882. Exhibit 2.74, Witness statement of Marianne Perkovic, 4 April 2018, 1–2 [5]. [↑](#footnote-ref-882)
883. Exhibit 2.73, Witness statement of Marianne Perkovic, 3 April 2018, 8 [53];   
     Transcript, Marianne Perkovic, 18 April 2018, 1287. [↑](#footnote-ref-883)
884. See CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 2 [7]; see also CBA, *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – Submission*, 29 January 2018, [40]. [↑](#footnote-ref-884)
885. CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 4–5 [13]. [↑](#footnote-ref-885)
886. CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 4–5 [13]. [↑](#footnote-ref-886)
887. Transcript, Marianne Perkovic, 18 April 2018, 1316. [↑](#footnote-ref-887)
888. Transcript, Marianne Perkovic, 18 April 2018, 1312. [↑](#footnote-ref-888)
889. Transcript, Marianne Perkovic, 18 April 2018, 1319. [↑](#footnote-ref-889)
890. Transcript, Marianne Perkovic, 18 April 2018, 1312, 1323. [↑](#footnote-ref-890)
891. CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 5–7 [16]–[21]. [↑](#footnote-ref-891)
892. CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 5–7 [16], [19]–[20]. [↑](#footnote-ref-892)
893. CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 5 [17]. [↑](#footnote-ref-893)
894. CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 7–8 [22]–[26]. [↑](#footnote-ref-894)
895. CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 7–8 [23]–[25]. [↑](#footnote-ref-895)
896. CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 8 [26], 13 [36], 16 [48]. [↑](#footnote-ref-896)
897. Transcript, Marianne Perkovic, 19 April 2018, 1336. [↑](#footnote-ref-897)
898. CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 19 [59]. [↑](#footnote-ref-898)
899. CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 18–19 [58]. [↑](#footnote-ref-899)
900. CBA, *Round 2 Hearing – Financial Advice Closing Submissions* – *Part A Wealth Management*, 4 May 2018, 19 [59]. [↑](#footnote-ref-900)
901. Chapter 3. [↑](#footnote-ref-901)
902. Transcript, Jacqueline McDowall, 19 April 2018, 1355. [↑](#footnote-ref-902)
903. Transcript, Jacqueline McDowall, 19 April 2018, 1355; Exhibit 2.98, Witness statement of Jacqueline McDowall, 4 April 2018, Exhibit JM-2 [WIT.0900.0001.0037 at .0037]. [↑](#footnote-ref-903)
904. Exhibit 2.98, Witness statement of Jacqueline McDowall, 4 April 2018, 2 [10]. [↑](#footnote-ref-904)
905. Transcript, Jacqueline McDowall, 19 April 2018, 1356. [↑](#footnote-ref-905)
906. Transcript, Jacqueline McDowall, 19 April 2018, 1355–6; Exhibit 2.98, Witness statement of Jacqueline McDowall, 4 April 2018, Exhibit JM-1 [WIT.0900.0001.0001]. [↑](#footnote-ref-906)
907. Transcript, Jacqueline McDowall, 19 April 2018, 1355, 1357. [↑](#footnote-ref-907)
908. Transcript, Jacqueline McDowall, 19 April 2018, 1356. [↑](#footnote-ref-908)
909. Transcript, Jacqueline McDowall, 19 April 2018, 1359. [↑](#footnote-ref-909)
910. Transcript, Jacqueline McDowall, 19 April 2018, 1360. [↑](#footnote-ref-910)
911. Transcript, Jacqueline McDowall, 19 April 2018, 1360; Exhibit 2.98, Witness statement   
     of Jacqueline McDowall, 4 April 2018, Exhibit JM-2 [WIT.0900.0001.0037]. [↑](#footnote-ref-911)
912. Transcript, Jacqueline McDowall, 19 April 2018, 1361–2; Exhibit 2.98, Witness statement of Jacqueline McDowall, 4 April 2018, Exhibit JM-2 [WIT.0900.0001.0037 at .0043–.0049]. [↑](#footnote-ref-912)
913. Transcript, Michael Wright, 19 April 2018, 1394–5. [↑](#footnote-ref-913)
914. Exhibit 2.98, Witness statement of Jacqueline McDowall, 4 April 2018, Exhibit JM-2 [WIT.0900.0001.0037 at .0059]. [↑](#footnote-ref-914)
915. Transcript, Michael Wright, 19 April 2018, 1396. [↑](#footnote-ref-915)
916. Transcript, Michael Wright, 19 April 2018, 1396. [↑](#footnote-ref-916)
917. Exhibit 2.98, Witness statement of Jacqueline McDowall, 4 April 2018, Exhibit JM-2 [WIT.0900.0001.0037 at .0059]. [↑](#footnote-ref-917)
918. Transcript, Michael Wright, 19 April 2018, 1403–4; Exhibit 2.102, Witness statement   
     of Michael Wright, 5 April 2018, Exhibit MW-2 (Tab 41) [WBC.503.003.1200]. [↑](#footnote-ref-918)
919. Transcript, Jacqueline McDowall, 19 April 2018, 1363. [↑](#footnote-ref-919)
920. Transcript, Michael Wright, 19 April 2018, 1397. [↑](#footnote-ref-920)
921. Transcript, Michael Wright, 19 April 2018, 1397. [↑](#footnote-ref-921)
922. Transcript, Michael Wright, 19 April 2018, 1398–9. [↑](#footnote-ref-922)
923. Transcript, Jacqueline McDowall, 19 April 2018, 1364. [↑](#footnote-ref-923)
924. Transcript, Jacqueline McDowall, 19 April 2018, 1364. [↑](#footnote-ref-924)
925. Transcript, Jacqueline McDowall, 19 April 2018, 1364–5. [↑](#footnote-ref-925)
926. Transcript, Jacqueline McDowall, 19 April 2018, 1365. [↑](#footnote-ref-926)
927. Transcript, Jacqueline McDowall, 19 April 2018, 1365. [↑](#footnote-ref-927)
928. Transcript, Michael Wright, 19 April 2018, 1394–5. [↑](#footnote-ref-928)
929. Transcript, Jacqueline McDowall, 19 April 2018, 1355; see also Exhibit 2.98, Witness statement of Jacqueline McDowall, 4 April 2018, Exhibit JM-1 [WIT.0900.0001.0001   
     at .0008, .0017]. [↑](#footnote-ref-929)
930. Transcript, Michael Wright, 19 April 2018, 1400. [↑](#footnote-ref-930)
931. Transcript, Michael Wright, 19 April 2018, 1400. [↑](#footnote-ref-931)
932. Transcript, Jacqueline McDowall, 19 April 2018, 1366; Exhibit 2.98, Witness statement   
     of Jacqueline McDowall, 4 April 2018, Exhibit JM-3 [WIT.0900.0001.0076]. [↑](#footnote-ref-932)
933. Transcript, Michael Wright, 19 April 2018, 1407. [↑](#footnote-ref-933)
934. Transcript, Michael Wright, 19 April 2018, 1408; Exhibit 2.102, Witness statement   
     of Michael Wright, 5 April 2018, Exhibit MW-2 (Tab 11) [WBC.104.003.7373 at .7376]. [↑](#footnote-ref-934)
935. Transcript, Michael Wright, 19 April 2018, 1408; Exhibit 2.102, Witness statement   
     of Michael Wright, 5 April 2018, Exhibit MW-2 (Tab 11) [WBC.104.003.7373 at .7374]. [↑](#footnote-ref-935)
936. Transcript, Jacqueline McDowall, 19 April 2018, 1366–7; Exhibit 2.98, Witness statement of Jacqueline McDowall, 4 April 2018, Exhibit JM-4 [WIT.0900.0001.0078]; Exhibit 2.98, Witness statement of Jacqueline McDowall, 4 April 2018, Exhibit JM-5 [WIT.0900.0001.0085]. [↑](#footnote-ref-936)
937. Transcript, Jacqueline McDowall, 19 April 2018, 1367; Exhibit 2.98, Witness statement   
     of Jacqueline McDowall, 4 April 2018, Exhibit JM-6 [WIT.0900.0001.0088]. [↑](#footnote-ref-937)
938. Transcript, Jacqueline McDowall, 19 April 2018, 1368–9; Exhibit 2.98, Witness statement of Jacqueline McDowall, 4 April 2018, Exhibit JM-8 [WIT.0900.0001.0101]. [↑](#footnote-ref-938)
939. Transcript, Michael Wright, 19 April 2018, 1413. [↑](#footnote-ref-939)
940. Transcript, Michael Wright, 19 April 2018, 1408. [↑](#footnote-ref-940)
941. Exhibit 2.102, Witness statement of Michael Wright, 5 April 2018, 6–7 [23]. [↑](#footnote-ref-941)
942. Transcript, Michael Wright, 19 April 2018, 1408–9, 1411. [↑](#footnote-ref-942)
943. Transcript, Michael Wright, 19 April 2018, 1409. [↑](#footnote-ref-943)
944. Transcript, Michael Wright, 19 April 2018, 1412. [↑](#footnote-ref-944)
945. Transcript, Michael Wright, 19 April 2018, 1414–5. [↑](#footnote-ref-945)
946. Transcript, Michael Wright, 19 April 2018, 1414, 1425. [↑](#footnote-ref-946)
947. Transcript, Michael Wright, 19 April 2018, 1430; Exhibit 2.101, Witness statement   
     of Michael Wright, 5 April 2018, 84–86 [379]–[385]. [↑](#footnote-ref-947)
948. Exhibit 2.101, Witness statement of Michael Wright, 5 April 2018, Exhibit MW-1 (Tab 86) [WBC.100.004.9464 at .9465]. [↑](#footnote-ref-948)
949. Transcript, Michael Wright, 19 April 2018, 1426. [↑](#footnote-ref-949)
950. Transcript, Michael Wright, 19 April 2018, 1429. [↑](#footnote-ref-950)
951. Transcript, Michael Wright, 19 April 2018, 1429; Exhibit 2.101, Witness statement of Michael Wright, 5 April 2018, Exhibit MW-1 (Tab 86) [WBC.100.004.9464 at .9464]. [↑](#footnote-ref-951)
952. Transcript, Michael Wright, 19 April 2018, 1390–1; see Exhibit 2.109, 25 February 2015, Westpac Consequence Management Policy dated 25/02/2015; Exhibit 2.115, December 2012, Bank Financial Planning Consequence Management Policy dated December 2012. [↑](#footnote-ref-952)
953. See Exhibit 2.116, February 2013, Bank Financial Planning Regional Manager Supervision Policy and Processes. [↑](#footnote-ref-953)
954. Transcript, Michael Wright, 19 April 2018, 1389–91, 1417–19; see Exhibit 2.107,   
     October 2014 to September 2015, BT Financial Group Financial Planner Incentive Scheme; Exhibit 2.108, 1 April 2015, Bank Financial Planner Remuneration and Benefits Policy and Financial Incentives Payment Plan; Exhibit 2.109, 25 February 2015, Westpac Consequence Management Policy dated 25/02/2015. [↑](#footnote-ref-954)
955. Transcript, Michael Wright, 19 April 2018, 1419–21; see Exhibit 2.101, Witness statement of Michael Wright, 5 April 2018, Exhibit MW-1 (Tab 110) [WBC.501.031.5905]; Exhibit 2.101, Witness statement of Michael Wright, 5 April 2018, Exhibit MW-1 (Tab 111) [WBC.501.031.5893]; Exhibit 2.101, Witness statement of Michael Wright, 5 April 2018, Exhibit MW-1 (Tab 112) [WBC.501.031.5886]; Exhibit 2.101, Witness statement   
     of Michael Wright, 5 April 2018, Exhibit MW-1 (Tab 113) [WBC.501.025.5095]. [↑](#footnote-ref-955)
956. Transcript, Michael Wright, 19 April 2018, 1419–21. [↑](#footnote-ref-956)
957. Transcript, Michael Wright, 19 April 2018, 1390–1, 1422. [↑](#footnote-ref-957)
958. Transcript, Michael Wright, 19 April 2018, 1422. [↑](#footnote-ref-958)
959. Transcript at 1424; Exhibit 2.101, Witness statement of Michael Wright, 5 April 2018, Exhibit MW-1 (Tab 114) [WBC.501.025.5070]. [↑](#footnote-ref-959)
960. Transcript, Michael Wright, 19 April 2018; 1425; see Exhibit 2.101, Witness statement   
     of Michael Wright, 5 April 2018, Exhibit MW-1 (Tab 96) [WBC.500.021.6797]. [↑](#footnote-ref-960)
961. Transcript, Michael Wright, 19 April 2018, 1424–5. [↑](#footnote-ref-961)
962. Transcript, Michael Wright, 19 April 2018, 1430. Exhibit 2.101, Witness statement   
     of Michael Wright, 5 April 2018, 84–6 [379]–[385]. [↑](#footnote-ref-962)
963. Transcript, Michael Wright, 19 April 2018, 1430–1. [↑](#footnote-ref-963)
964. Transcript, Michael Wright, 19 April 2018, 1433. [↑](#footnote-ref-964)
965. Transcript, Michael Wright, 20 April 2018, 1440–1. [↑](#footnote-ref-965)
966. Transcript, Michael Wright, 20 April 2018, 1444. [↑](#footnote-ref-966)
967. Transcript, Michael Wright, 20 April 2018, 1459–62. [↑](#footnote-ref-967)
968. Transcript, Michael Wright, 20 April 2018, 1463. [↑](#footnote-ref-968)
969. Transcript, Michael Wright, 20 April 2018, 1455. [↑](#footnote-ref-969)
970. Transcript, Michael Wright, 20 April 2018, 1448. [↑](#footnote-ref-970)
971. Exhibit 2.121, April 2018, Deloitte Report – Advice Services Review – BTFA Assessment – April 2018. [↑](#footnote-ref-971)
972. Transcript, Michael Wright, 20 April 2018, 1466. [↑](#footnote-ref-972)
973. Transcript, Michael Wright, 20 April 2018, 1467. [↑](#footnote-ref-973)
974. Exhibit 2.125, 26 January 2018, Risk 24 Deep Dive Observations. [↑](#footnote-ref-974)
975. Transcript, Michael Wright, 20 April 2018, 1475. [↑](#footnote-ref-975)
976. Exhibit 2.123, 31 January 2018, Report to BT Advice Risk Forum dated 31/01/2018, 13. [↑](#footnote-ref-976)
977. Exhibit 2.122, 14 July 2015, Report to BT Advice Risk Forum dated 14/07/2015, 1, 9. [↑](#footnote-ref-977)
978. Transcript, Michael Wright, 20 April 2018, 1470–1, 1473. [↑](#footnote-ref-978)
979. Transcript, Michael Wright, 20 April 2018, 1444. [↑](#footnote-ref-979)
980. Transcript, Michael Wright, 20 April 2018, 1445. [↑](#footnote-ref-980)
981. Transcript, Michael Wright, 20 April 2018, 1445. [↑](#footnote-ref-981)
982. Transcript, Michael Wright, 20 April 2018, 1446. [↑](#footnote-ref-982)
983. Transcript, Michael Wright, 20 April 2018, 1446. [↑](#footnote-ref-983)
984. Transcript, Michael Wright, 20 April 2018, 1446. [↑](#footnote-ref-984)
985. Westpac, *Table Entitled BTFG – General*, 13 February 2018, 78 [314]. [↑](#footnote-ref-985)
986. Transcript, Michael Wright, 19 April 2018, 1400. [↑](#footnote-ref-986)
987. Transcript, Michael Wright, 19 April 2018, 1394–5. [↑](#footnote-ref-987)
988. Transcript, Michael Wright, 19 April 2018, 1394–5. [↑](#footnote-ref-988)
989. Westpac, *Westpac Banking Corporation – Submissions on Financial Advice Case Study*, 4 May 2018, 3 [4]. [↑](#footnote-ref-989)
990. Westpac, *Westpac Banking Corporation – Submissions on Financial Advice Case Study*, 4 May 2018, 4 [6]. [↑](#footnote-ref-990)
991. Westpac, *Table Entitled BTFG – General*, 13 February 2018, 11 [53], 57 [244] and   
     74 [300]. [↑](#footnote-ref-991)
992. Transcript, Michael Wright, 19 April 2018, 1430. [↑](#footnote-ref-992)
993. Transcript, Michael Wright, 19 April 2018, 1430. [↑](#footnote-ref-993)
994. Westpac, *Westpac Banking Corporation – Submissions on Financial Advice Case Study*, 4 May 2018, 5 [12]. [↑](#footnote-ref-994)
995. Andrew Smith, *Submissions by Andrew Smith, Person Affected by the Evidence   
     of Westpac*, 4 May 2018, 1 [7]. [↑](#footnote-ref-995)
996. Andrew Smith, *Submissions by Andrew Smith, Person Affected by the Evidence   
     of Westpac*, 4 May 2018, 3 [18]. [↑](#footnote-ref-996)
997. Andrew Smith, *Submissions by Andrew Smith, Person Affected by the Evidence   
     of Westpac*, 4 May 2018, 4 [28]. [↑](#footnote-ref-997)
998. Transcript, Michael Wright, 19 April 2018, 1385–8, 1415. [↑](#footnote-ref-998)
999. Transcript, Michael Wright, 19 April 2018, 1387–8. [↑](#footnote-ref-999)
1000. Transcript, Michael Wright, 19 April 2018, 1389. [↑](#footnote-ref-1000)
1001. Transcript, Michael Wright, 20 April 2018, 1449. [↑](#footnote-ref-1001)
1002. Westpac, *Westpac Banking Corporation – Submissions on Financial Advice Case Study*, 4 May 2018, 9 [32]. [↑](#footnote-ref-1002)
1003. Transcript, Michael Wright, 20 April 2018, 1448. [↑](#footnote-ref-1003)
1004. Transcript, Michael Wright, 19 April 2018, 1423. [↑](#footnote-ref-1004)
1005. Transcript, Michael Wright, 19 April 2018, 1422. [↑](#footnote-ref-1005)
1006. Transcript, Michael Wright, 19 April 2018, 1421. [↑](#footnote-ref-1006)
1007. Westpac, *Westpac Banking Corporation – Submissions on Financial Advice Case Study*, 4 May 2018, 8 [28]. [↑](#footnote-ref-1007)
1008. Transcript, Michael Wright, 20 April 2018, 1441. [↑](#footnote-ref-1008)
1009. Transcript, Michael Wright, 20 April 2018, 1440. [↑](#footnote-ref-1009)
1010. Exhibit 2.101, Witness statement of Michael Wright, 5 April 2018, 23 [75]. [↑](#footnote-ref-1010)
1011. Westpac, *Westpac Banking Corporation – Submissions on Financial Advice Case Study*, 4 May 2018, 8 [28]. [↑](#footnote-ref-1011)
1012. Westpac, *Westpac Banking Corporation – Submissions on Financial Advice Case Study*, 4 May 2018, 11 [38]. [↑](#footnote-ref-1012)
1013. Transcript, Darren Whereat, 20 April 2018, 1486–7. [↑](#footnote-ref-1013)
1014. Transcript, Darren Whereat, 20 April 2018, 1487. [↑](#footnote-ref-1014)
1015. Transcript, Darren Whereat, 20 April 2018, 1487. [↑](#footnote-ref-1015)
1016. Transcript, Darren Whereat, 20 April 2018, 1493; Exhibit 2.132, 22 March 2013, Memorandum AFS Retention Strategy dated 22/03/2013; Exhibit 2.134, 15 April 2013, Email Younger to Williams dated 15/04/2013 and attachment. [↑](#footnote-ref-1016)
1017. Transcript, Darren Whereat, 20 April 2018, 1491, 1493. [↑](#footnote-ref-1017)
1018. Transcript, Darren Whereat, 20 April 2018, 1492, 1495. [↑](#footnote-ref-1018)
1019. Transcript, Darren Whereat, 20 April 2018, 1491, 1497; Exhibit 2.132, 22 March 2013, Memorandum AFS Retention Strategy dated 22/03/2013; Exhibit 2.136, 6 May 2013, Commitment Deed dated 06/05/2013, 5. [↑](#footnote-ref-1019)
1020. Transcript, Darren Whereat, 20 April 2018, 1493, 1495. [↑](#footnote-ref-1020)
1021. Transcript, Darren Whereat, 20 April 2018, 1494. [↑](#footnote-ref-1021)
1022. Transcript, Darren Whereat, 20 April 2018, 1496. [↑](#footnote-ref-1022)
1023. Transcript, Darren Whereat, 20 April 2018, 1497; Exhibit 2.136, 6 May 2013, Commitment Deed dated 06/05/2013. [↑](#footnote-ref-1023)
1024. Transcript, Darren Whereat, 20 April 2018, 1488–9. [↑](#footnote-ref-1024)
1025. Transcript, Darren Whereat, 20 April 2018, 1498; Exhibit 2.137, 15 July 2013,   
      Doyle exam results for financial planning knowledge dated 15/07/2013. [↑](#footnote-ref-1025)
1026. Transcript, Darren Whereat, 20 April 2018, 1494; see Exhibit 2.133, 29 May 2013, Advice and distribution risk and compliance board committee papers dated 29/05/2013, 22. [↑](#footnote-ref-1026)
1027. Transcript, Darren Whereat, 20 April 2018, 1499–500; Exhibit 2.138, 7 August 2013, Complaint letter concerning Doyle dated 07/08/2013. [↑](#footnote-ref-1027)
1028. Transcript, Darren Whereat, 20 April 2018, 1498, 1527. [↑](#footnote-ref-1028)
1029. Transcript, Darren Whereat, 20 April 2018, 1499. [↑](#footnote-ref-1029)
1030. Transcript, Darren Whereat, 20 April 2018, 1501. [↑](#footnote-ref-1030)
1031. Transcript, Darren Whereat, 20 April 2018, 1501–2; Exhibit 2.129, Witness statement  
      of Darren Whereat, 5 April 2018, Exhibit DJW-1 [ANZ.100.008.0935\_0001]. [↑](#footnote-ref-1031)
1032. Transcript, Darren Whereat, 20 April 2018, 1504. [↑](#footnote-ref-1032)
1033. Transcript, Darren Whereat, 20 April 2018, 1503. [↑](#footnote-ref-1033)
1034. Transcript, Darren Whereat, 20 April 2018, 1516. [↑](#footnote-ref-1034)
1035. Transcript, Darren Whereat, 20 April 2018, 1503–5; Exhibit 2.139, May 2013,   
      Advice vetting standard dated May 2013, 4–6. [↑](#footnote-ref-1035)
1036. Transcript, Darren Whereat, 20 April 2018, 1505. [↑](#footnote-ref-1036)
1037. Transcript, Darren Whereat, 20 April 2018, 1505. [↑](#footnote-ref-1037)
1038. Transcript, Darren Whereat, 20 April 2018, 1505. [↑](#footnote-ref-1038)
1039. Transcript, Darren Whereat, 20 April 2018, 1505–6. [↑](#footnote-ref-1039)
1040. Transcript, Darren Whereat, 20 April 2018, 1506. [↑](#footnote-ref-1040)
1041. Transcript, Darren Whereat, 20 April 2018, 1522, 1523. [↑](#footnote-ref-1041)
1042. Transcript, Darren Whereat, 20 April 2018, 1516. [↑](#footnote-ref-1042)
1043. Transcript, Darren Whereat, 20 April 2018, 1522, 1523. [↑](#footnote-ref-1043)
1044. Transcript, Darren Whereat, 20 April 2018, 1506–7. [↑](#footnote-ref-1044)
1045. Transcript, Darren Whereat, 20 April 2018, 1507. [↑](#footnote-ref-1045)
1046. Transcript, Darren Whereat, 20 April 2018, 1507. [↑](#footnote-ref-1046)
1047. Transcript, Darren Whereat, 20 April 2018, 1508; see Exhibit 2.140, 8 May 2013, Individual representative’s deed with Doyle, 9. [↑](#footnote-ref-1047)
1048. Transcript, Darren Whereat, 20 April 2018, 1508. [↑](#footnote-ref-1048)
1049. Transcript, Darren Whereat, 20 April 2018, 1511. [↑](#footnote-ref-1049)
1050. Transcript, Darren Whereat, 20 April 2018, 1512; Exhibit 2.140, 8 May 2013,   
      Individual representative’s deed with Doyle, 9. [↑](#footnote-ref-1050)
1051. Transcript, Darren Whereat, 20 April 2018, 1511–13. [↑](#footnote-ref-1051)
1052. Transcript, Darren Whereat, 20 April 2018, 1512. [↑](#footnote-ref-1052)
1053. Transcript, Darren Whereat, 20 April 2018, 1512. [↑](#footnote-ref-1053)
1054. Exhibit 2.129, Witness statement of Darren Whereat, 5 April 2018,   
      Exhibit DJW-48 [ANZ.800.225.1484 at 1500]. [↑](#footnote-ref-1054)
1055. Transcript, Darren Whereat, 20 April 2018, 1518. [↑](#footnote-ref-1055)
1056. Transcript, Darren Whereat, 20 April 2018, 1518. [↑](#footnote-ref-1056)
1057. Transcript, Darren Whereat, 20 April 2018, 1522–3, 1524. [↑](#footnote-ref-1057)
1058. Transcript, Darren Whereat, 20 April 2018, 1520–1. [↑](#footnote-ref-1058)
1059. Transcript, Darren Whereat, 20 April 2018, 1523. [↑](#footnote-ref-1059)
1060. Transcript, Darren Whereat, 20 April 2018, 1528. [↑](#footnote-ref-1060)
1061. Transcript, Darren Whereat, 20 April 2018, 1529. [↑](#footnote-ref-1061)
1062. Transcript, Darren Whereat, 20 April 2018, 1529. [↑](#footnote-ref-1062)
1063. Transcript, Darren Whereat, 20 April 2018, 1530–2; Exhibit 2.129,   
      Witness statement of Darren Whereat, 5 April 2018, 22–4 [5.7]–[5.11]. [↑](#footnote-ref-1063)
1064. Transcript, Darren Whereat, 20 April 2018, 1532. [↑](#footnote-ref-1064)
1065. Transcript, Darren Whereat, 20 April 2018, 1532. [↑](#footnote-ref-1065)
1066. Transcript, Darren Whereat, 20 April 2018, 1532–5. [↑](#footnote-ref-1066)
1067. Transcript, Darren Whereat, 20 April 2018, 1532–3. [↑](#footnote-ref-1067)
1068. Transcript, Darren Whereat, 20 April 2018, 1533–4. [↑](#footnote-ref-1068)
1069. Transcript, Darren Whereat, 20 April 2018, 1534. [↑](#footnote-ref-1069)
1070. Transcript, Darren Whereat, 20 April 2018, 1533–4. [↑](#footnote-ref-1070)
1071. Transcript, Darren Whereat, 20 April 2018, 1535. [↑](#footnote-ref-1071)
1072. Transcript, Darren Whereat, 20 April 2018, 1535. [↑](#footnote-ref-1072)
1073. Exhibit 2.129, Witness statement of Darren Whereat, 5 April 2018, Exhibit DJW-41 [ANZ.800.382.0918]; Exhibit 2.129, Witness statement of Darren Whereat, 5 April 2018, Exhibit DJW-45 [ANZ.800.386.0176]; Transcript, Darren Whereat, 20 April 2018,   
      1535–7, 1543. [↑](#footnote-ref-1073)
1074. Transcript, Darren Whereat, 20 April 2018, 1536, 1537. [↑](#footnote-ref-1074)
1075. Transcript, Darren Whereat, 20 April 2018, 1537–8. [↑](#footnote-ref-1075)
1076. Transcript, Darren Whereat, 20 April 2018, 1539. [↑](#footnote-ref-1076)
1077. Transcript, Darren Whereat, 20 April 2018, 1539. [↑](#footnote-ref-1077)
1078. Transcript, Darren Whereat, 20 April 2018, 1539. [↑](#footnote-ref-1078)
1079. Transcript, Darren Whereat, 20 April 2018, 1540. [↑](#footnote-ref-1079)
1080. Transcript, Darren Whereat, 20 April 2018, 1543. [↑](#footnote-ref-1080)
1081. Transcript, Darren Whereat, 20 April 2018, 1544–5. [↑](#footnote-ref-1081)
1082. Exhibit 2.129, Witness statement of Darren Whereat, 5 April 2018,   
      Exhibit DJW-86 [ANZ.800.382.0765 at .0765–.0766]. [↑](#footnote-ref-1082)
1083. Transcript, Darren Whereat, 20 April 2018, 1545. [↑](#footnote-ref-1083)
1084. Transcript, Darren Whereat, 20 April 2018, 1545. [↑](#footnote-ref-1084)
1085. Transcript, Darren Whereat, 20 April 2018, 1545–6. [↑](#footnote-ref-1085)
1086. Transcript, Darren Whereat, 20 April 2018, 1546. [↑](#footnote-ref-1086)
1087. Transcript, Darren Whereat, 20 April 2018, 1546. [↑](#footnote-ref-1087)
1088. Transcript, Darren Whereat, 20 April 2018, 1546. [↑](#footnote-ref-1088)
1089. Exhibit 2.148, 24 May 2017, Letter from Dover Financial Advisers to Millenium3   
      Financial Services. [↑](#footnote-ref-1089)
1090. Exhibit 2.149, undated, Letter from Millenium3 to Dover in reply. [↑](#footnote-ref-1090)
1091. Transcript, Darren Whereat, 20 April 2018, 1547; Exhibit 2.149, undated,   
      Letter from Millenium3 to Dover in reply. [↑](#footnote-ref-1091)
1092. Transcript, Darren Whereat, 20 April 2018, 1548. [↑](#footnote-ref-1092)
1093. Transcript, Darren Whereat, 20 April 2018, 1545. [↑](#footnote-ref-1093)
1094. Transcript, Kieran Forde, 24 April 2018, 1711. [↑](#footnote-ref-1094)
1095. Transcript, Kieran Forde, 24 April 2018, 1713. [↑](#footnote-ref-1095)
1096. Transcript, Kieran Forde, 24 April 2018, 1712–13. [↑](#footnote-ref-1096)
1097. Transcript, Kieran Forde, 24 April 2018, 1712. [↑](#footnote-ref-1097)
1098. Transcript, Kieran Forde, 24 April 2018, 1712–13. [↑](#footnote-ref-1098)
1099. Transcript, Kieran Forde, 24 April 2018, 1713. [↑](#footnote-ref-1099)
1100. Transcript, Kieran Forde, 24 April 2018, 1714. [↑](#footnote-ref-1100)
1101. Transcript, Kieran Forde, 24 April 2018, 1717. [↑](#footnote-ref-1101)
1102. Transcript, Kieran Forde, 24 April 2018, 1711. [↑](#footnote-ref-1102)
1103. Transcript, Kieran Forde, 24 April 2018, 1711. [↑](#footnote-ref-1103)
1104. Transcript, Kieran Forde, 24 April 2018, 1711–12. [↑](#footnote-ref-1104)
1105. Transcript, Kieran Forde, 24 April 2018, 1714. [↑](#footnote-ref-1105)
1106. Transcript, Kieran Forde, 24 April 2018, 1715. [↑](#footnote-ref-1106)
1107. Transcript, Kieran Forde, 24 April 2018, 1715–16. [↑](#footnote-ref-1107)
1108. Transcript, Kieran Forde, 24 April 2018, 1715–16. [↑](#footnote-ref-1108)
1109. Transcript, Kieran Forde, 24 April 2018, 1717–18. [↑](#footnote-ref-1109)
1110. Transcript, Kieran Forde, 24 April 2018, 1719. [↑](#footnote-ref-1110)
1111. Transcript, Kieran Forde, 24 April 2018, 1719. [↑](#footnote-ref-1111)
1112. Transcript, Kieran Forde, 24 April 2018, 1720. [↑](#footnote-ref-1112)
1113. Transcript, Kieran Forde, 24 April 2018, 1724. [↑](#footnote-ref-1113)
1114. Transcript, Kieran Forde, 24 April 2018, 1719. [↑](#footnote-ref-1114)
1115. Transcript, Kieran Forde, 24 April 2018, 1721. [↑](#footnote-ref-1115)
1116. Transcript, Kieran Forde, 24 April 2018, 1721. [↑](#footnote-ref-1116)
1117. Transcript, Kieran Forde, 24 April 2018, 1723. [↑](#footnote-ref-1117)
1118. Transcript, Kieran Forde, 24 April 2018, 1723. [↑](#footnote-ref-1118)
1119. Transcript, Kieran Forde, 24 April 2018, 1724; Exhibit 2.194, Witness statement   
      of Kieran Forde, 12 April 2018, 15 [44]. [↑](#footnote-ref-1119)
1120. Transcript, Kylie Rixon, 23 April 2018, 1559. [↑](#footnote-ref-1120)
1121. Transcript, Kylie Rixon, 23 April 2018, 1562; Leaderboards were published up until 2018: see Exhibit 1.151, April 2018, Updates to 2018 performance assessment framework, 4. [↑](#footnote-ref-1121)
1122. Transcript, Kylie Rixon, 23 April 2018, 1560–1. [↑](#footnote-ref-1122)
1123. Transcript, Kylie Rixon, 23 April 2018, 1561. [↑](#footnote-ref-1123)
1124. Transcript, Kylie Rixon, 23 April 2018, 1564. [↑](#footnote-ref-1124)
1125. Transcript, Kylie Rixon, 23 April 2018, 1565. [↑](#footnote-ref-1125)
1126. Transcript, Kylie Rixon, 23 April 2018, 1565. [↑](#footnote-ref-1126)
1127. Transcript, Darren Whereat, 20 April 2018, 1541. [↑](#footnote-ref-1127)
1128. Transcript, Kylie Rixon, 23 April 2018, 1568. [↑](#footnote-ref-1128)
1129. Transcript, Kylie Rixon, 23 April 2018, 1566. [↑](#footnote-ref-1129)
1130. Transcript, Kylie Rixon, 23 April 2018, 1568. [↑](#footnote-ref-1130)
1131. Transcript, Kylie Rixon, 23 April 2018, 1568. [↑](#footnote-ref-1131)
1132. Transcript, Kylie Rixon, 23 April 2018, 1568. [↑](#footnote-ref-1132)
1133. Transcript, Kylie Rixon, 23 April 2018, 1573–4; Exhibit 2.129, Witness statement   
      of Darren Whereat, 5 April 2018, Exhibit DJW-48 [ANZ 800.225.1484 at .1507]. [↑](#footnote-ref-1133)
1134. Transcript, Kylie Rixon, 23 April 2018, 1575; Exhibit 2.129, Witness statement   
      of Darren Whereat, 5 April 2018, Exhibit DJW-48 [ANZ 800.225.1484 at .1508]. [↑](#footnote-ref-1134)
1135. Transcript, Kylie Rixon, 23 April 2018, 1575. [↑](#footnote-ref-1135)
1136. Transcript, Kylie Rixon, 23 April 2018, 1575. [↑](#footnote-ref-1136)
1137. Transcript, Kylie Rixon, 23 April 2018, 1569. [↑](#footnote-ref-1137)
1138. ANZ, *ANZ Response to the Commission’s Letter of 2 February 2018*, 13 February 2018,   
      9 [26]. [↑](#footnote-ref-1138)
1139. Transcript, Darren Whereat, 20 April 2018, 1523, 1526. [↑](#footnote-ref-1139)
1140. See, eg, Exhibit 2.129, Witness statement of Darren Whereat, 5 April 2018,   
      Exhibit DJW-17 [ANZ.800.163.3325 at .3328]. [↑](#footnote-ref-1140)
1141. Transcript, Darren Whereat, 20 April 2018, 1518. [↑](#footnote-ref-1141)
1142. Millennium 3 and RI Advice Group, *M3 and RI Submissions Arising from Case Studies Involving Mr A, Mr Harris and Mr Doyle,* undated, 14 [65]. [↑](#footnote-ref-1142)
1143. John Doyle, Written submissions in relation to the matter of Mr John Doyle, 4 May 2018, 1–2 [7]. [↑](#footnote-ref-1143)
1144. Transcript, Darren Whereat, 20 April 2018, 1525. [↑](#footnote-ref-1144)
1145. Transcript, Darren Whereat, 20 April 2018, 1527. [↑](#footnote-ref-1145)
1146. Transcript, Darren Whereat, 20 April 2018, 1525. [↑](#footnote-ref-1146)
1147. Transcript, Darren Whereat, 20 April 2018, 1525. [↑](#footnote-ref-1147)
1148. Transcript, Darren Whereat, 20 April 2018, 1525. [↑](#footnote-ref-1148)
1149. Transcript, Darren Whereat, 20 April 2018, 1525. [↑](#footnote-ref-1149)
1150. Transcript, Darren Whereat, 20 April 2018, 1526. [↑](#footnote-ref-1150)
1151. Transcript, Darren Whereat, 20 April 2018, 1526. [↑](#footnote-ref-1151)
1152. Millennium3 and RI Advice Group, *M3 and RI Submissions Arising from Case Studies Involving Mr A, Mr Harris and Mr Doyle,* undated, 11–12 [52]–[55], 15 [68]. [↑](#footnote-ref-1152)
1153. Millennium3 and RI Advice Group, *M3 and RI Submissions Arising from Case Studies Involving Mr A, Mr Harris and Mr Doyle,* undated, 11–12 [52]–[57], 15 [69]. [↑](#footnote-ref-1153)
1154. Transcript, Darren Whereat, 20 April 2018, 1525. [↑](#footnote-ref-1154)
1155. Millennium3 and RI Advice Group, *M3 and RI Submissions Arising from Case Studies Involving Mr A, Mr Harris and Mr Doyle,* undated, 11–13 [52]–[56], 15 [68], [71]. [↑](#footnote-ref-1155)
1156. Millennium3 and RI Advice Group, *M3 and RI Submissions Arising from Case Studies Involving Mr A, Mr Harris and Mr Doyle,* undated, 15–16 [72]. [↑](#footnote-ref-1156)
1157. ANZ, *ANZ Response to the Commission’s Letter of 2 February 2018*, 13 February 2018,   
      6–7 [15]. [↑](#footnote-ref-1157)
1158. Millennium3 and RI Advice Group, *M3 and RI Submissions Arising from Case Studies Involving Mr A, Mr Harris and Mr Doyle,* undated, 9 [40]. [↑](#footnote-ref-1158)
1159. Transcript, Darren Whereat, 20 April 2018, 1533–4. [↑](#footnote-ref-1159)
1160. ANZ, *ANZ Response to the Commission’s Letter of 2 February 2018*, 13 February 2018,   
      5 [9]. [↑](#footnote-ref-1160)
1161. Millennium3 and RI Advice Group, *M3 and RI Submissions Arising from Case Studies Involving Mr A, Mr Harris and Mr Doyle,* undated, 5 [21]. [↑](#footnote-ref-1161)
1162. Transcript, Darren Whereat, 20 April 2018, 1538–9. [↑](#footnote-ref-1162)
1163. Transcript, Darren Whereat, 20 April 2018, 1539. [↑](#footnote-ref-1163)
1164. Transcript, Darren Whereat, 20 April 2018, 1538. [↑](#footnote-ref-1164)
1165. Transcript, Darren Whereat, 20 April 2018, 1539. [↑](#footnote-ref-1165)
1166. Transcript, Darren Whereat, 20 April 2018, 1539. [↑](#footnote-ref-1166)
1167. Transcript, Darren Whereat, 20 April 2018, 1540. [↑](#footnote-ref-1167)
1168. Transcript, Kylie Rixon, 23 April 2018, 1568. [↑](#footnote-ref-1168)
1169. Transcript, Kylie Rixon, 23 April 2018, 1568. [↑](#footnote-ref-1169)
1170. Transcript, Darren Whereat, 20 April 2018, 1543. [↑](#footnote-ref-1170)
1171. Transcript, Darren Whereat, 20 April 2018, 1545. [↑](#footnote-ref-1171)
1172. Transcript, Darren Whereat, 20 April 2018, 1545. [↑](#footnote-ref-1172)
1173. Transcript, Darren Whereat, 20 April 2018, 1545. [↑](#footnote-ref-1173)
1174. Millennium3 and RI Advice Group, *M3 and RI Submissions Arising from Case Studies Involving Mr A, Mr Harris and Mr Doyle,* undated, 5 [22]–[23], 9 [41]–[42]. [↑](#footnote-ref-1174)
1175. Millennium3 and RI Advice Group, *M3 and RI Submissions Arising from Case Studies Involving Mr A, Mr Harris and Mr Doyle,* undated, 10 [43]. [↑](#footnote-ref-1175)
1176. Millennium3 and RI Advice Group, *M3 and RI Submissions Arising from Case Studies Involving Mr A, Mr Harris and Mr Doyle,* undated, 10 [45]–[46]. [↑](#footnote-ref-1176)
1177. Millennium3 and RI Advice Group, *M3 and RI Submissions Arising from Case Studies Involving Mr A, Mr Harris and Mr Doyle,* undated, 10 [47]. [↑](#footnote-ref-1177)
1178. Exhibit 2.145, September 2011, ASIC Report 251: Review of Financial Advice Industry Practice, 7 [24], 22 [70]. [↑](#footnote-ref-1178)
1179. Exhibit 2.146, July 2013, ASIC Report 362: Review of Financial Advice Industry Practice, 10, 25 [91]–[92]. [↑](#footnote-ref-1179)
1180. Transcript, Darren Whereat, 20 April 2018, 1546. [↑](#footnote-ref-1180)
1181. Millennium3 and RI Advice Group, *M3 and RI Submissions Arising from Case Studies Involving Mr A, Mr Harris and Mr Doyle,* undated, 11 [50]. [↑](#footnote-ref-1181)
1182. Transcript, Kieran Forde, 24 April 2018, 1716. [↑](#footnote-ref-1182)
1183. Transcript, Kieran Forde, 24 April 2018, 1716. [↑](#footnote-ref-1183)
1184. Transcript, Kieran Forde, 24 April 2018, 1719. [↑](#footnote-ref-1184)
1185. Transcript, Kieran Forde, 24 April 2018, 1719. [↑](#footnote-ref-1185)
1186. Transcript, Kieran Forde, 24 April 2018, 1720. [↑](#footnote-ref-1186)
1187. Transcript, Kieran Forde, 24 April 2018, 1724. [↑](#footnote-ref-1187)
1188. Transcript, Kieran Forde, 24 April 2018, 1720. [↑](#footnote-ref-1188)
1189. Transcript, Kieran Forde, 24 April 2018, 1724. [↑](#footnote-ref-1189)
1190. Transcript, Kieran Forde, 24 April 2018, 1724. [↑](#footnote-ref-1190)
1191. Millennium3 and RI Advice Group, *M3 and RI Submissions Arising from Case Studies Involving Mr A, Mr Harris and Mr Doyle,* undated, 7 [33]. [↑](#footnote-ref-1191)
1192. Transcript, Kieran Forde, 24 April 2018, 1719. [↑](#footnote-ref-1192)
1193. Transcript, Kieran Forde, 24 April 2018, 1719. [↑](#footnote-ref-1193)
1194. Millennium3 and RI Advice Group, *M3 and RI Submissions Arising from Case Studies Involving Mr A, Mr Harris and Mr Doyle,* undated, 10 [33]. [↑](#footnote-ref-1194)
1195. Transcript, Kylie Rixon, 23 April 2018, 1575–89. [↑](#footnote-ref-1195)
1196. Transcript, Kylie Rixon, 23 April 2018, 1581–9. [↑](#footnote-ref-1196)
1197. Transcript, Kylie Rixon, 23 April 2018, 1585. [↑](#footnote-ref-1197)
1198. Transcript, Kylie Rixon, 23 April 2018, 1587. [↑](#footnote-ref-1198)
1199. Transcript, Kylie Rixon, 23 April 2018, 1568. [↑](#footnote-ref-1199)
1200. Transcript, Darren Whereat, 20 April 2018, 1493; Exhibit 2.132, 22 March 2013, Memorandum AFS Retention Strategy dated 22/03/2013; Exhibit 2.134, 20 April 2018, Email Younger to Williams dated 15/04/2013 and attachment. [↑](#footnote-ref-1200)
1201. Transcript, Darren Whereat, 20 April 2018, 1491, 1493. [↑](#footnote-ref-1201)
1202. Transcript, Darren Whereat, 20 April 2018, 1493, 1495. [↑](#footnote-ref-1202)
1203. Transcript, Darren Whereat, 20 April 2018, 1494. [↑](#footnote-ref-1203)
1204. Transcript, Darren Whereat, 20 April 2018, 1498, 1527. [↑](#footnote-ref-1204)
1205. Transcript, Darren Whereat, 20 April 2018, 1546. [↑](#footnote-ref-1205)
1206. Transcript, Sarah Britt, 23 April 2018, 1593, 1594. [↑](#footnote-ref-1206)
1207. Transcript, Sarah Britt, 23 April 2018, 1594; Exhibit 2.161, Witness statement   
      of Sarah Britt, 10 April 2018, Exhibit SCB-2 (Tab 3) [AMP.6000.0037.1463 at .1466]. [↑](#footnote-ref-1207)
1208. Transcript, Sarah Britt, 23 April 2018, 1595–6. [↑](#footnote-ref-1208)
1209. Transcript, Sarah Britt, 23 April 2018, 1596, 1598. [↑](#footnote-ref-1209)
1210. Transcript, Sarah Britt, 23 April 2018, 1597. [↑](#footnote-ref-1210)
1211. Transcript, Sarah Britt, 23 April 2018, 1600; Exhibit 2.161, Witness statement of Sarah Britt, 10 April 2018, Exhibit SCB-2 (Tab 2) [AMP.6000.0028.0440 at .0446–.0447]. [↑](#footnote-ref-1211)
1212. Transcript, Sarah Britt, 23 April 2018, 1598. [↑](#footnote-ref-1212)
1213. Transcript, Sarah Britt, 23 April 2018, 1598. [↑](#footnote-ref-1213)
1214. Transcript, Sarah Britt, 23 April 2018, 1598; Exhibit 2.162, 22 September 2016,   
      Quality Review and Statement of Actions dated 22/09/2016, 1. [↑](#footnote-ref-1214)
1215. Transcript, Sarah Britt, 23 April 2018, 1599. [↑](#footnote-ref-1215)
1216. Transcript, Sarah Britt, 23 April 2018, 1606. [↑](#footnote-ref-1216)
1217. Transcript, Sarah Britt, 23 April 2018, 1599. [↑](#footnote-ref-1217)
1218. Transcript, Sarah Britt, 23 April 2018, 1601. [↑](#footnote-ref-1218)
1219. Exhibit 2.171, Witness statement of Anthony Regan, 11 April 2018,   
      Exhibit AGR-2 (Tab 15) [AMP.6000.0001.2246 at .2248]. [↑](#footnote-ref-1219)
1220. Transcript, Sarah Britt, 23 April 2018, 1602. [↑](#footnote-ref-1220)
1221. Transcript, Sarah Britt, 23 April 2018, 1602. [↑](#footnote-ref-1221)
1222. Transcript, Sarah Britt, 23 April 2018, 1602. [↑](#footnote-ref-1222)
1223. Transcript, Sarah Britt, 23 April 2018, 1603. [↑](#footnote-ref-1223)
1224. Transcript, Sarah Britt, 23 April 2018, 1603–4. [↑](#footnote-ref-1224)
1225. Transcript, Sarah Britt, 23 April 2018, 1598, 1606. [↑](#footnote-ref-1225)
1226. Transcript, Sarah Britt, 23 April 2018, 1607. [↑](#footnote-ref-1226)
1227. Transcript, Sarah Britt, 23 April 2018, 1612; Exhibit 2.161, Witness statement   
      of Sarah Britt, 10 April 2018, Exhibit SCB-2 (Tab 5) [AMP.6000.0037.0118]. [↑](#footnote-ref-1227)
1228. Transcript, Sarah Britt, 23 April 2018, 1612–3. [↑](#footnote-ref-1228)
1229. Transcript, Sarah Britt, 23 April 2018, 1613–4. [↑](#footnote-ref-1229)
1230. Transcript, Sarah Britt, 23 April 2018, 1614. [↑](#footnote-ref-1230)
1231. Transcript, Sarah Britt, 23 April 2018, 1615. [↑](#footnote-ref-1231)
1232. Transcript, Sarah Britt, 23 April 2018, 1615. [↑](#footnote-ref-1232)
1233. Transcript, Sarah Britt, 23 April 2018, 1615. [↑](#footnote-ref-1233)
1234. Transcript, Sarah Britt, 23 April 2018, 1614. [↑](#footnote-ref-1234)
1235. Transcript, Sarah Britt, 23 April 2018, 1615. [↑](#footnote-ref-1235)
1236. Transcript, Sarah Britt, 23 April 2018, 1616. [↑](#footnote-ref-1236)
1237. Transcript, Sarah Britt, 23 April 2018, 1616. [↑](#footnote-ref-1237)
1238. Transcript, Sarah Britt, 23 April 2018, 1615. [↑](#footnote-ref-1238)
1239. Transcript, Sarah Britt, 23 April 2018, 1615. [↑](#footnote-ref-1239)
1240. Transcript, Sarah Britt, 23 April 2018, 1616. [↑](#footnote-ref-1240)
1241. Exhibit 2.171, Witness statement of Anthony Regan, 11 April 2018,   
      Exhibit AGR-2 (Tab 15) [AMP.6000.0001.2246 at .2251]. [↑](#footnote-ref-1241)
1242. Transcript, Sarah Britt, 23 April 2018, 1616. [↑](#footnote-ref-1242)
1243. Transcript, Sarah Britt, 23 April 2018, 1616. [↑](#footnote-ref-1243)
1244. Transcript, Sarah Britt, 23 April 2018, 1616. [↑](#footnote-ref-1244)
1245. Transcript, Sarah Britt, 23 April 2018, 1617. [↑](#footnote-ref-1245)
1246. Transcript, Sarah Britt, 23 April 2018, 1617. [↑](#footnote-ref-1246)
1247. Transcript, Sarah Britt, 23 April 2018, 1618. [↑](#footnote-ref-1247)
1248. Transcript, Sarah Britt, 23 April 2018, 1618. [↑](#footnote-ref-1248)
1249. Exhibit 2.161, Witness statement of Sarah Britt, 10 April 2018, 10–11 [37]. [↑](#footnote-ref-1249)
1250. Transcript, Sarah Britt, 23 April 2018, 1623; Exhibit 2.131, 7 November 2011,   
      ASIC Media Release concerning Australian Financial Services Limited. [↑](#footnote-ref-1250)
1251. Transcript, Sarah Britt, 23 April 2018, 1628–9; see Exhibit 2.166, 4 January 2013, Authorised Representative Application by Palmer. [↑](#footnote-ref-1251)
1252. Transcript, Sarah Britt, 23 April 2018, 1630, 1631. [↑](#footnote-ref-1252)
1253. Transcript, Sarah Britt, 23 April 2018, 1631. [↑](#footnote-ref-1253)
1254. Transcript, Sarah Britt, 23 April 2018, 1632–3, 1636; Exhibit 2.161, Witness statement   
      of Sarah Britt, 10 April 2018, Exhibit SCB-2 (Tab 25) [AMP.6000.0028.0841]. [↑](#footnote-ref-1254)
1255. Transcript, Sarah Britt, 23 April 2018, 1636. [↑](#footnote-ref-1255)
1256. Transcript, Sarah Britt, 23 April 2018, 1636. [↑](#footnote-ref-1256)
1257. Transcript, Sarah Britt, 23 April 2018, 1636; Exhibit 2.161.6, Witness statement   
      of Sarah Britt, 10 April 2018, Exhibit SCB-2 (Tab 25) [AMP.6000.0028.0841 at .0843]. [↑](#footnote-ref-1257)
1258. Transcript, Sarah Britt, 23 April 2018, 1637. [↑](#footnote-ref-1258)
1259. Transcript, Sarah Britt, 23 April 2018, 1637. [↑](#footnote-ref-1259)
1260. Transcript, Sarah Britt, 23 April 2018, 1639. [↑](#footnote-ref-1260)
1261. Transcript, Sarah Britt, 23 April 2018, 1638. [↑](#footnote-ref-1261)
1262. Transcript, Sarah Britt, 23 April 2018, 1639. [↑](#footnote-ref-1262)
1263. Transcript, Sarah Britt, 23 April 2018, 1640. [↑](#footnote-ref-1263)
1264. Transcript, Sarah Britt, 23 April 2018, 1641. [↑](#footnote-ref-1264)
1265. Exhibit 2.161.40, Witness statement of Sarah Britt, 10 April 2018,   
      Exhibit SCB-2 (Tab 40) [AMP.6000.0043.2824]. [↑](#footnote-ref-1265)
1266. Transcript, Sarah Britt, 23 April 2018, 1642–3. [↑](#footnote-ref-1266)
1267. Transcript, Sarah Britt, 23 April 2018, 1643–4. [↑](#footnote-ref-1267)
1268. Transcript, Sarah Britt, 23 April 2018, 1644. [↑](#footnote-ref-1268)
1269. Transcript, Sarah Britt, 23 April 2018, 1644. [↑](#footnote-ref-1269)
1270. Transcript, Sarah Britt, 23 April 2018, 1645. [↑](#footnote-ref-1270)
1271. Transcript, Sarah Britt, 23 April 2018, 1645. [↑](#footnote-ref-1271)
1272. Transcript, Sarah Britt, 23 April 2018, 1645. [↑](#footnote-ref-1272)
1273. Transcript, Sarah Britt, 23 April 2018, 1598. [↑](#footnote-ref-1273)
1274. Transcript, Sarah Britt, 23 April 2018, 1598. [↑](#footnote-ref-1274)
1275. AMP, *Annexure to Schedule B to AMP Group Response to Letter dated 2 February 2018,* 13 February 2018, 2. [↑](#footnote-ref-1275)
1276. AMP, *AMP Group Submission Case Study 3: Inappropriate Financial Advice*,   
      4 May 2018, 4 [9]. [↑](#footnote-ref-1276)
1277. AMP, *AMP Group Submission Case Study 3: Inappropriate Financial Advice*,   
      4 May 2018, 10–11 [24]. [↑](#footnote-ref-1277)
1278. Transcript, Sarah Britt, 23 April 2018, 1646. [↑](#footnote-ref-1278)
1279. Transcript, Sarah Britt, 23 April 2018, 1606. [↑](#footnote-ref-1279)
1280. Transcript, Sarah Britt, 23 April 2018, 1646; Exhibit 2.171.19, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-2 (Tab 19) [AMP.6000.0006.5018 at .5033]. [↑](#footnote-ref-1280)
1281. Transcript, Sarah Britt, 23 April 2018, 1646–7. [↑](#footnote-ref-1281)
1282. Transcript, Sarah Britt, 23 April 2018, 1647. [↑](#footnote-ref-1282)
1283. Transcript, Sarah Britt, 23 April 2018, 1620–2. [↑](#footnote-ref-1283)
1284. Transcript, Sarah Britt, 23 April 2018, 1620. [↑](#footnote-ref-1284)
1285. Transcript, Sarah Britt, 23 April 2018, 1621. [↑](#footnote-ref-1285)
1286. Transcript, Sarah Britt, 23 April 2018, 1647; Exhibit 2.171, Witness statement of Anthony Regan, 11 April 2018, Exhibit AGR-2 (Tab 19) [AMP.6000.0006.5018 at .5047]. [↑](#footnote-ref-1286)
1287. Transcript, Sarah Britt, 23 April 2018, 1615. [↑](#footnote-ref-1287)
1288. Transcript, Sarah Britt, 23 April 2018, 1616. [↑](#footnote-ref-1288)
1289. AMP, *Annexure to Schedule B to AMP Group Response to Letter dated 2 February 2018, 13 February 2018*, 11. [↑](#footnote-ref-1289)
1290. AMP, *AMP Group Submission Case Study 3: Inappropriate Financial Advice*,   
      4 May 2018, 4, [9]. [↑](#footnote-ref-1290)
1291. Transcript, Sarah Britt, 23 April 2018, 1637. [↑](#footnote-ref-1291)
1292. Transcript, Sarah Britt, 23 April 2018, 1637. [↑](#footnote-ref-1292)
1293. Transcript, Sarah Britt, 23 April 2018, 1637–8. [↑](#footnote-ref-1293)
1294. Transcript, Sarah Britt, 23 April 2018, 1638. [↑](#footnote-ref-1294)
1295. AMP, *Annexure to Schedule B to AMP Group Response to Letter dated 2 February 2018*, 13 February 2018, 15. [↑](#footnote-ref-1295)
1296. AMP, *AMP Group Submission Case Study 3: Inappropriate Financial Advice*,   
      4 May 2018, 4 [9]. [↑](#footnote-ref-1296)
1297. Adam Palmer, *Palmer Submission*, 4 May 2018, 1–2 [4]. [↑](#footnote-ref-1297)
1298. Transcript, Sarah Britt, 23 April 2018, 1630, 1631. [↑](#footnote-ref-1298)
1299. Transcript, Sarah Britt, 23 April 2018, 1626–7; Exhibit 2.165, 10 December 2012,   
      Advice assessment re Palmer dated 10/12/2012, 1. [↑](#footnote-ref-1299)
1300. Transcript, Sarah Britt, 23 April 2018, 1626. [↑](#footnote-ref-1300)
1301. Transcript, Sarah Britt, 23 April 2018, 1625. [↑](#footnote-ref-1301)
1302. Transcript, Sarah Britt, 23 April 2018, 1627. [↑](#footnote-ref-1302)
1303. Transcript, Sarah Britt, 23 April 2018, 1627; Exhibit 2.166, 4 January 2013,   
      Authorised Representative Application by Palmer, 3. [↑](#footnote-ref-1303)
1304. Transcript, Sarah Britt, 23 April 2018, 1627–8. [↑](#footnote-ref-1304)
1305. Transcript, Sarah Britt, 23 April 2018, 1629. [↑](#footnote-ref-1305)
1306. Transcript, Sarah Britt, 23 April 2018, 1631. [↑](#footnote-ref-1306)
1307. Transcript, Sarah Britt, 23 April 2018, 1631. [↑](#footnote-ref-1307)
1308. Transcript, Sarah Britt, 23 April 2018, 1632–3, 1636; Exhibit 2.161, Witness statement   
      of Sarah Britt, 10 April 2018, Exhibit SCB-2 (Tab 25) [AMP.6000.0028.0841]. [↑](#footnote-ref-1308)
1309. AMP, *AMP Group Submission Case Study 3: Inappropriate Financial Advice*,   
      4 May 2018, 15 [31]. [↑](#footnote-ref-1309)
1310. AMP, *AMP Group Submission Case Study 3: Inappropriate Financial Advice*,   
      4 May 2018, 16 [34]. [↑](#footnote-ref-1310)
1311. AMP, *AMP Group Submission Case Study 3: Inappropriate Financial Advice*,   
      4 May 2018, 19 [51]–[52]. [↑](#footnote-ref-1311)
1312. Transcript, Sarah Britt, 23 April 2018, 1645. [↑](#footnote-ref-1312)
1313. Transcript, Sarah Britt, 23 April 2018, 1607, 1609–10, 1619. [↑](#footnote-ref-1313)
1314. Transcript, Sarah Britt, 23 April 2018, 1607. [↑](#footnote-ref-1314)
1315. Transcript, Sarah Britt, 23 April 2018, 1610. [↑](#footnote-ref-1315)
1316. AMP, *AMP Group Submission Case Study 3: Inappropriate Financial Advice*,   
      4 May 2018, 20 [52]. [↑](#footnote-ref-1316)
1317. Transcript, Andrew Paul Hagger, 23 April 2018, 1656–7; Exhibit 2.178,   
      Witness statement of Andrew Paul Hagger, 5 April 2018, Exhibit AH-1 (Tab 32) [NAB.080.016.5587 at .5588–.5589]. [↑](#footnote-ref-1317)
1318. Transcript, Andrew Paul Hagger, 23 Apr 2018, 1657; Exhibit 2.178, Witness statement of Andrew Paul Hagger, 5 April 2018, Exhibit AH-1 (Tab 32) [NAB.080.016.5587 at .5590]. [↑](#footnote-ref-1318)
1319. Transcript, Andrew Paul Hagger, 23 Apr 2018, 1657; Exhibit 2.178, Witness statement of Andrew Paul Hagger, 5 April 2018, Exhibit AH-1 (Tab 32) [NAB.080.016.5587 at .5590]. [↑](#footnote-ref-1319)
1320. Transcript, Andrew Paul Hagger, 23 April 2018, 1658; Exhibit 2.180, 23 April 2018,   
      MLC Application Form; Exhibit 2.181, 23 April 2018, MLC Application Form; Exhibit 2.178, Witness statement of Andrew Paul Hagger, 5 April 2018, Exhibit AH-1 (Tab 32) [NAB.080.016.5587 at .5591]. [↑](#footnote-ref-1320)
1321. Transcript, Andrew Paul Hagger, 23 April 2018, 1658–60; Exhibit 2.180, 23 April 2018, MLC Application Form, 16–17; Exhibit 2.181, 23 April 2018, MLC Application Form,   
      16–17. [↑](#footnote-ref-1321)
1322. Transcript, Andrew Paul Hagger, 23 April 2018, 1661; Exhibit 2.180, 23 April 2018, MLC Application Form, 16; Exhibit 2.181, 23 April 2018, MLC Application Form, 16. [↑](#footnote-ref-1322)
1323. Transcript, Andrew Paul Hagger, 23 April 2018, 1661. [↑](#footnote-ref-1323)
1324. Transcript, Andrew Paul Hagger, 23 April 2018, 1661; Exhibit 2.178, Witness statement of Andrew Paul Hagger, 5 April 2018, Exhibit AH-1 (Tab 32) [NAB.080.016.5587   
      at .5591]. [↑](#footnote-ref-1324)
1325. Transcript, Andrew Paul Hagger, 23 April 2018, 1661–2; Exhibit 2.182, 23 April 2018, MLC application form as amended; Exhibit 2.183, 23 April 2018, MLC application form   
      as amended. [↑](#footnote-ref-1325)
1326. Transcript, Andrew Paul Hagger, 23 April 2018, 1663. [↑](#footnote-ref-1326)
1327. Transcript, Andrew Paul Hagger, 24 April 2018, 1668. [↑](#footnote-ref-1327)
1328. Transcript, Andrew Paul Hagger, 24 April 2018, 1668. [↑](#footnote-ref-1328)
1329. Transcript, Andrew Paul Hagger, 24 April 2018, 1668. [↑](#footnote-ref-1329)
1330. Transcript, Andrew Paul Hagger, 24 April 2018, 1669–70; Exhibit 2.178,   
      Witness statement of Andrew Paul Hagger, 5 April 2018, Exhibit AH-1 (Tab 31) [NAB.080.016.5585 at .5586]; Exhibit 2.178, Witness statement of Andrew Paul Hagger, 5 April 2018, Exhibit AH-1 (Tab 33) [NAB.080.016.5593 at .5594]. [↑](#footnote-ref-1330)
1331. Transcript, Andrew Paul Hagger, 24 Apr 2018, 1673; Exhibit 2.178, Witness statement of Andrew Paul Hagger, 5 April 2018, Exhibit AH-1 (Tab 37) [NAB.005.164.0004 at .0006]. [↑](#footnote-ref-1331)
1332. Transcript, Andrew Paul Hagger, 24 April 2018, 1674. [↑](#footnote-ref-1332)
1333. Transcript, Andrew Paul Hagger, 24 April 2018, 1671. [↑](#footnote-ref-1333)
1334. Transcript, Andrew Paul Hagger, 24 April 2018, 1675. [↑](#footnote-ref-1334)
1335. Transcript, Andrew Paul Hagger, 24 April 2018, 1675; Exhibit 2.178, Witness statement of Andrew Paul Hagger, 5 April 2018, Exhibit AH-1 (Tab 43) [NAB.020.009.9493]. [↑](#footnote-ref-1335)
1336. Transcript, Andrew Paul Hagger, 24 April 2018, 1675–6; Exhibit 2.178,   
      Witness statement of Andrew Paul Hagger, 5 April 2018, Exhibit AH-1 (Tab 43) [NAB.020.009.9493 at .9495–.9496]. [↑](#footnote-ref-1336)
1337. Transcript, Andrew Paul Hagger, 24 April 2018, 1676–7. [↑](#footnote-ref-1337)
1338. Transcript, Andrew Paul Hagger, 24 April 2018, 1677. [↑](#footnote-ref-1338)
1339. Transcript, Andrew Paul Hagger, 24 April 2018, 1677. [↑](#footnote-ref-1339)
1340. Transcript, Andrew Paul Hagger, 24 April 2018, 1677. [↑](#footnote-ref-1340)
1341. Transcript, Andrew Paul Hagger, 24 April 2018, 1686; Exhibit 2.185, 24 April 2018, Minutes of the Breach Review Committee dated 31/05/2017, 2. [↑](#footnote-ref-1341)
1342. Transcript, Andrew Paul Hagger, 24 April 2018, 1688; Exhibit 2.178, Witness statement of Andrew Paul Hagger, 5 April 2018, Exhibit AH-1 (Tab 40) [NAB.065.002.5881   
      at .5883–.5884]. [↑](#footnote-ref-1342)
1343. Transcript, Andrew Paul Hagger, 24 April 2018, 1689. [↑](#footnote-ref-1343)
1344. Transcript, Andrew Paul Hagger, 24 April 2018, 1687; Exhibit 2.178, Witness statement of Andrew Paul Hagger, 5 April 2018, Exhibit AH-1 (Tab 45) [NAB.005.021.0488   
      at .0492]. [↑](#footnote-ref-1344)
1345. Transcript, Andrew Paul Hagger, 24 April 2018, 1690. [↑](#footnote-ref-1345)
1346. Transcript, Andrew Paul Hagger, 24 April 2018, 1689; Exhibit 2.178, Witness statement of Andrew Paul Hagger, 5 April 2018, Exhibit AH-1 (Tab 50) [NAB.005.150.0016   
      at .0016]. [↑](#footnote-ref-1346)
1347. Transcript, Andrew Paul Hagger, 24 April 2018, 1690–1. [↑](#footnote-ref-1347)
1348. Transcript, Andrew Paul Hagger, 24 April 2018, 1684; Exhibit 2.178, Witness statement of Andrew Paul Hagger, 5 April 2018, Exhibit AH-1 (Tab 42) [NAB.005.137.0535   
      at .0536]. [↑](#footnote-ref-1348)
1349. Transcript, Andrew Paul Hagger, 24 April 2018, 1694–1702. [↑](#footnote-ref-1349)
1350. Transcript, Andrew Paul Hagger, 24 April 2018, 1694–5, 1701–2; Exhibit 2.186,   
      2 November 2017, Wealth Advice Leadership Consequence Management, 2. [↑](#footnote-ref-1350)
1351. Transcript, Andrew Paul Hagger, 24 April 2018, 1700; Exhibit 2.189, 24 April 2018, Emails between Hagger and Thorburn of 3 and 6 November 2017, 1. [↑](#footnote-ref-1351)
1352. Transcript, Andrew Paul Hagger, 24 April 2018, 1670; Exhibit 2.178, Witness statement of Andrew Paul Hagger, 5 April 2018, Exhibit AH-1 (Tab 33) [NAB.080.016.5593   
      at .5593]. [↑](#footnote-ref-1352)
1353. Exhibit 2.178, Witness statement of Andrew Paul Hagger, 5 April 2018, Exhibit AH-1   
      (Tab 45) [NAB.005.021.0488 at .0492]. [↑](#footnote-ref-1353)
1354. Transcript, Andrew Paul Hagger, 24 Apr 2018, 1677. [↑](#footnote-ref-1354)
1355. NAB, *NAB Group’s Response dated 29 January 2018 to the Commission’s Letter dated   
      15 December 2017,* 29 January 2018, 14. [↑](#footnote-ref-1355)
1356. NAB, *Submissions of National Australia Bank – Improper Conduct Case Study*,   
      4 May 2018, 11–13 [42]–[51]. [↑](#footnote-ref-1356)
1357. NAB, *Submissions of National Australia Bank – Improper Conduct Case Study,*   
      4 May 2018, 11 [44]. [↑](#footnote-ref-1357)
1358. NAB, *Submissions of National Australia Bank – Improper Conduct Case Study,*   
      4 May 2018, 11–12 [45]. [↑](#footnote-ref-1358)
1359. Transcript, Andrew Paul Hagger, 24 April 2018, 1676–7 [↑](#footnote-ref-1359)
1360. Transcript, Andrew Paul Hagger, 24 April 2018, 1677. [↑](#footnote-ref-1360)
1361. NAB, *Submissions of National Australia Bank – Improper Conduct Case Study,*   
      4 May 2018, 14 [56]. [↑](#footnote-ref-1361)
1362. Exhibit 2.184, 27 November 2015, Managing Values Report. [↑](#footnote-ref-1362)
1363. Exhibit 2.184, 27 November 2015, Managing Values Report, 8. [↑](#footnote-ref-1363)
1364. Transcript, Andrew Paul Hagger, 24 April 2018, 1678–9. [↑](#footnote-ref-1364)
1365. Transcript, Andrew Paul Hagger, 24 April 2018, 1679. [↑](#footnote-ref-1365)
1366. Transcript, Andrew Paul Hagger, 24 April 2018, 1681. [↑](#footnote-ref-1366)
1367. Transcript, Donna McKenna, 24 April 2018, 1727. [↑](#footnote-ref-1367)
1368. Transcript, Donna McKenna, 24 April 2018, 1727. [↑](#footnote-ref-1368)
1369. Transcript, Donna McKenna, 24 April 2018, 1730–1, 1733–4; Exhibit 2.197, Witness statement of Donna McKenna, 16 April 2018, Exhibit DMcK-2 [WIT.0900.0002.0001]. [↑](#footnote-ref-1369)
1370. Transcript, Donna McKenna, 24 April 2018, 1732. [↑](#footnote-ref-1370)
1371. Transcript, Donna McKenna, 24 April 2018, 1732–3. [↑](#footnote-ref-1371)
1372. Transcript, Sam Henderson, 24 April 2018, 1756–7; Exhibit 2.204, 7 November 2016, Telephone recording. [↑](#footnote-ref-1372)
1373. Transcript, Sam Henderson, 24 April 2018, 1765. [↑](#footnote-ref-1373)
1374. Transcript, Sam Henderson, 24 April 2018, 1760–1. [↑](#footnote-ref-1374)
1375. Transcript, Donna McKenna, 24 April 2018, 1736; Exhibit 2.197, Witness statement   
      of Donna McKenna, 16 April 2008, Exhibit DMcK-6 [FPA.0011.0003.0007]. [↑](#footnote-ref-1375)
1376. Transcript, Donna McKenna, 24 April 2018, 1737. [↑](#footnote-ref-1376)
1377. Transcript, Donna McKenna, 24 April 2018, 1739; Transcript, Sam Henderson,   
      24 April 2018, 1762. [↑](#footnote-ref-1377)
1378. Transcript, Donna McKenna, 24 April 2018, 1737. [↑](#footnote-ref-1378)
1379. Transcript, Sam Henderson, 24 April 2018, 1762 [↑](#footnote-ref-1379)
1380. Transcript, Sam Henderson, 24 April 2018, 1763. [↑](#footnote-ref-1380)
1381. Transcript, Donna McKenna, 24 April 2018, 1739. [↑](#footnote-ref-1381)
1382. Transcript, Donna McKenna, 24 April 2018, 1739; Exhibit 2.197, Witness statement   
      of Donna McKenna, 16 April 2018, 7 [40]. [↑](#footnote-ref-1382)
1383. Transcript, Donna McKenna, 24 April 2018, 1739–40. [↑](#footnote-ref-1383)
1384. Transcript, Donna McKenna, 24 April 2018, 1740. [↑](#footnote-ref-1384)
1385. Transcript, Donna McKenna, 24 April 2018, 1741. [↑](#footnote-ref-1385)
1386. Transcript, Sam Henderson, 24 April 2018, 1770–1; Exhibit 2.209, 24 April 2018,   
      Emails between Murphy and Henderson, 5. [↑](#footnote-ref-1386)
1387. Transcript, Sam Henderson, 24 April 2018, 1773, Exhibit 2.211, 24 April 2018,   
      Emails between Henderson and De Gori of FPA, 1. [↑](#footnote-ref-1387)
1388. Transcript, Sam Henderson, 24 April 2018, 1774; Exhibit 2.212, 24 April 2018,   
      Report to the Conduct Review Commission. [↑](#footnote-ref-1388)
1389. Transcript, Sam Henderson, 24 April 2018, 1775; Exhibit 2.212, 24 April 2018,   
      Report to the Conduct Review Commission, 23. [↑](#footnote-ref-1389)
1390. Transcript, Sam Henderson, 24 April 2018, 1775. [↑](#footnote-ref-1390)
1391. Transcript, Donna McKenna, 24 April 2018, 1741. [↑](#footnote-ref-1391)
1392. Transcript, Sam Henderson, 24 April 2018, 1776. [↑](#footnote-ref-1392)
1393. Transcript, Sam Henderson, 24 April 2018, 1776; Exhibit 2.214, 24 April 2018, Email   
      and attachment concerning agreed disposal of CRC disciplinary proceedings, 2, 3, 7. [↑](#footnote-ref-1393)
1394. Transcript, Sam Henderson, 24 April 2018, 1777; Exhibit 2.214, 24 April 2018, Email   
      and attachment concerning agreed disposal of CRC disciplinary proceedings, 10. [↑](#footnote-ref-1394)
1395. Transcript, Sam Henderson, 24 April 2018, 1777. [↑](#footnote-ref-1395)
1396. Transcript, Sam Henderson, 24 April 2018, 1777. [↑](#footnote-ref-1396)
1397. Transcript, Sam Henderson, 24 April 2018, 1777–8; Exhibit 2.215, 24 April 2018, Email   
      of 13 April 2018 and revised summary disposal agreement. [↑](#footnote-ref-1397)
1398. [Exhibit 2.215](file:///C:\Users\matthew.crowley\AppData\Local\Microsoft\Windows\INetCache\Content.Outlook\H80B5705\%20%20Exhibit%202.215), 24 April 2018, Email of 13 April 2018 and revised summary disposal agreement, 1. [↑](#footnote-ref-1398)
1399. Transcript, Sam Henderson, 24 April 2018, 1778. [↑](#footnote-ref-1399)
1400. Transcript, Sam Henderson, 24 April 2018, 1762. [↑](#footnote-ref-1400)
1401. Transcript, Sam Henderson, 24 April 2018, 1763–4. [↑](#footnote-ref-1401)
1402. Henderson Maxwell Entities, *Submissions on Behalf of Sam Henderson, Henderson Maxwell Financial Planning Pty Ltd and Henderson Maxwell Pty Ltd,* 4 May 2018,   
      4–9 [9]–[16]. [↑](#footnote-ref-1402)
1403. Transcript, Sam Henderson, 24 April 2018, 1764. [↑](#footnote-ref-1403)
1404. Henderson Maxwell Entities, *Submissions on Behalf of Sam Henderson, Henderson Maxwell Financial Planning Pty Ltd and Henderson Maxwell Pty Ltd,* 4 May 2018,   
      2–3 [3], [5], 9 [16]. [↑](#footnote-ref-1404)
1405. Transcript, Sam Henderson, 24 April 2018, 1748–9. [↑](#footnote-ref-1405)
1406. Exhibit 2.203, 24 April 2018, Henderson Maxwell Financial Services Guide. [↑](#footnote-ref-1406)
1407. Exhibit 2.203, 24 April 2018, Henderson Maxwell Financial Services Guide, 3. [↑](#footnote-ref-1407)
1408. Transcript, Sam Henderson, 24 April 2018, 1754. [↑](#footnote-ref-1408)
1409. Transcript, Sam Henderson, 24 April 2018, 1757, 1765. [↑](#footnote-ref-1409)
1410. Transcript, Sam Henderson, 24 April 2018, 1758. [↑](#footnote-ref-1410)
1411. Transcript, Sam Henderson, 24 April 2018, 1772. [↑](#footnote-ref-1411)
1412. Transcript, Sam Henderson, 24 April 2018, 1770. [↑](#footnote-ref-1412)
1413. Transcript, Terrence McMaster, 26 April 2018, 1871; Exhibit 2.241, 25 September 2014, Emails between Palmer and Thompson. [↑](#footnote-ref-1413)
1414. Transcript, Terrence McMaster, 26 April 2018, 1870–1. [↑](#footnote-ref-1414)
1415. Transcript, Terrence McMaster, 26 April 2018, 1873 [↑](#footnote-ref-1415)
1416. Transcript, Terrence McMaster, 26 April 2018, 1876–7. [↑](#footnote-ref-1416)
1417. Transcript, Terrence McMaster, 26 April 2018, 1879, 1880; Exhibit 2.236, Witness statement of Terrence McMaster, 10 April 2018, Exhibit TM-36 [DOV.0005.0001.1055]. [↑](#footnote-ref-1417)
1418. Transcript, Terrence McMaster, 26 April 2018, 1884. [↑](#footnote-ref-1418)
1419. Exhibit 2.236, Witness statement of Terrence McMaster, 10 April 2018, Exhibit TM-54 [DOV.0005.0001.1927 at .1927]; Exhibit 2.236, Witness statement of Terrence McMaster, 10 April 2018, 7 [57]. [↑](#footnote-ref-1419)
1420. Exhibit 2.236, Witness statement of Terrence McMaster, 10 April 2018, Exhibit TM-53 [DOV.005.0001.1897 at .1923]. [↑](#footnote-ref-1420)
1421. Exhibit 2.242, undated, ASIC register of financial advisers record concerning   
      Hamilton, 1. [↑](#footnote-ref-1421)
1422. Exhibit 2.243, undated, ASIC register of financial advisers record concerning   
      Houghton, 1. [↑](#footnote-ref-1422)
1423. Transcript, Terrence McMaster, 26 April 2018, 1867–8, 1876–7 [↑](#footnote-ref-1423)
1424. Exhibit 2.244, 8 December 2016, Letter from FOS to ASIC, re Dover, 2. [↑](#footnote-ref-1424)
1425. Transcript, Terrence McMaster, 26 April 2018, 1888. [↑](#footnote-ref-1425)
1426. Transcript, Terrence McMaster, 26 April 2018, 1889. [↑](#footnote-ref-1426)
1427. Exhibit 2.245, 13 November 2017, Dover Client Protection Policy. [↑](#footnote-ref-1427)
1428. Transcript, Terry McMaster, 26 April 2018, 1897. [↑](#footnote-ref-1428)
1429. Transcript, Carolyn Joy Flanagan, 21 May 2018, 2044–5. [↑](#footnote-ref-1429)
1430. Transcript, Carolyn Joy Flanagan, 21 May 2018, 2043. [↑](#footnote-ref-1430)
1431. Exhibit 3.6, Witness statement of Carolyn Joy Flanagan, 14 May 2018, 1 [4];   
      Exhibit 3.6, Witness statement of Carolyn Joy Flanagan, 14 May 2018, Exhibit CJF-1 [WBC.407.001.1003 at .1003]. [↑](#footnote-ref-1431)
1432. Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018,   
      Exhibit AW4-27 [WBC.104.001.9133]. [↑](#footnote-ref-1432)
1433. Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018,   
      Exhibit AW4-28 [WBC.407.001.0148]. [↑](#footnote-ref-1433)
1434. Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018,   
      Exhibit AW4-27 [WBC.104.001.9133]; Transcript, Alastair Derek Dawson Welsh,   
      22 May 2018, 2129, 2131–2. [↑](#footnote-ref-1434)
1435. Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018,   
      Exhibit AW4-27 [WBC.104.001.9133 at .9138–.9139]. [↑](#footnote-ref-1435)
1436. Transcript, Alastair Derek Dawson Welsh, 22 May 2018, 2126. [↑](#footnote-ref-1436)
1437. Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018,   
      Exhibit AW4-27 [WBC.104.001.9133 at .9138]. [↑](#footnote-ref-1437)
1438. Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018,   
      Exhibit AW4-27 [WBC.104.001.9133 at .9138]. [↑](#footnote-ref-1438)
1439. Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018,   
      Exhibit AW4-27 [WBC.104.001.9133 at .9138]. [↑](#footnote-ref-1439)
1440. Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018,   
      Exhibit AW4-27 [WBC.104.001.9133 at .9138]. [↑](#footnote-ref-1440)
1441. Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018,   
      Exhibit AW4-27 [WBC.104.001.9133 at .9138]. [↑](#footnote-ref-1441)
1442. Transcript, Carolyn Joy Flanagan, 21 May 2018, 2047; Exhibit 3.6, Witness statement   
      of Carolyn Joy Flanagan, 14 May 2018, Exhibit CJF-4 [RCD.9999.0028.0021]. [↑](#footnote-ref-1442)
1443. Transcript, Dana Beiglari, 21 May 2018, 2055–6. [↑](#footnote-ref-1443)
1444. Transcript, Dana Beiglari, 21 May 2018, 2056; Exhibit 3.6, Witness statement   
      of Carolyn Joy Flanagan, 14 May 2018, Exhibit CJF-5 [FOS.0025.0001.0062]. [↑](#footnote-ref-1444)
1445. Transcript, Dana Beiglari, 21 May 2018, 2056. [↑](#footnote-ref-1445)
1446. Transcript, Dana Beiglari, 21 May 2018, 2056; Exhibit 3.6, Witness statement   
      of Carolyn Joy Flanagan, 14 May 2018, Exhibit CJF-8 [FOS.0025.0001.1592 at .1596]. [↑](#footnote-ref-1446)
1447. Exhibit 3.6, Witness statement of Carolyn Joy Flanagan14 May 2018, Exhibit CJF-8 [FOS.0025.0001.1592 at .1596]. [↑](#footnote-ref-1447)
1448. Exhibit 3.6, Witness statement of Carolyn Joy Flanagan, 14 May 2018, 5 [29]. [↑](#footnote-ref-1448)
1449. Exhibit 3.6, Witness statement of Carolyn Joy Flanagan, 14 May 2018, Exhibit CJF-9 [WBC.407.001.1023]. [↑](#footnote-ref-1449)
1450. Exhibit 3.6, Witness statement of Carolyn Joy Flanagan, 14 May 2018, 6 [31]–[32]. [↑](#footnote-ref-1450)
1451. Transcript, Dana Beiglari, 21 May 2018, 2057; Exhibit 3.6, Witness statement   
      of Carolyn Joy Flanagan, 14 May 2018, Exhibit CJF-10 [WBC.407.001.0841]. [↑](#footnote-ref-1451)
1452. Transcript, Alastair Derek Dawson Welsh, 22 May 2018, 2139; Exhibit 3.10,   
      Witness statement of Alastair Derek Dawson Welsh, 15 May 2018, 22 [109]. [↑](#footnote-ref-1452)
1453. Transcript, Alastair Derek Dawson Welsh, 21 May 2018, 2061–2. [↑](#footnote-ref-1453)
1454. Westpac, *Westpac Banking Corporation – Submissions on Rubric 3-12 Case Study*,   
      8 June 2018, 2 [5]. [↑](#footnote-ref-1454)
1455. Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018,   
      Exhibit AW4-5 [WBC.410.001.0215]; Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018, Exhibit AW4-6 [WBC.107.005.0400]; cf Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018, Exhibit AW4-7   
      [WBC.400.043.6682]. [↑](#footnote-ref-1455)
1456. Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh 15 May 2018,   
      Exhibit AW4-5 [WBC.410.001.0215]; Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018, Exhibit AW4-6 [WBC.107.005.0400]; cf Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018, Exhibit AW4-7 [WBC.400.043.6682]. [↑](#footnote-ref-1456)
1457. Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018,   
      Exhibit AW4-5 [WBC.410.001.0215]; Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018, Exhibit AW4-6 [WBC.107.005.0400]; cf Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018, Exhibit AW4-7 [WBC.400.043.6682]. [↑](#footnote-ref-1457)
1458. Transcript, Alastair Derek Dawson Welsh, 22 July 2018, 2091; Exhibit 3.10,   
      Witness statement of Alastair Derek Dawson Welsh, 15 May 2018, Exhibit AW4-12 [WBC.107.005.0241]. [↑](#footnote-ref-1458)
1459. Westpac, *Westpac Banking Corporation – Submissions on Rubric 3-12 Case Study*,   
      8 June 2018, 3 [15]. [↑](#footnote-ref-1459)
1460. Transcript, Alastair Derek Dawson Welsh, 21 May 2018, 2076–7. [↑](#footnote-ref-1460)
1461. Transcript, Alastair Derek Dawson Welsh, 21 May 2018, 2076–7. [↑](#footnote-ref-1461)
1462. Transcript, Alastair Derek Dawson Welsh, 21 May 2018, 2077. [↑](#footnote-ref-1462)
1463. Transcript, Alastair Derek Dawson Welsh, 21 May 2018, 2077. [↑](#footnote-ref-1463)
1464. Transcript, Alastair Derek Dawson Welsh, 21 May 2018, 2077. [↑](#footnote-ref-1464)
1465. Transcript, Alastair Derek Dawson Welsh, 21 May 2018, 2077–8. [↑](#footnote-ref-1465)
1466. Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018,   
      Exhibit AW4-26 [WBC.104.001.9326]. [↑](#footnote-ref-1466)
1467. Westpac, *Westpac Banking Corporation – Submissions on Rubric 3-12 Case Study*,   
      8 June 2018, 3 [9]. [↑](#footnote-ref-1467)
1468. *Revised Professional Conduct and Practice Rules 1995* (NSW) r 45.6.3. [↑](#footnote-ref-1468)
1469. *Revised Professional Conduct and Practice Rules 1995* (NSW) r 45.6.4. [↑](#footnote-ref-1469)
1470. Exhibit 3.10, Witness statement of Alastair Derek Dawson Welsh, 15 May 2018,   
      Exhibit AW4-27 [WBC.104.001.9133 at .9138]. [↑](#footnote-ref-1470)
1471. Transcript, Dana Beiglari, 21 May 2018, 2053.44–7. [↑](#footnote-ref-1471)
1472. Transcript, Dana Beiglari, 21 May 2018, 2054.26–8. [↑](#footnote-ref-1472)
1473. Transcript, Dana Beiglari, 21 May 2018, 2053–4. [↑](#footnote-ref-1473)
1474. Transcript, Dana Beiglari, 21 May 2018, 2053–4. [↑](#footnote-ref-1474)
1475. Transcript, Dana Beiglari, 21 May 2018, 2054. [↑](#footnote-ref-1475)
1476. Transcript, Dana Beiglari, 21 May 2018, 2053. [↑](#footnote-ref-1476)
1477. Transcript, Dana Beiglari, 21 May 2018, 2053. [↑](#footnote-ref-1477)
1478. Transcript, Carolyn Joy Flanagan, 21 May 2018, 2046 (emphasis added). [↑](#footnote-ref-1478)
1479. Westpac, *Westpac Banking Corporation – Submissions on Rubric 3-12 Case Study*,   
      8 June 2018, 2 [9]. [↑](#footnote-ref-1479)
1480. Westpac, *Westpac Banking Corporation – Submissions on Rubric 3-12 Case Study*,   
      8 June 2018, 2 [9]. [↑](#footnote-ref-1480)
1481. Westpac, *Westpac Banking Corporation – Submissions on Rubric 3-12 Case Study*,   
      8 June 2018, 17 [77.i]. [↑](#footnote-ref-1481)
1482. cf *Australian Securities and Investments Commission* *Act 2001* (Cth) s 12CC (as the Act stood in 2010). [↑](#footnote-ref-1482)
1483. Westpac, *Westpac Banking Corporation – Submissions on Rubric 3-12 Case Study*,   
      8 June 2018, 14 [65]. [↑](#footnote-ref-1483)
1484. Transcript, Carolyn Joy Flanagan, 21 May 2018, 2046. [↑](#footnote-ref-1484)
1485. Westpac, *Westpac Banking Corporation – Submissions on Rubric 3-12 Case Study*,   
      8 June 2018, 11 [49]. [↑](#footnote-ref-1485)
1486. Legal Aid NSW, *Written Submissions – Round 3 Hearing*, 3; cf NCCP Act s 131. [↑](#footnote-ref-1486)
1487. Legal Aid NSW, *Written Submissions – Round 3 Hearing*, 3. [↑](#footnote-ref-1487)
1488. Legal Aid NSW, *Written Submissions – Round 3 Hearing*, 5–6. [↑](#footnote-ref-1488)
1489. 2013 Code cl 27; 2018 Code cl 49. [↑](#footnote-ref-1489)
1490. Transcript, Kate Griffiths Gibson, 22 May 2018, 2153–4. [↑](#footnote-ref-1490)
1491. Transcript, Kate Griffiths Gibson, 22 May 2018, 2154. [↑](#footnote-ref-1491)
1492. Transcript, Kate Griffiths Gibson, 22 May 2018, 2162, 2165. [↑](#footnote-ref-1492)
1493. Transcript, Kate Griffiths Gibson, 22 May 2018, 2165. [↑](#footnote-ref-1493)
1494. Transcript, Kate Griffiths Gibson, 22 May 2018, 2162. [↑](#footnote-ref-1494)
1495. Exhibit 3.15, Witness statement of Kate Griffiths Gibson, 17 May 2018,   
      Exhibit KGG-30 [ANZ.800.534.0008]. [↑](#footnote-ref-1495)
1496. Transcript, Kate Griffiths Gibson, 22 May 2018, 2164. [↑](#footnote-ref-1496)
1497. Transcript, Kate Griffiths Gibson, 22 May 2018, 2164. [↑](#footnote-ref-1497)
1498. Transcript, Kate Griffiths Gibson, 23 May 2018, 2206. [↑](#footnote-ref-1498)
1499. Transcript, Kate Griffiths Gibson, 22 May 2018, 2166. [↑](#footnote-ref-1499)
1500. Transcript, Kate Griffiths Gibson, 22 May 2018, 2164. [↑](#footnote-ref-1500)
1501. Transcript, Kate Griffiths Gibson, 22 May 2018, 2164. [↑](#footnote-ref-1501)
1502. Transcript, Kate Griffiths Gibson, 22 May 2018, 2157; Exhibit 3.15, Witness statement   
      of Kate Griffiths Gibson, 17 May 2018, Exhibit KGG-29 [ANZ.800.534.0008]. [↑](#footnote-ref-1502)
1503. Transcript, Kate Griffiths Gibson, 22 May 2018, 2172.16–24; Exhibit 3.15,   
      Witness statement of Kate Griffiths Gibson, 17 May 2018, Exhibit KGG-29   
      [ANZ.800.534.0008 at .0034–.0038]. [↑](#footnote-ref-1503)
1504. Transcript, Kate Griffiths Gibson, 22 May 2018, 2172. [↑](#footnote-ref-1504)
1505. Transcript, Kate Griffiths Gibson, 22 May 2018, 2164. [↑](#footnote-ref-1505)
1506. Transcript, Kate Griffiths Gibson, 22 May 2018, 2169. [↑](#footnote-ref-1506)
1507. Transcript, Kate Griffiths Gibson, 22 May 2018, 2161. [↑](#footnote-ref-1507)
1508. Exhibit 3.15, Witness statement of Kate Griffiths Gibson, 17 May 2018, Exhibit KGG-41 [ANZ.800.539.0217]. [↑](#footnote-ref-1508)
1509. Transcript, Kate Griffiths Gibson, 22 May 2018, 2161. [↑](#footnote-ref-1509)
1510. Transcript, Kate Griffiths Gibson, 22 May 2018, 2161; Transcript, Kate Griffiths,   
      23 May 2018, 2210; Exhibit 3.15, Witness statement of Kate Griffiths Gibson,17 May 2018, Exhibit KGG-41 [ANZ.800.539.0217 at .0263]. [↑](#footnote-ref-1510)
1511. Exhibit 3.15, Witness statement of Kate Griffiths Gibson,17 May 2018, Exhibit KGG-60 [ANZ.800.470.1637]. [↑](#footnote-ref-1511)
1512. Exhibit 3.15, Witness statement of Kate Griffiths Gibson,17 May 2018, Exhibit KGG-62 [ANZ.800.470.1644]. [↑](#footnote-ref-1512)
1513. Exhibit 3.15, Witness statement of Kate Griffiths Gibson, Exhibit KGG-62 [ANZ.800470.1644 at .1652]. [↑](#footnote-ref-1513)
1514. Exhibit 3.15, Witness statement of Kate Griffiths Gibson, 17 May 2018, Exhibit KGG-62 [ANZ.800470.1644 at .1652]. [↑](#footnote-ref-1514)
1515. Exhibit 3.15, Witness statement of Kate Griffiths Gibson, 17 May 2018, Exhibit KGG-62 [ANZ.800470.1644 at .1652]. [↑](#footnote-ref-1515)
1516. Transcript, Kate Griffiths Gibson, 22 May 2018, 2156; Exhibit 3.15, Witness statement   
      of Kate Griffiths Gibson, 17 May 2018, Exhibit KGG-62 [ANZ.800470.1644]. [↑](#footnote-ref-1516)
1517. Transcript, Kate Griffiths Gibson, 22 May 2018, 2156. [↑](#footnote-ref-1517)
1518. Exhibit 3.15, Witness statement of Kate Griffiths Gibson, 17 May 2018, Exhibit KGG-64 [ANZ.800.470.2019]. [↑](#footnote-ref-1518)
1519. Transcript, Kate Griffiths Gibson, 22 May 2018, 2147. [↑](#footnote-ref-1519)
1520. Exhibit 3.15, Witness statement of Kate Griffiths Gibson, 17 May 2018, 6 [10]. [↑](#footnote-ref-1520)
1521. Transcript, Kate Griffiths Gibson, 22 May 2018, 2164. [↑](#footnote-ref-1521)
1522. Transcript, Kate Griffiths Gibson, 23 May 2018, 2194. [↑](#footnote-ref-1522)
1523. Transcript, Kate Griffiths Gibson, 22 May 2018, 2168. [↑](#footnote-ref-1523)
1524. Transcript, Kate Griffiths Gibson, 23 May 2018, 2195. [↑](#footnote-ref-1524)
1525. Transcript, Kate Griffiths Gibson, 22 May 2018, 2196. [↑](#footnote-ref-1525)
1526. Transcript, Kate Griffiths Gibson, 23 May 2018, 2196. [↑](#footnote-ref-1526)
1527. Transcript, Kate Griffiths Gibson, 23 May 2018, 2197–8. [↑](#footnote-ref-1527)
1528. Transcript, Kate Griffiths Gibson, 22 May 2018, 2160–1. [↑](#footnote-ref-1528)
1529. Transcript, Kate Griffiths Gibson, 23 May 2018, 2210;   
      Transcript, Kate Griffiths Gibson, 22 May 2018, 2161. [↑](#footnote-ref-1529)
1530. Transcript, Kate Griffiths Gibson, 23 May 2018, 2210. [↑](#footnote-ref-1530)
1531. Transcript, Kate Griffiths Gibson, 22 May 2018, 2160. [↑](#footnote-ref-1531)
1532. Exhibit 3.15, Witness statement of Kate Griffiths Gibson, 17 May 2018, 40 [148]. [↑](#footnote-ref-1532)
1533. Transcript, Kate Griffiths Gibson, 22 May 2018, 2160. [↑](#footnote-ref-1533)
1534. Transcript, Kate Griffiths Gibson, 22 May 2018, 2161. [↑](#footnote-ref-1534)
1535. Transcript, Kate Griffiths Gibson, 22 May 2018, 2157.40–5;   
      Transcript, Kate Griffiths Gibson, 23 May 2018, 2222. [↑](#footnote-ref-1535)
1536. Transcript, Kate Griffiths Gibson, 23 May 2018, 2222. [↑](#footnote-ref-1536)
1537. Transcript, Kate Griffiths Gibson, 23 May 2018, 2223. [↑](#footnote-ref-1537)
1538. Transcript, Kate Griffiths Gibson, 23 May 2018, 2211–2; Exhibit 3.15, Witness statement of Kate Griffiths Gibson, 17 May 2018, Exhibit KGG-23 [ANZ.800.528.0001]. [↑](#footnote-ref-1538)
1539. Exhibit 3.15, Witness statement of Kate Griffiths Gibson, 17 May 2018, Exhibit KGG-24 [ANZ.800.528.0345 at .0346]. [↑](#footnote-ref-1539)
1540. Exhibit 3.15, Witness statement of Kate Griffiths Gibson, 17 May 2018, Exhibit KGG-24 [ANZ.800.528.0345 at .0346] (emphasis added). [↑](#footnote-ref-1540)
1541. Exhibit 3.15, Witness statement of Kate Griffiths Gibson, 17 May 2018, Exhibit KGG-24 [ANZ.800.528.0345 at .0346]. [↑](#footnote-ref-1541)
1542. Transcript, Kate Griffiths Gibson, 23 May 2018, 2213; Exhibit 3.18, 30 May 2014, Performance Management Plan and Review, First Half 2014. [↑](#footnote-ref-1542)
1543. Transcript, Kate Griffiths Gibson, 23 May 2018, 2215; Exhibit 3.20, undated, Bundle   
      of Disciplinary Documents 2017, 23. [↑](#footnote-ref-1543)
1544. Transcript, Kate Griffiths Gibson, 23 May 2018, 2215. [↑](#footnote-ref-1544)
1545. Transcript, Kate Griffiths Gibson, 23 May 2018, 2215. [↑](#footnote-ref-1545)
1546. Transcript, Kate Griffiths Gibson, 23 May 2018, 2215 (emphasis added). [↑](#footnote-ref-1546)
1547. Transcript, Kate Griffiths Gibson, 23 May 2018, 2215. [↑](#footnote-ref-1547)
1548. Transcript, Kate Griffiths Gibson, 23 May 2018, 2215. [↑](#footnote-ref-1548)
1549. Transcript, Marion Angelika Messih, 22 May 2018, 2175. [↑](#footnote-ref-1549)
1550. Transcript, Marion Angelika Messih, 22 May 2018, 2174–5. [↑](#footnote-ref-1550)
1551. Transcript, Marion Angelika Messih, 22 May 2018, 2175. [↑](#footnote-ref-1551)
1552. Transcript, Marion Angelika Messih, 22 May 2018, 2176. [↑](#footnote-ref-1552)
1553. Transcript, Marion Angelika Messih, 22 May 2018, 2175. [↑](#footnote-ref-1553)
1554. Transcript, Marion Angelika Messih, 22 May 2018, 2175. [↑](#footnote-ref-1554)
1555. Transcript, Marion Angelika Messih, 22 May 2018, 2176. [↑](#footnote-ref-1555)
1556. Transcript, Marion Angelika Messih, 22 May 2018, 2177. [↑](#footnote-ref-1556)
1557. Transcript, Marion Angelika Messih, 22 May 2018, 2180. [↑](#footnote-ref-1557)
1558. Transcript, Marion Angelika Messih, 22 May 2018, 2187; Exhibit 3.17, Witness statement of Marion Angelika Messih, 16 May 2019, 3 [19]. [↑](#footnote-ref-1558)
1559. Transcript, Marion Angelika Messih, 22 May 2018, 2180. [↑](#footnote-ref-1559)
1560. Transcript, Marion Angelika Messih, 22 May 2018, 2180. [↑](#footnote-ref-1560)
1561. Transcript, Marion Angelika Messih, 22 May 2018, 2177; Exhibit 3.17, Witness statement of Marion Angelika Messih, 16 May 2018, 3 [13]. [↑](#footnote-ref-1561)
1562. Westpac, *Westpac Banking Corporation – Submissions on Rubric 3-11 Case Study*,   
      8 June 2018, 7 [23]. [↑](#footnote-ref-1562)
1563. Exhibit 3.22, Witness statement of Alastair Derek Dawson Welsh, 19 May 2018,   
      Exhibit AW3-40 [WBC.404.003.0138]. [↑](#footnote-ref-1563)
1564. Transcript, Marion Angelika Messih, 22 May 2018, 2179, 2180; Exhibit 3.22, Witness statement of Alastair Derek Dawson Welsh, 19 May 2018, Exhibit AW3-40 [WBC.404.003.0138]. [↑](#footnote-ref-1564)
1565. Transcript, Marion Angelika Messih, 22 May 2018, 2180. [↑](#footnote-ref-1565)
1566. Transcript, Marion Angelika Messih, 22 May 2018, 2180. [↑](#footnote-ref-1566)
1567. Transcript, Marion Angelika Messih, 22 May 2018, 2181. [↑](#footnote-ref-1567)
1568. Transcript, Marion Angelika Messih, 22 May 2018, 2181. [↑](#footnote-ref-1568)
1569. Transcript, Marion Angelika Messih, 22 May 2018, 2182. [↑](#footnote-ref-1569)
1570. Transcript, Marion Angelika Messih, 22 May 2018, 2181. [↑](#footnote-ref-1570)
1571. Transcript, Marion Angelika Messih, 22 May 2018, 2182, 2188. [↑](#footnote-ref-1571)
1572. Transcript, Marion Angelika Messih, 22 May 2018, 2182. [↑](#footnote-ref-1572)
1573. Westpac*, Westpac, Banking Corporation – Submissions on Rubric 3-11 Case Study*,   
      8 June 2018, 7 [29]. [↑](#footnote-ref-1573)
1574. Westpac, *Westpac, Banking Corporation – Submissions on Rubric 3-11 Case Study*,   
      8 June 2018, 7 [29]. [↑](#footnote-ref-1574)
1575. Westpac, *Westpac, Banking Corporation – Submissions on Rubric 3-11 Case Study*,   
      8 June 2018, 7 [30]. [↑](#footnote-ref-1575)
1576. Transcript, Marion Angelika Messih, 22 May 2018, 2183. [↑](#footnote-ref-1576)
1577. Transcript, Marion Angelika Messih, 22 May 2018, 2183. [↑](#footnote-ref-1577)
1578. Transcript, Marion Angelika Messih, 22 May 2018, 2183. [↑](#footnote-ref-1578)
1579. Transcript, Marion Angelika Messih, 22 May 2018, 2184. [↑](#footnote-ref-1579)
1580. Transcript, Marion Angelika Messih, 22 May 2018, 2184; Exhibit 3.22, Witness statement of Alastair Derek Dawson Welsh, 19 May 2018, Exhibit AW3-58 [WBC.404.012.0507]. [↑](#footnote-ref-1580)
1581. Exhibit 3.22, Witness statement of Alastair Derek Dawson Welsh, 19 May 2018,   
      Exhibit AW3-56 [WBC.404.003.0110 at .0510]. [↑](#footnote-ref-1581)
1582. Transcript, Marion Angelika Messih, 22 May 2018, 2184; Exhibit 3.22, Witness statement of Alastair Derek Dawson Welsh, Exhibit AW3-58 [WBC.404.012.0507]. [↑](#footnote-ref-1582)
1583. Transcript, Alastair Derek Dawson Welsh, 23 May 2018, 2240. [↑](#footnote-ref-1583)
1584. Transcript, Alastair Derek Dawson Welsh, 23 May 2018, 2240; Exhibit 3.22, Witness statement of Alastair Derek Dawson Welsh, 19 May 2018, 36 [154]. [↑](#footnote-ref-1584)
1585. Transcript, Marion Angelika Messih, 22 May 2018, 2185. [↑](#footnote-ref-1585)
1586. Transcript, Marion Angelika Messih, 22 May 2018, 2185. [↑](#footnote-ref-1586)
1587. Westpac, *Westpac, Banking Corporation – Submissions on Rubric 3-11 Case Study*,   
      8 June 2018, 9 [39]. [↑](#footnote-ref-1587)
1588. Transcript, Alastair Derek Dawson Welsh, 23 May 2018, 2260. [↑](#footnote-ref-1588)
1589. Transcript, Marion Angelika Messih, 22 May 2018, 2186. [↑](#footnote-ref-1589)
1590. Transcript, Marion Angelika Messih, 22 May 2018, 2187. [↑](#footnote-ref-1590)
1591. Transcript, Alastair Derek Dawson Welsh, 23 May 2018, 2240. [↑](#footnote-ref-1591)
1592. Transcript, Alastair Derek Dawson Welsh, 23 May 2018, 2240. [↑](#footnote-ref-1592)
1593. Transcript, Alastair Derek Dawson Welsh, 23 May 2018, 2241. [↑](#footnote-ref-1593)
1594. Transcript, Alastair Derek Dawson Welsh, 23 May 2018, 2242. [↑](#footnote-ref-1594)
1595. Transcript, Alastair Derek Dawson Welsh, 23 May 2018, 2260. [↑](#footnote-ref-1595)
1596. Transcript, Alastair Derek Dawson Welsh, 23 May 2018, 2261. [↑](#footnote-ref-1596)
1597. Transcript, Alastair Derek Dawson Welsh, 23 May 2018, 2261. [↑](#footnote-ref-1597)
1598. Westpac, *Westpac, Banking Corporation – Submissions on Rubric 3-11 Case Study*,   
      8 June 2018, 3 [6]. [↑](#footnote-ref-1598)
1599. Westpac, *Westpac, Banking Corporation – Submissions on Rubric 3-11 Case Study*,   
      8 June 2018, 3 [8]. [↑](#footnote-ref-1599)
1600. Westpac, *Westpac, Banking Corporation – Submissions on Rubric 3-11 Case Study*,   
      8 June 2018, 3 [6]. [↑](#footnote-ref-1600)
1601. Westpac, *Westpac, Banking Corporation – Submissions on Rubric 3-11 Case Study*,   
      8 June 2018, 4 [12]. [↑](#footnote-ref-1601)
1602. Exhibit 3.30, Witness statement of Suzanne Gail Riches, 18 May 2018,1 [2]. [↑](#footnote-ref-1602)
1603. Transcript, Suzanne Gail Riches, 23 May 2018, 2276.21–23; Exhibit 3.30, Witness statement of Suzanne Gail Riches, 18 May 2018, 1 [3]. [↑](#footnote-ref-1603)
1604. Transcript, Suzanne Gail Riches, 23 May 2018, 2276. [↑](#footnote-ref-1604)
1605. Transcript, Suzanne Gail Riches, 23 May 2018, 2276, 2278–9. [↑](#footnote-ref-1605)
1606. Transcript, Suzanne Gail Riches, 23 May 2018, 2280; Exhibit 3.31, 15 June 2012,   
      Email between Riches and Vlassis; Transcript, Suzanne Gail Riches, 23 May 2018, 2280. [↑](#footnote-ref-1606)
1607. Transcript, Suzanne Gail Riches, 23 May 2018, 2280. [↑](#footnote-ref-1607)
1608. Transcript, Suzanne Gail Riches, 23 May 2018, 2280. [↑](#footnote-ref-1608)
1609. Transcript, Suzanne Gail Riches, 23 May 2018, 2277 Exhibit 3.30, Witness statement   
      of Suzanne Gail Riches, 18 May 2018,; Exhibit 3.30, Witness statement of Suzanne Gail Riches, 18 May 2018, 2–3 [9]–[11]. [↑](#footnote-ref-1609)
1610. Transcript, Suzanne Gail Riches, 23 May 2018, 2277. [↑](#footnote-ref-1610)
1611. Exhibit 3.34, Witness statement of Douglas Robert Snell, 15 May 2018, 46 [144].   
      The branch manager’s name was subject to a non-publication direction. [↑](#footnote-ref-1611)
1612. Exhibit 3.34, Witness statement of Douglas Robert Snell, 15 May 2018, 46 [144]–[145]. [↑](#footnote-ref-1612)
1613. Transcript, Suzanne Gail Riches, 23 May 2018, 2281. [↑](#footnote-ref-1613)
1614. Transcript, Suzanne Gail Riches, 23 May 2018, 2281; Exhibit 3.30, Witness statement of Suzanne Gail Riches, 18 May 2018, Exhibit SGR-5 [BOQ.0001.0030.0499]. [↑](#footnote-ref-1614)
1615. Transcript, Suzanne Gail Riches, 23 May 2018, 2281.33–8; Exhibit 3.30, Witness statement of Suzanne Gail Riches, 18 May 2018, Exhibit SGR-7 [BOQ.0001.0023.1417]. [↑](#footnote-ref-1615)
1616. Transcript, Suzanne Gail Riches, 23 May 2018, 2282; Exhibit 3.30, Witness statement of Suzanne Gail Riches, 18 May 2018, Exhibit SGR-8 [BOQ.0001.0048.0240]. [↑](#footnote-ref-1616)
1617. Transcript, Suzanne Gail Riches, 23 May 2018, 2282. [↑](#footnote-ref-1617)
1618. Transcript, Suzanne Gail Riches, 23 May 2018, 2283. [↑](#footnote-ref-1618)
1619. Transcript, Suzanne Gail Riches, 23 May 2018, 2283. [↑](#footnote-ref-1619)
1620. Transcript, Suzanne Gail Riches, 23 May 2018, 2283. [↑](#footnote-ref-1620)
1621. Transcript, Suzanne Gail Riches, 23 May 2018, 2283; Exhibit 3.30, Witness statement   
      of Suzanne Gail Riches, 18 May 2018, Exhibit SGR-12 [BOQ.0001.0023.1114]. [↑](#footnote-ref-1621)
1622. Transcript, Suzanne Gail Riches, 23 May 2018, 2283. [↑](#footnote-ref-1622)
1623. Transcript, Suzanne Gail Riches, 23 May 2018, 2284. [↑](#footnote-ref-1623)
1624. Transcript, Suzanne Gail Riches, 23 May 2018, 2278; Exhibit 3.30, Witness statement   
      of Suzanne Gail Riches, 18 May 2018, Exhibit SGR-12 [BOQ.0001.0023.1114]. [↑](#footnote-ref-1624)
1625. Transcript, Suzanne Gail Riches, 23 May 2018, 2284; Transcript, Douglas Robert Snell, 24 May 2018, 2327. [↑](#footnote-ref-1625)
1626. Transcript, Suzanne Gail Riches, 23 May 2018, 2284. [↑](#footnote-ref-1626)
1627. Transcript, Suzanne Gail Riches, 23 May 2018, 2284. [↑](#footnote-ref-1627)
1628. Transcript, Suzanne Gail Riches, 23 May 2018, 2284; Exhibit 3.30, Witness statement   
      of Suzanne Gail Riches, 18 May 2018, Exhibit SGR-16 [FOS.0012.0001.0003]. [↑](#footnote-ref-1628)
1629. Transcript, Douglas Robert Snell, 24 May 2018, 2328. [↑](#footnote-ref-1629)
1630. Transcript, Douglas Robert Snell, 24 May 2018, 2328–9. [↑](#footnote-ref-1630)
1631. Transcript, Douglas Robert Snell, 24 May 2018, 2324. [↑](#footnote-ref-1631)
1632. Transcript, Douglas Robert Snell, 24 May 2018, 2330. [↑](#footnote-ref-1632)
1633. Transcript, Douglas Robert Snell, 24 May 2018, 2329; Exhibit 3.34, Witness statement   
      of Douglas Robert Snell, 15 May 2018, Exhibit DRS-2-112 [BOQ.0001.0023.0926]. [↑](#footnote-ref-1633)
1634. Transcript, Douglas Robert Snell, 24 May 2018, 2329–30. [↑](#footnote-ref-1634)
1635. Transcript, Douglas Robert Snell, 24 May 2018, 2322; Exhibit 3.38, 9 December 2014, Letter FOS to BOQ, 4. [↑](#footnote-ref-1635)
1636. Transcript, Douglas Robert Snell, 24 May 2018, 2334; Exhibit 3.34, Witness statement   
      of Douglas Robert Snell, 15 May 2018, Exhibit DRS-2-121 [BOQ.0001.0036.0244]. [↑](#footnote-ref-1636)
1637. Transcript, Douglas Robert Snell, 24 May 2018, 2334. [↑](#footnote-ref-1637)
1638. Transcript, Douglas Robert Snell, 24 May 2018, 2335. [↑](#footnote-ref-1638)
1639. Transcript, Douglas Robert Snell, 24 May 2018, 2334; Exhibit 3.34, Witness statement of Douglas Robert Snell, 15 May 2018, Exhibit DRS-2-121 [BOQ.0001.0036.0244 at .0245]. [↑](#footnote-ref-1639)
1640. Transcript, Douglas Robert Snell, 24 May 2018, 2340; Exhibit 3.40, Witness statement   
      of Douglas Robert Snell, 15 May 2018, Exhibit DRS-2-123 [BOQ.0001.0033.6267]. [↑](#footnote-ref-1640)
1641. Transcript, Douglas Robert Snell, 24 May 2018, 2343. [↑](#footnote-ref-1641)
1642. Exhibit 3.34, Witness statement of Douglas Robert Snell, 15 May 2018,   
      Exhibit DRS-2-130 [BOQ.0001.0023.0531]. [↑](#footnote-ref-1642)
1643. Transcript, Suzanne Gail Riches, 23 May 2018, 2286. [↑](#footnote-ref-1643)
1644. BOQ, *Submissions of Bank of Queensland Limited – Case Study*, 8 June 2018,   
      3–4 [15]–[21]. [↑](#footnote-ref-1644)
1645. BOQ, *Submissions of Bank of Queensland Limited – Case Study*, 8 June 2018,   
      4–5 [22]–[25]. [↑](#footnote-ref-1645)
1646. BOQ, *Submissions of Bank of Queensland Limited – Case Study*, 8 June 2018,   
      4 [21], 5 [26]. [↑](#footnote-ref-1646)
1647. Exhibit 3.38, 9 December 2014, Letter FOS to BOQ; Exhibit 3.34, Witness statement Douglas Robert Snell, 15 May 2018, Exhibit DRS-121 [BOQ.0001.0036.0244]. [↑](#footnote-ref-1647)
1648. Transcript, Douglas Robert Snell, 24 May 2018, 2344. [↑](#footnote-ref-1648)
1649. Transcript, Douglas Robert Snell, 24 May 2018, 2344–5. [↑](#footnote-ref-1649)
1650. National Credit Code s 5(1)(b) when read with National Credit Code s 4 and NCCP Act s 5. See more particularly, Jeannie Marie Paterson and Nicola Howell, *FSRC Background Paper No. 4: Everyday Consumer Credit – Overview of Australian Law Regulating Consumer Home Loans, Credit Cards and Car Loans*, 12 March 2018, 31–2 ; Andrew Godwin, Jeannie Marie Paterson and Nicola Howell, *FSRC Background Paper No. 10: Credit for Small Business – An Overview of Australian Law Regulating Small Business Loans*, 7 May 2018, 10–15. [↑](#footnote-ref-1650)
1651. Transcript, Clive Richard van Horen, 24 May 2018, 2363. [↑](#footnote-ref-1651)
1652. Exhibit 3.43, Witness statement of Clive Richard van Horen, 14 May 2018, 2 [12]. [↑](#footnote-ref-1652)
1653. Transcript, Clive Richard van Horen, 24 May 2018, 2359. [↑](#footnote-ref-1653)
1654. Transcript, Clive Richard van Horen, 24 May 2018, 2365. [↑](#footnote-ref-1654)
1655. Exhibit 3.43, Witness statement of Clive Richard van Horen, 14 May 2018,   
      9–10 [34]–[35]. [↑](#footnote-ref-1655)
1656. Exhibit 3.43, Witness statement of Clive Richard van Horen, 14 May 2018, 11 [40]. [↑](#footnote-ref-1656)
1657. Exhibit 3.43, Witness statement of Clive Richard van Horen,14 May 2018, 2 [9] (emphasis added). [↑](#footnote-ref-1657)
1658. Exhibit 3.43, Witness statement of Clive Richard van Horen, 14 May 2018,   
      Exhibit CVH‑10 [CBA.0517.0092.0007 at .0007]; Transcript, Clive Richard van Horen,   
      24 May 2018, 2366–8. [↑](#footnote-ref-1658)
1659. Exhibit 3.43, Witness statement of Clive van Horen, 14 May 2018, Exhibit CVH-10 [CBA.0517.0092.0007 at .0009]; see also Transcript, Clive Richard van Horen,   
      24 May 2018, 2368. [↑](#footnote-ref-1659)
1660. cf 2004 Code cl 25; 2013 Code cl 27. [↑](#footnote-ref-1660)
1661. Transcript, Clive Richard van Horen, 24 May 2018, 2373. [↑](#footnote-ref-1661)
1662. Transcript, Rien Peter Low, 25 May 2018, 2470–1. [↑](#footnote-ref-1662)
1663. Transcript, Rien Peter Low, 25 May 2018, 2471. [↑](#footnote-ref-1663)
1664. Exhibit 3.73, Witness statement of Rien Peter Low, 23 May 2018,   
      Exhibit RL-4 [FOS.0028.0001.2950]. [↑](#footnote-ref-1664)
1665. Transcript, Rien Peter Low, 25 May 2018, 2477. [↑](#footnote-ref-1665)
1666. Transcript, Rien Peter Low, 25 May 2018, 2478. [↑](#footnote-ref-1666)
1667. Transcript, Rien Peter Low, 25 May 2018, 2478. [↑](#footnote-ref-1667)
1668. Transcript, Rien Peter Low, 25 May 2018, 2481. [↑](#footnote-ref-1668)
1669. Exhibit 3.73, Witness statement of Rien Peter Low, 23 May 2018, Exhibit RL-7 [FOS.0028.0001.3071 at .3076–7]. [↑](#footnote-ref-1669)
1670. Exhibit 3.73, Witness statement of Rien Peter Low, 23 May 2018, Exhibit RL-7 [FOS.0028.0001.3071 at.3077]; Transcript, Rien Peter Low, 25 May 2018, 2481. [↑](#footnote-ref-1670)
1671. Transcript, Rien Peter Low, 25 May 2018, 2481. [↑](#footnote-ref-1671)
1672. Transcript, Rien Peter Low, 25 May 2018, 2481. [↑](#footnote-ref-1672)
1673. Exhibit 3.73, Witness statement of Rien Peter Low, 23 May 2018, Exhibit RL-7 [FOS.0028.0001.3071 at .3076]. [↑](#footnote-ref-1673)
1674. Transcript, Rien Peter Low, 25 May 2018, 2483–4. [↑](#footnote-ref-1674)
1675. Transcript, Rien Peter Low, 25 May 2018, 2484. [↑](#footnote-ref-1675)
1676. Exhibit 3.73, Witness statement of Rien Peter Low, 23 May 2018, Exhibit RL-9 [SUN.0603.0002.0016]. [↑](#footnote-ref-1676)
1677. Transcript, Rien Peter Low, 25 May 2018, 2485; Exhibit 3.73, Witness statement   
      of Rien Peter Low, 23 May 2018, Exhibit RL-18 [SUN.0603.0002.0267]. [↑](#footnote-ref-1677)
1678. Transcript, Rien Peter Low, 25 May 2018, 2486. [↑](#footnote-ref-1678)
1679. Transcript, Rien Peter Low, 25 May 2018, 2486; Exhibit 3.73, Witness statement   
      of Rien Peter Low, 23 May 2018, Exhibit RL-14 [SUN.0603.0002.0375]. [↑](#footnote-ref-1679)
1680. Transcript, Rien Peter Low, 25 May 2018, 2486. [↑](#footnote-ref-1680)
1681. Transcript, Rien Peter Low, 25 May 2018, 2487; Exhibit 3.73, Witness statement   
      of Rien Peter Low, 23 May 2018, Exhibit RL-16 [FOS.0028.0001.3404]. [↑](#footnote-ref-1681)
1682. Transcript, Rien Peter Low, 25 May 2018, 2488. [↑](#footnote-ref-1682)
1683. Exhibit 3.73, Witness statement of Rien Peter Low, 23 May 2018, Exhibit RL-19 [SUN.0603.0011.0075]. [↑](#footnote-ref-1683)
1684. Transcript, Rien Peter Low, 25 May 2018, 2489; Exhibit 3.73, Witness statement   
      of Rien Peter Low, 23 May 2018, Exhibit RL-20 [RCD.0014.0006.0001]. [↑](#footnote-ref-1684)
1685. Transcript, Rien Peter Low, 25 May 2018, 2490. [↑](#footnote-ref-1685)
1686. Exhibit 3.73, Witness statement of Rien Peter Low, 23 May 2018, Exhibit RL-22 [SUN.0603.0011.2653]. [↑](#footnote-ref-1686)
1687. Transcript, Rien Peter Low, 25 May 2018, 2490. [↑](#footnote-ref-1687)
1688. Transcript, Rien Peter Low, 25 May 2018, 2491. [↑](#footnote-ref-1688)
1689. Exhibit 3.73, Witness statement of Rien Peter Low, 23 May 2018, Exhibit RL-23 [FOS.0028.0001.3999]. [↑](#footnote-ref-1689)
1690. Transcript, Rien Peter Low, 25 May 2018, 2492. [↑](#footnote-ref-1690)
1691. Transcript, Rien Peter Low, 25 May 2018, 2492. [↑](#footnote-ref-1691)
1692. Exhibit 3.73, Witness statement of Rien Peter Low, 23 May 2018, Exhibit RL-14 [SUN.0603.0002.0375]; Transcript Rien Peter Low, 25 May 2018, 2486. [↑](#footnote-ref-1692)
1693. Transcript, David Antony Carter, 25 May 2018, 2510. [↑](#footnote-ref-1693)
1694. Transcript, David Antony Carter, 25 May 2018, 2511–12 [↑](#footnote-ref-1694)
1695. Transcript, David Antony Carter, 25 May 2018, 2511–12 [↑](#footnote-ref-1695)
1696. Transcript, David Antony Carter, 25 May 2018, 2511–12 [↑](#footnote-ref-1696)
1697. Exhibit 3.75, Witness statement of David Antony Carter, 25 May 2018,   
      Exhibit 40 [SUN.0602.0001.0049]. [↑](#footnote-ref-1697)
1698. Transcript, David Antony Carter, 25 May 2018, 2516; Exhibit 3.79,   
      Suncorp emails of May 2017 to Jackson and others. [↑](#footnote-ref-1698)
1699. Transcript, Philip Andrew Field, 28 May 2018, 2547. [↑](#footnote-ref-1699)
1700. Transcript, Philip Andrew Field, 28 May 2018, 2543. [↑](#footnote-ref-1700)
1701. Transcript, Philip Andrew Field, 28 May 2018, 2548. [↑](#footnote-ref-1701)
1702. Transcript, Philip Andrew Field, 28 May 2018, 2549. [↑](#footnote-ref-1702)
1703. Transcript, Philip Andrew Field, 28 May 2018, 2549. [↑](#footnote-ref-1703)
1704. Transcript, Philip Andrew Field, 28 May 2018, 2550. [↑](#footnote-ref-1704)
1705. Transcript, Philip Andrew Field, 28 May 2018, 2550. [↑](#footnote-ref-1705)
1706. Transcript, Clive Richard van Horen, 24 May 2018, 2376. [↑](#footnote-ref-1706)
1707. Transcript, Clive Richard van Horen, 24 May 2018, 2378–9. [↑](#footnote-ref-1707)
1708. Transcript, Clive Richard van Horen, 24 May 2018, 2381. [↑](#footnote-ref-1708)
1709. Exhibit 3.46, 5 November 2015, Letter to whom it may concern concerning interest overcharging; Transcript, Clive Richard van Horen, 24 May 2018, 2379–81. [↑](#footnote-ref-1709)
1710. Transcript, Clive Richard van Horen, 24 May 2018, 2381. [↑](#footnote-ref-1710)
1711. Transcript, Clive Richard van Horen, 24 May 2018, 2381. [↑](#footnote-ref-1711)
1712. Exhibit 3.47, 14 July 2015, Email to C & CS Escalations. [↑](#footnote-ref-1712)
1713. Transcript, Clive Richard van Horen, 24 May 2018, 2385. [↑](#footnote-ref-1713)
1714. Exhibit 3.42, Witness statement of Clive Richard van Horen, 15 May 2018, Exhibit CVH-1 [CBA.0001.0283.1924]. [↑](#footnote-ref-1714)
1715. Exhibit 3.42, Witness statement of Clive Richard van Horen, 15 May 2018, Exhibit CVH-1 [CBA.0001.0283.1924]. [↑](#footnote-ref-1715)
1716. Exhibit 3.42, Witness statement of Clive Richard van Horen, 15 May 2018, 8 [53]; Transcript, Clive Richard van Horen, 24 May 2018, 2386. [↑](#footnote-ref-1716)
1717. Transcript, Clive Richard van Horen, 24 May 2018, 2387; Exhibit 3.50, 17 February 2017, Emails between Leo and van Horen. [↑](#footnote-ref-1717)
1718. Exhibit 3.42, Witness statement of Clive Richard van Horen, 15 May 2018,   
      Exhibit CVH-12 [CBA.0517.0090.0001]. [↑](#footnote-ref-1718)
1719. Transcript, Clive Richard van Horen, 24 May 2018, 2386. [↑](#footnote-ref-1719)
1720. Transcript, Clive Richard van Horen, 24 May 2018, 2381–2. [↑](#footnote-ref-1720)
1721. Transcript, Clive Richard van Horen, 24 May 2018, 2382. [↑](#footnote-ref-1721)
1722. Transcript, Clive Richard van Horen, 24 May 2018, 2386–7. [↑](#footnote-ref-1722)
1723. Exhibit 3.42, Witness statement of Clive Richard van Horen, 15 May 2018,   
      Exhibit CVH-6A [CBA.0517.0096.6000 at .6002]. [↑](#footnote-ref-1723)
1724. Exhibit 3.42, Witness statement of Clive Richard van Horen, 15 May 2018,   
      Exhibit CVH-6A [CBA.0517.0096.6000 at .6002]. [↑](#footnote-ref-1724)
1725. Transcript, Alastair Derek Dawson Walsh, 25 May 2018, 2458–9. [↑](#footnote-ref-1725)
1726. Exhibit 3.140, Witness statement of Ross Hugh McNaughton, 22 May 2018, 51 [194]; Transcript, Ross Hugh McNaughton, 31 May 2018, 2890–1. [↑](#footnote-ref-1726)
1727. Transcript, Bradley Paul Wallis, 24 May 2018, 2400; Exhibit 3.54, Witness statement   
      of Bradley Paul Wallis, 22 May 2018, 2 [6]. [↑](#footnote-ref-1727)
1728. Transcript, Bradley Paul Wallis, 24 May 2018, 2400. [↑](#footnote-ref-1728)
1729. Transcript, Bradley Paul Wallis, 24 May 2018, 2400. [↑](#footnote-ref-1729)
1730. Transcript, Bradley Paul Wallis, 24 May 2018, 2401–2. [↑](#footnote-ref-1730)
1731. Transcript, Bradley Paul Wallis, 24 May 2018, 2402. [↑](#footnote-ref-1731)
1732. Transcript, Bradley Paul Wallis, 24 May 2018, 2403, 2404, 2415; Transcript, Alastair Derek Dawson Welsh, 25 May 2018, 2425; Exhibit 3.56, undated, Excel Spreadsheet Profit and Loss; Exhibit 3.57, 6 June 2016, Home Loan Application. [↑](#footnote-ref-1732)
1733. Transcript, Bradley Paul Wallis, 24 May 2018, 2402, 2403; Transcript, Alastair Derek Dawson Welsh, 25 May 2018, 2425; Exhibit 3.54, Witness statement of Bradley Paul Wallis, 22 May 2018, Exhibit BPW-1 [WBC.403.001.0989]. [↑](#footnote-ref-1733)
1734. Exhibit 3.59, Witness statement of Alastair Derek Dawson Welsh, 17 May 2018, 19 [82]. [↑](#footnote-ref-1734)
1735. Transcript, Alastair Derek Dawson Welsh, 25 May 2018, 2436. [↑](#footnote-ref-1735)
1736. Transcript, Alastair Derek Dawson Welsh, 25 May 2018, 2446. [↑](#footnote-ref-1736)
1737. Transcript, Alastair Derek Dawson Welsh, 25 May 2018, 2430. [↑](#footnote-ref-1737)
1738. Transcript, Alastair Derek Dawson Welsh, 25 May 2018, 2442. [↑](#footnote-ref-1738)
1739. Transcript, Bradley Paul Wallis, 24 May 2018, 2406; Exhibit 3.54, Witness statement   
      of Bradley Paul Wallis, 22 May 2018, 4 [21]. [↑](#footnote-ref-1739)
1740. Transcript, Bradley Paul Wallis, 24 May 2018, 2402; Exhibit 3.54, Witness statement   
      of Bradley Paul Wallis, 22 May 2018, 3 [17]. [↑](#footnote-ref-1740)
1741. Transcript, Alastair Derek Dawson Welsh, 25 May 2018, 2439; Exhibit 3.27, Witness statement of Carol Separovich, 21 May 2018, Exhibit CS3-2 [WBC.107.003.1089]. [↑](#footnote-ref-1741)
1742. Transcript, Alastair Derek Dawson Welsh, 25 May 2018, 2436, 2437, 2440. [↑](#footnote-ref-1742)
1743. Transcript, Bradley Paul Wallis, 24 May 2018, 2408. [↑](#footnote-ref-1743)
1744. Transcript, Alastair Derek Dawson Welsh, 25 May 2018, 2443. [↑](#footnote-ref-1744)
1745. Transcript, Bradley Paul Wallis, 24 May 2018, 2408, 2409. [↑](#footnote-ref-1745)
1746. Transcript, Alastair Derek Dawson Welsh, 25 May 2018, 2443. [↑](#footnote-ref-1746)
1747. Transcript, Alastair Derek Dawson Welsh, 25 May 2018, 2448. [↑](#footnote-ref-1747)
1748. Transcript, Alastair Derek Dawson Welsh, 25 May 2018, 2448. [↑](#footnote-ref-1748)
1749. Transcript, Bradley Paul Wallis, 24 May 2018, 2409. [↑](#footnote-ref-1749)
1750. Transcript, Bradley Paul Wallis, 24 May 2018, 2409. [↑](#footnote-ref-1750)
1751. Transcript, Bradley Paul Wallis, 24 May 2018, 2409, 2410. [↑](#footnote-ref-1751)
1752. Transcript, Alastair Derek Dawson Walsh, 25 May 2018, 2448, 2449, 2450. [↑](#footnote-ref-1752)
1753. Transcript, Alastair Derek Dawson Walsh, 25 May 2018, 2459; Exhibit 3.59,   
      Witness statement of Alastair Derek Dawson Welsh, 17 May 2018, 23 [114]–[116]. [↑](#footnote-ref-1753)
1754. Transcript, Bradley Paul Wallis, 24 May 2018, 2410. [↑](#footnote-ref-1754)
1755. Transcript, Bradley Paul Wallis, 24 May 2018, 2411; Exhibit 3.54, Witness statement   
      of Bradley Paul Wallis, 22 May 2018, Exhibit BPW-9 [WBC.403.006.4064]. [↑](#footnote-ref-1755)
1756. Exhibit 3.54, Witness statement of Bradley Paul Wallis, 22 May 2018, Exhibit BPW-9 [WBC.403.006.4064]; Exhibit 3.59, Witness statement of Alastair Derek Dawson Welsh, 17 May 2018, Exhibit AW2-31 [WBC.403.006.4386]. [↑](#footnote-ref-1756)
1757. Transcript, Alastair Derek Dawson Walsh, 25 May 2018, 2457–8. [↑](#footnote-ref-1757)
1758. Westpac, *Submissions on Rubric 3-10 Case Study*, 8 June 2018, 4 [17]–[19]. [↑](#footnote-ref-1758)
1759. Westpac, *Submissions on Rubric 3-10 Case Study*, 8 June 2018, 4–5 [20]. [↑](#footnote-ref-1759)
1760. Transcript, Alastair Derek Dawson Walsh, 25 May 2018, 2458–9. [↑](#footnote-ref-1760)
1761. Transcript, Alastair Derek Dawson Walsh, 25 May 2018, 2456. [↑](#footnote-ref-1761)
1762. Exhibit 3.140, Witness statement of Ross Hugh McNaughton, 22 May 2018,   
      Exhibit RHM-1 (Tab 81) [NAB.005.342.0032 at .0034]. [↑](#footnote-ref-1762)
1763. Exhibit 3.140, Witness statement of Ross Hugh McNaughton, 22 May 2018,   
      Exhibit RMH-1 (Tab 68) [NAB.005.342.0021]; Exhibit 3.141, 25 March 2013,   
      Business Memorandum of Increase. [↑](#footnote-ref-1763)
1764. Transcript, Ross Alan Dillon, 30 May 2018, 2831. [↑](#footnote-ref-1764)
1765. Exhibit 3.136, Witness statement of Ross Alan Dillon, 28 May 2018, 1 [3]. [↑](#footnote-ref-1765)
1766. Exhibit 3.140, Witness statement of Ross Hugh McNaughton, 22 May 2018,   
      Exhibit RMH-1 (Tab 57) [NAB.005.418.0039]. [↑](#footnote-ref-1766)
1767. Exhibit 3.140, Witness statement of Ross Hugh McNaughton, 22 May 2018,   
      Exhibit RMH-1 (Tab 57) [NAB.005.418.0039]. [↑](#footnote-ref-1767)
1768. Exhibit 3.140, Witness statement of Ross Hugh McNaughton, 22 May 2018,   
      Exhibit RMH-1 (Tab 62) [NAB.005.379.0027]. [↑](#footnote-ref-1768)
1769. Exhibit 3.140, Witness statement of Ross Hugh McNaughton, 22 May 2018,   
      Exhibit RMH-1 (Tab 68) [NAB.005.342.0021]. [↑](#footnote-ref-1769)
1770. Exhibit 3.140, Witness statement of Ross Hugh McNaughton, 22 May 2018,   
      Exhibit RMH-1 (Tab 81) [NAB.005.342.0032]. [↑](#footnote-ref-1770)
1771. Exhibit 3.140, Witness statement of Ross Hugh McNaughton, 22 May 2018,   
      Exhibit RMH-1 (Tab 84) [NAB.005.370.0001]. [↑](#footnote-ref-1771)
1772. Exhibit 3.141, 25 March 2013, Business Memorandum of Increase. [↑](#footnote-ref-1772)
1773. Transcript, Ross Alan Dillon, 30 May 2018, 2832; see also Exhibit 3.140,   
      Witness statement of Ross Hugh McNaughton, 22 May 2018, Exhibit RMH-1   
      (Tab 105) [NAB.134.007.9166]. [↑](#footnote-ref-1773)
1774. Exhibit 3.137, 18 May 2018, Statutory Declaration of Shaun Bassett; Transcript,   
      Shaun Bassett, 31 May 2018, 2880. [↑](#footnote-ref-1774)
1775. Transcript, Shaun Bassett, 31 May 2018, 2880. [↑](#footnote-ref-1775)
1776. Exhibit 3.140, Witness statement of Ross Hugh McNaughton, 22 May 2018,   
      Exhibit RMH-1 (Tab 109) [NAB.134.007.9186]; see also Exhibit 3.140, Witness statement of Ross Hugh McNaughton, 22 May 2018, Exhibit RMH-1 (Tab 91) [NAB.005.376.1199]; Transcript, Ross Hugh McNaughton, 31 May 2018, 2901. [↑](#footnote-ref-1776)
1777. Transcript, Shaun Bassett, 31 May 2018, 2881–2. [↑](#footnote-ref-1777)
1778. Transcript, Ross Hugh McNaughton, 31 May 2018, 2906. [↑](#footnote-ref-1778)
1779. Exhibit 3.136, Witness statement of Ross Alan Dillon, 28 May 2018, 5 [25]. [↑](#footnote-ref-1779)
1780. Exhibit 3.140, Witness statement of Ross Hugh McNaughton, 22 May 2018,   
      Exhibit RMH-1 (Tab 104) [NAB.134.007.9169]. [↑](#footnote-ref-1780)
1781. Exhibit 3.136, Witness statement of Ross Alan Dillon, 28 May 2018, 5 [27]. [↑](#footnote-ref-1781)
1782. Exhibit 3.140, Witness statement of Ross Hugh McNaughton, 22 May 2018, 53 [207]. [↑](#footnote-ref-1782)
1783. Transcript, Ross Alan Dillon, 30 May 2018, 2838–9. [↑](#footnote-ref-1783)
1784. Transcript, Ross Alan Dillon, 30 May 2018, 2839. [↑](#footnote-ref-1784)
1785. Transcript, Shaun Bassett, 31 May 2018, 2880–1. [↑](#footnote-ref-1785)
1786. Transcript, Ross Alan Dillon, 30 May 2018, 2838. [↑](#footnote-ref-1786)
1787. Exhibit 3.140, Witness statement of Ross Hugh McNaughton, 22 May 2018, 51 [194]; Transcript, Ross Hugh McNaughton, 31 May 2018, 2890–1. [↑](#footnote-ref-1787)
1788. Transcript, Ross Hugh McNaughton, 31 May 2018, 2905. [↑](#footnote-ref-1788)
1789. NAB, *Third Round of Public Hearings: Lending to Small and Medium Enterprises, Submissions of National Australia Bank Limited (NAB) – National Music Case Study,*8 June 2018, 15 [53]. [↑](#footnote-ref-1789)
1790. Transcript, Ross Hugh McNaughton, 31 May 2018, 2890. [↑](#footnote-ref-1790)
1791. Exhibit 3.140, Witness statement of Ross Hugh McNaughton, 22 May 2018, 19 [65] (emphasis added). [↑](#footnote-ref-1791)
1792. Transcript, Ross Hugh McNaughton, 31 May 2018, 2890–1. [↑](#footnote-ref-1792)
1793. NAB, *Third Round of Public Hearings: Lending to Small and Medium Enterprises, Submissions of National Australia Bank Limited (NAB) – National Music Case Study*,   
      8 June 2018, 16 [54]. [↑](#footnote-ref-1793)
1794. Transcript, Senior Counsel Assisting, 1 June 2018, 3056; Ross Alan Dillon, *Submission on Behalf of Ross Dillon*, 8 June 2018, 6 [22]–[24]. [↑](#footnote-ref-1794)
1795. NAB, *Third Round of Public Hearings: Lending to Small and Medium Enterprises, Submissions of National Australia Bank Limited (NAB) – National Music Case Study,*8 June 2018, 18–19 [65]–[66]. [↑](#footnote-ref-1795)
1796. *NAB, Third Round of Public Hearings: Lending to Small and Medium Enterprises, Submissions of National Australia Bank Limited (NAB) – National Music Case Study*,   
      8 June 2018, 2–3 [9]. [↑](#footnote-ref-1796)
1797. NAB, *Third Round of Public Hearings: Lending to Small and Medium Enterprises, Submissions of National Australia Bank Limited (NAB) – National Music Case Study*,   
      8 June 2018, 14 [45]. [↑](#footnote-ref-1797)
1798. NAB, *Third Round of Public Hearings: Lending to Small and Medium Enterprises , Submissions of National Australia Bank Limited (NAB) – National Music Case Study*,   
      8 June 2018, 14 [45]. [↑](#footnote-ref-1798)
1799. Exhibit 3.140, Witness statement of Ross Hugh McNaughton, 22 May 2018, 19 [65]. [↑](#footnote-ref-1799)
1800. Exhibit 3.88, Witness statement of Michael Lawrence Kelly, 24 May 2018. [↑](#footnote-ref-1800)
1801. Exhibit 3.97, Witness statement of Stephen Francis Weller, 21 May 2018. [↑](#footnote-ref-1801)
1802. Exhibit 3.99, Witness statement of Michael Edwin Doherty, 24 May 2018. [↑](#footnote-ref-1802)
1803. Exhibit 3.106, Witness statement of Brendan John Stanford, 24 May 2018. [↑](#footnote-ref-1803)
1804. Mr Kelly had been an employee of Bankwest between January 1985 and September 2007 but he had no dealings at Bankwest with any of the matters that were the subject of his witness statement. See Exhibit 3.88,Witness statement of Michael Lawrence Kelly, 24 May 2018, 1 [3], 2 [10]. [↑](#footnote-ref-1804)
1805. Exhibit 3.88, Witness statement of Michael Lawrence Kelly, 24 May 2018, 3 [15]; Transcript, Michael Lawrence Kelly, 28 May 2018, 2558. [↑](#footnote-ref-1805)
1806. Transcript, Michael Lawrence Kelly, 28 May 2018, 2557. [↑](#footnote-ref-1806)
1807. Transcript, Michael Lawrence Kelly, 28 May 2018, 2557. [↑](#footnote-ref-1807)
1808. Transcript, Michael Lawrence Kelly, 28 May 2018, 2558. [↑](#footnote-ref-1808)
1809. Transcript, Michael Lawrence Kelly, 28 May 2018, 2580. [↑](#footnote-ref-1809)
1810. Transcript, Michael Lawrence Kelly, 28 May 2018, 2557. [↑](#footnote-ref-1810)
1811. Transcript, Michael Lawrence Kelly, 28 May 2018, 2557. [↑](#footnote-ref-1811)
1812. Transcript, Michael Lawrence Kelly, 28 May 2018, 2558. [↑](#footnote-ref-1812)
1813. Transcript, Michael Lawrence Kelly, 28 May 2018, 2558. [↑](#footnote-ref-1813)
1814. Transcript, Michael Lawrence Kelly, 28 May 2018, 2560. [↑](#footnote-ref-1814)
1815. Transcript, Michael Lawrence Kelly, 28 May 2018, 2558; Exhibit 3.88, Witness statement of Michael Lawrence Kelly, 24 May 2018, Exhibit MLK-42 [CBA.0517.0096.3061]. [↑](#footnote-ref-1815)
1816. Transcript, Michael Lawrence Kelly, 28 May 2018, 2561. [↑](#footnote-ref-1816)
1817. Transcript, Michael Lawrence Kelly, 28 May 2018, 2561. [↑](#footnote-ref-1817)
1818. Transcript, Michael Lawrence Kelly, 28 May 2018, 2561. [↑](#footnote-ref-1818)
1819. Transcript, Michael Lawrence Kelly, 28 May 2018, 2562. [↑](#footnote-ref-1819)
1820. Transcript, Michael Lawrence Kelly, 28 May 2018, 2562. [↑](#footnote-ref-1820)
1821. Transcript, Michael Lawrence Kelly, 28 May 2018, 2563. [↑](#footnote-ref-1821)
1822. Transcript, Michael Lawrence Kelly, 28 May 2018, 2564–5. [↑](#footnote-ref-1822)
1823. Transcript, Michael Lawrence Kelly, 28 May 2018, 2565. [↑](#footnote-ref-1823)
1824. Transcript, Michael Lawrence Kelly, 28 May 2018, 2564–5. [↑](#footnote-ref-1824)
1825. Transcript, Michael Lawrence Kelly, 28 May 2018, 2566. [↑](#footnote-ref-1825)
1826. Transcript, Michael Lawrence Kelly, 28 May 2018, 2566. [↑](#footnote-ref-1826)
1827. Transcript, Brett Robert Perry, 28 May 2018, 2597–8. [↑](#footnote-ref-1827)
1828. Transcript, Brett Robert Perry, 28 May 2018, 2598. [↑](#footnote-ref-1828)
1829. Transcript, Brett Robert Perry, 28 May 2018, 2598. [↑](#footnote-ref-1829)
1830. Transcript, Brett Robert Perry, 28 May 2018, 2598–9. [↑](#footnote-ref-1830)
1831. Transcript, Michael Lawrence Kelly, 28 May 2018, 2567. [↑](#footnote-ref-1831)
1832. Transcript, Michael Lawrence Kelly, 28 May 2018, 2567. [↑](#footnote-ref-1832)
1833. Transcript, Michael Lawrence Kelly, 28 May 2018, 2568–9. [↑](#footnote-ref-1833)
1834. Transcript, Michael Lawrence Kelly, 28 May 2018, 2568. [↑](#footnote-ref-1834)
1835. Transcript, Michael Lawrence Kelly, 28 May 2018, 2569. [↑](#footnote-ref-1835)
1836. Transcript, Michael Lawrence Kelly, 28 May 2018, 2570. [↑](#footnote-ref-1836)
1837. Transcript, Michael Lawrence Kelly, 28 May 2018, 2571. [↑](#footnote-ref-1837)
1838. Transcript, Michael Lawrence Kelly, 28 May 2018, 2572. [↑](#footnote-ref-1838)
1839. Transcript, Michael Lawrence Kelly, 28 May 2018, 2580. [↑](#footnote-ref-1839)
1840. Transcript, Michael Lawrence Kelly, 28 May 2018, 2580. [↑](#footnote-ref-1840)
1841. Transcript, Brett Robert Perry, 28 May 2018, 2593. [↑](#footnote-ref-1841)
1842. Transcript, Brett Robert Perry, 28 May 2018, 2593. [↑](#footnote-ref-1842)
1843. Transcript, Brett Robert Perry, 28 May 2018, 2593–4. [↑](#footnote-ref-1843)
1844. Transcript, Brett Robert Perry, 28 May 2018, 2596–7. [↑](#footnote-ref-1844)
1845. Transcript, Brett Robert Perry, 28 May 2018, 2596. [↑](#footnote-ref-1845)
1846. Transcript, Brett Robert Perry, 28 May 2018, 2594, 2596. [↑](#footnote-ref-1846)
1847. Transcript, Brett Robert Perry, 28 May 2018, 2594. [↑](#footnote-ref-1847)
1848. Transcript, Brett Robert Perry, 28 May 2018, 2593–4. [↑](#footnote-ref-1848)
1849. Transcript, Brett Robert Perry, 28 May 2018, 2594. [↑](#footnote-ref-1849)
1850. Transcript, Brett Robert Perry, 28 May 2018, 2615. [↑](#footnote-ref-1850)
1851. Transcript, Brett Robert Perry, 28 May 2018, 2614. [↑](#footnote-ref-1851)
1852. Transcript, Brett Robert Perry, 28 May 2018, 2614. [↑](#footnote-ref-1852)
1853. Transcript, Brett Robert Perry, 28 May 2018, 2614. [↑](#footnote-ref-1853)
1854. Exhibit 3.97, Witness statement of Stephen Francis Weller, 21 May 2018, 2 [8]. [↑](#footnote-ref-1854)
1855. Transcript, Stephen Francis Weller, 28 May 2018, 2618–9. [↑](#footnote-ref-1855)
1856. Exhibit 3.97, Witness statement of Stephen Francis Weller, 21 May 2018, 2 [8]. [↑](#footnote-ref-1856)
1857. Exhibit 3.97, Witness statement of Stephen Francis Weller, 21 May 2018, 3 [15], 5 [28]; Exhibit 3.101, Witness statement of Peter Nathaniel Clark, 27 May 2018, Exhibit PNC-20 [CBA.4000.0075.1436]. [↑](#footnote-ref-1857)
1858. Transcript, Stephen Francis Weller, 28 May 2018, 2619. [↑](#footnote-ref-1858)
1859. Transcript, Stephen Francis Weller, 28 May 2018, 2620. [↑](#footnote-ref-1859)
1860. Exhibit 3.97, Witness statement of Stephen Francis Weller, 21 May 2018, 4 [23]. [↑](#footnote-ref-1860)
1861. Transcript, Stephen Francis Weller, 28 May 2018, 2620. [↑](#footnote-ref-1861)
1862. Transcript, Stephen Francis Weller, 28 May 2018, 2621. [↑](#footnote-ref-1862)
1863. Transcript, Peter Nathaniel Clark, 29 May 2018, 2679. [↑](#footnote-ref-1863)
1864. Transcript, Stephen Francis Weller, 28 May 2018, 2621. [↑](#footnote-ref-1864)
1865. Transcript, Stephen Francis Weller, 28 May 2018, 2621. [↑](#footnote-ref-1865)
1866. Exhibit 3.97, Witness statement of Stephen Francis Weller, 21 May 2018, Exhibit SFW-06 [CBA.0001.0318.1880]; Exhibit 3.97, Witness statement of Stephen Francis Weller,   
      21 May 2018, Exhibit SFW-07 [CBA.4000.0075.1182]. [↑](#footnote-ref-1866)
1867. Exhibit 3.97, Witness statement of Stephen Francis Weller, 21 May 2018, 6–8 [32],   
      [34], [36]; Exhibit 3.97, Witness statement of Stephen Francis Weller, 21 May 2018,   
      Exhibit SFW-06 [CBA.0001.0318.1880]; Exhibit 3.97, Witness statement   
      of Stephen Francis Weller, 21 May 2018, Exhibit SFW-07 [CBA.4000.0075.1182]. [↑](#footnote-ref-1867)
1868. Exhibit 3.97, Witness statement of Stephen Francis Weller, 21 May 2018,   
      Exhibit SFW-07 [CBA.4000.0075.1182]. [↑](#footnote-ref-1868)
1869. Exhibit 3.97, Witness statement of Stephen Francis Weller, 21 May 2018,   
      Exhibit SFW-08 [CBA.4000.0074.8041]. [↑](#footnote-ref-1869)
1870. Transcript, Stephen Francis Weller, 28 May 2018, 2623–4. [↑](#footnote-ref-1870)
1871. Exhibit 3.101, Witness statement of Peter Nathaniel Clark, 27 May 2018,   
      Exhibit PNC‑59A [CBA.0002.1959.7331]. [↑](#footnote-ref-1871)
1872. Exhibit 3.97, Witness statement of Stephen Francis Weller, 21 May 2018,   
      Exhibit SFW-09 [CBA.4000.0074.8062]. [↑](#footnote-ref-1872)
1873. Transcript, Stephen Francis Weller, 28 May 2018, 2624. [↑](#footnote-ref-1873)
1874. Transcript, Stephen Francis Weller, 28 May 2018, 2625. [↑](#footnote-ref-1874)
1875. Transcript, Stephen Francis Weller, 28 May 2018, 2625–6. [↑](#footnote-ref-1875)
1876. Transcript, Stephen Francis Weller, 28 May 2018, 2626. [↑](#footnote-ref-1876)
1877. Transcript, Stephen Francis Weller, 28 May 2018, 2626. [↑](#footnote-ref-1877)
1878. Transcript, Stephen Francis Weller, 28 May 2018, 2626. [↑](#footnote-ref-1878)
1879. Transcript, Stephen Francis Weller, 28 May 2018, 2626–7. [↑](#footnote-ref-1879)
1880. Transcript, Stephen Francis Weller, 28 May 2018, 2627. [↑](#footnote-ref-1880)
1881. Transcript, Stephen Francis Weller, 28 May 2018, 2627 [↑](#footnote-ref-1881)
1882. Transcript, Stephen Francis Weller, 28 May 2018, 2627. [↑](#footnote-ref-1882)
1883. Transcript, Stephen Francis Weller, 28 May 2018, 2628. [↑](#footnote-ref-1883)
1884. Transcript, Stephen Francis Weller, 28 May 2018, 2629. [↑](#footnote-ref-1884)
1885. Transcript, Stephen Francis Weller, 28 May 2018, 2630. [↑](#footnote-ref-1885)
1886. Transcript, Stephen Francis Weller, 28 May 2018, 2630. [↑](#footnote-ref-1886)
1887. Transcript, Stephen Francis Weller, 28 May 2018, 2631. [↑](#footnote-ref-1887)
1888. Transcript, Stephen Francis Weller, 28 May 2018, 2630–1. [↑](#footnote-ref-1888)
1889. Transcript, Peter Nathaniel Clark, 29 May 2018, 2682. [↑](#footnote-ref-1889)
1890. Transcript, Peter Nathaniel Clark, 29 May 2018, 2683. [↑](#footnote-ref-1890)
1891. Transcript, Peter Nathaniel Clark, 29 May 2018, 2683. [↑](#footnote-ref-1891)
1892. Transcript, Peter Nathaniel Clark, 29 May 2018, 2678. [↑](#footnote-ref-1892)
1893. Transcript, Peter Nathaniel Clark, 29 May 2018, 2678. [↑](#footnote-ref-1893)
1894. Transcript, Peter Nathaniel Clark, 29 May 2018, 2678. [↑](#footnote-ref-1894)
1895. Transcript, Peter Nathaniel Clark, 29 May 2018, 2678–9. [↑](#footnote-ref-1895)
1896. Transcript, Peter Nathaniel Clark, 29 May 2018, 2678–9. [↑](#footnote-ref-1896)
1897. Transcript, Peter Nathaniel Clark, 29 May 2018, 2684. [↑](#footnote-ref-1897)
1898. Transcript, Peter Nathaniel Clark, 29 May 2018, 2669. [↑](#footnote-ref-1898)
1899. Transcript, Peter Nathaniel Clark, 29 May 2018, 2668. [↑](#footnote-ref-1899)
1900. Transcript, Peter Nathaniel Clark, 29 May 2018, 2681. [↑](#footnote-ref-1900)
1901. Transcript, Peter Nathaniel Clark, 29 May 2018, 2681–2. [↑](#footnote-ref-1901)
1902. Transcript, Peter Nathaniel Clark, 29 May 2018, 2683. [↑](#footnote-ref-1902)
1903. Transcript, Peter Nathaniel Clark, 29 May 2018, 2683 [↑](#footnote-ref-1903)
1904. Transcript, Peter Nathaniel Clark, 29 May 2018, 2683. [↑](#footnote-ref-1904)
1905. Stephen Francis Weller, *Response to Round 3 and CBA Submissions*,   
      20 August 2018, 1. [↑](#footnote-ref-1905)
1906. Transcript, Peter Nathaniel Clark, 29 May 2018, 2672. [↑](#footnote-ref-1906)
1907. Transcript, Peter Nathaniel Clark, 29 May 2018, 2673. [↑](#footnote-ref-1907)
1908. Transcript, Peter Nathaniel Clark, 29 May 2018, 2680–1. [↑](#footnote-ref-1908)
1909. Exhibit 3.97, Witness statement of Stephen Francis Weller, 21 May 2018, 9 [45] [↑](#footnote-ref-1909)
1910. cf Stephen Francis Weller, *Response to Round 3 and CBA Submissions*,   
      20 August 2018, 1. [↑](#footnote-ref-1910)
1911. Transcript, Stephen Francis Weller, 28 May 2018, 2622; see also Exhibit 3.97,   
      Witness statement of Stephen Francis Weller, 21 May 2018, 5 [29]. [↑](#footnote-ref-1911)
1912. Transcript, Michael Edwin Doherty, 28 May 2018, 2639. [↑](#footnote-ref-1912)
1913. Transcript, Michael Edwin Doherty, 28 May 2018, 2634. [↑](#footnote-ref-1913)
1914. Transcript, Peter Nathaniel Clark, 29 May 2018, 2697. [↑](#footnote-ref-1914)
1915. Transcript, Michael Edwin Doherty, 28 May 2018, 2638. [↑](#footnote-ref-1915)
1916. Transcript, Peter Nathaniel Clark, 29 May 2018, 2687. [↑](#footnote-ref-1916)
1917. Transcript, Michael Edwin Doherty, 29 May 2018, 2645. [↑](#footnote-ref-1917)
1918. Transcript, Michael Edwin Doherty, 29 May 2018, 2645. [↑](#footnote-ref-1918)
1919. Transcript, Michael Edwin Doherty, 29 May 2018, 2645. [↑](#footnote-ref-1919)
1920. Transcript, Michael Edwin Doherty, 29 May 2018, 2646. [↑](#footnote-ref-1920)
1921. Transcript, Michael Edwin Doherty, 29 May 2018, 2646 [↑](#footnote-ref-1921)
1922. Transcript, Michael Edwin Doherty, 29 May 2018, 2646. [↑](#footnote-ref-1922)
1923. Transcript, Peter Nathaniel Clark, 29 May 2018, 2696. [↑](#footnote-ref-1923)
1924. Transcript, Michael Edwin Doherty, 29 May 2018, 2646. [↑](#footnote-ref-1924)
1925. Transcript, Michael Edwin Doherty, 29 May 2018, 2647. [↑](#footnote-ref-1925)
1926. Transcript, Michael Edwin Doherty, 29 May 2018, 2647–8. [↑](#footnote-ref-1926)
1927. Transcript, Michael Edwin Doherty, 29 May 2018, 2648. [↑](#footnote-ref-1927)
1928. Transcript, Michael Edwin Doherty, 29 May 2018, 2648. [↑](#footnote-ref-1928)
1929. Transcript, Michael Edwin Doherty, 29 May 2018, 2649. [↑](#footnote-ref-1929)
1930. Transcript, Michael Edwin Doherty, 29 May 2018, 2650. [↑](#footnote-ref-1930)
1931. Transcript, Michael Edwin Doherty, 29 May 2018, 2650–1. [↑](#footnote-ref-1931)
1932. Transcript, Michael Edwin Doherty, 29 May 2018, 2653. [↑](#footnote-ref-1932)
1933. Transcript, Michael Edwin Doherty, 29 May 2018, 2654. [↑](#footnote-ref-1933)
1934. Transcript, Michael Edwin Doherty, 29 May 2018, 2654. [↑](#footnote-ref-1934)
1935. Transcript, Michael Edwin Doherty, 29 May 2018, 2653–4. [↑](#footnote-ref-1935)
1936. Transcript, Michael Edwin Doherty, 29 May 2018, 2655–6. [↑](#footnote-ref-1936)
1937. Transcript, Peter Nathaniel Clark, 29 May 2018, 2696. [↑](#footnote-ref-1937)
1938. Transcript, Peter Nathaniel Clark, 29 May 2018, 2696. [↑](#footnote-ref-1938)
1939. Transcript, Michael Edwin Doherty, 29 May 2018, 2656. [↑](#footnote-ref-1939)
1940. Transcript, Michael Edwin Doherty, 29 May 2018, 2656. [↑](#footnote-ref-1940)
1941. Transcript, Michael Edwin Doherty, 29 May 2018, 2656. [↑](#footnote-ref-1941)
1942. Transcript, Michael Edwin Doherty, 29 May 2018, 2656. [↑](#footnote-ref-1942)
1943. Transcript, Peter Nathaniel Clark, 29 May 2018, 2688. [↑](#footnote-ref-1943)
1944. Transcript, Peter Nathaniel Clark, 29 May 2018, 2693–4. [↑](#footnote-ref-1944)
1945. Transcript, Peter Nathaniel Clark, 29 May 2018, 2693–4. [↑](#footnote-ref-1945)
1946. Transcript, Peter Nathaniel Clark, 29 May 2018, 2695. [↑](#footnote-ref-1946)
1947. Transcript, Peter Nathaniel Clark, 29 May 2018, 2683. [↑](#footnote-ref-1947)
1948. Michael Doherty, *Submissions of Michael Doherty and Doherty Hotels Group (DHG) with Respect to Conduct of Bankwest in Relation to Its Funding of Hadleys Hotel in Hobart, Tasmania and an Adjacent Mixed-use Development Known as Inner Collins, in 2011 and 2012*, 19 June 2018, 17 [80]. [↑](#footnote-ref-1948)
1949. Transcript, Brendan John Stanford, 29 May 2018, 2703. [↑](#footnote-ref-1949)
1950. Transcript, Brendan John Stanford, 29 May 2018, 2704. [↑](#footnote-ref-1950)
1951. Transcript, Brendan John Stanford, 29 May 2018, 2704; Exhibit 3.111, Witness statement of David Antony Keith Cohen, 17 May 2018, 39 [156], Exhibit DC-81 [CBA.4000.0037.5116]. [↑](#footnote-ref-1951)
1952. Transcript, Brendan John Stanford, 29 May 2018, 2704. [↑](#footnote-ref-1952)
1953. Transcript, Brendan John Stanford, 29 May 2018, 2704. [↑](#footnote-ref-1953)
1954. Transcript, Brendan John Stanford, 29 May 2018, 2705. [↑](#footnote-ref-1954)
1955. Transcript, Brendan John Stanford, 29 May 2018, 2706. [↑](#footnote-ref-1955)
1956. Transcript, Brendan John Stanford, 29 May 2018, 2705. [↑](#footnote-ref-1956)
1957. Transcript, Brendan John Stanford, 29 May 2018, 2705. [↑](#footnote-ref-1957)
1958. Transcript, Brendan John Stanford, 29 May 2018, 2706. [↑](#footnote-ref-1958)
1959. Transcript, Brendan John Stanford, 29 May 2018, 2706. [↑](#footnote-ref-1959)
1960. Transcript, Brendan John Stanford, 29 May 2018, 2707;   
      Transcript, David Antony Keith Cohen, 30 May 2018, 2770. [↑](#footnote-ref-1960)
1961. Transcript, Brendan John Stanford, 29 May 2018, 2707; Transcript, David Antony Keith Cohen, 30 May 2018, 2769, 2774; Exhibit 3.111, Witness statement of David Antony Keith Cohen, 17 May 2018, Exhibit DC-94 [CBA.0001.0285.0983]. [↑](#footnote-ref-1961)
1962. Transcript, David Antony Keith Cohen, 30 May 2018, 2770; Exhibit 3.111, Witness statement of David Antony Keith Cohen, 17 May 2018, 39 [156], 40 [160]–[163];   
      Exhibit DC-81 [CBA.4000.0037.5116], Exhibit DC-84 [CBA.4000.0037.5126],   
      Exhibit DC-85 [CBA.0001.0285.1082]. [↑](#footnote-ref-1962)
1963. Transcript, David Antony Keith Cohen, 30 May 2018, 2771, 2773; Exhibit 3.111,   
      Witness statement of David Antony Keith Cohen, 17 May 2018, Exhibit DC-103 [CBA.0001.0285.1114]. [↑](#footnote-ref-1963)
1964. Transcript, Brendan John Stanford, 29 May 2018, 2709–10. [↑](#footnote-ref-1964)
1965. Transcript, David Antony Keith Cohen, 30 May 2018, 2780, 2781. [↑](#footnote-ref-1965)
1966. Transcript, David Antony Keith Cohen, 30 May 2018, 2785; Exhibit 3.111,   
      Witness statement of David Antony Keith Cohen, 17 May 2018, Exhibit DC-114 [CBA.0001.0285.1318]. [↑](#footnote-ref-1966)
1967. Transcript, David Antony Keith Cohen, 30 May 2018, 2800. [↑](#footnote-ref-1967)
1968. Transcript, David Antony Keith Cohen, 30 May 2018, 2798. [↑](#footnote-ref-1968)
1969. Transcript, David Antony Keith Cohen, 30 May 2018, 2799. [↑](#footnote-ref-1969)
1970. Transcript, Brendan John Stanford, 29 May 2018, 2711. [↑](#footnote-ref-1970)
1971. Transcript, David Antony Keith Cohen, 30 May 2018, 2788; Exhibit 3.111,   
      Witness statement of David Antony Keith Cohen, 17 May 2018, Exhibit DC-115 [CBA.4000.0037.4936]. [↑](#footnote-ref-1971)
1972. Transcript, David Antony Keith Cohen, 30 May 2018, 2787; Exhibit 3.111,   
      Witness statement of David Antony Keith Cohen, 17 May 2018, Exhibit DC-115 [CBA.4000.0037.4936 at .4940]. [↑](#footnote-ref-1972)
1973. Transcript, Brendan John Stanford, 29 May 2018, 2712; Witness statement   
      of David Antony Keith Cohen, 17 May 2018, Exhibit DC-118 [CBA.0517.0074.0003]. [↑](#footnote-ref-1973)
1974. Transcript, Brendan John Stanford, 29 May 2018, 2713; Exhibit 3.106, Witness   
      statement of Brendan John Stanford, 24 May 2018, Exhibit BJS-9 [CBA.4000.0037.5293]. [↑](#footnote-ref-1974)
1975. Transcript, Brendan John Stanford, 29 May 2018, 2713. [↑](#footnote-ref-1975)
1976. Transcript, David Antony Keith Cohen, 30 May 2018, 2789; Exhibit 3.111,   
      Witness statement of David Antony Keith Cohen, 17 May 2018, 18–19 [88]–[90]. [↑](#footnote-ref-1976)
1977. Transcript, David Antony Keith Cohen, 30 May 2018, 2789. [↑](#footnote-ref-1977)
1978. Transcript, David Antony Keith Cohen, 30 May 2018, 2790–1. [↑](#footnote-ref-1978)
1979. Transcript, David Antony Keith Cohen, 30 May 2018, 2790. [↑](#footnote-ref-1979)
1980. Transcript, David Antony Keith Cohen, 30 May 2018, 2790. [↑](#footnote-ref-1980)
1981. Transcript, David Antony Keith Cohen, 30 May 2018, 2791. [↑](#footnote-ref-1981)
1982. Transcript, David Antony Keith Cohen, 30 May 2018, 2790. [↑](#footnote-ref-1982)
1983. Exhibit 3.111, Witness statement of David Antony Keith Cohen,   
      17 May 2018, 46–7 [191]–[192]. [↑](#footnote-ref-1983)
1984. Transcript, Brendan John Stanford, 29 May 2018, 2714. [↑](#footnote-ref-1984)
1985. Transcript, Brendan John Stanford, 29 May 2018, 2714. [↑](#footnote-ref-1985)
1986. Transcript, Brendan John Stanford, 29 May 2018, 2715. [↑](#footnote-ref-1986)
1987. Transcript, Brendan John Stanford, 29 May 2018, 2715; Exhibit 3.106, Witness statement of Brendan John Stanford, 24 May 2018, 6 [31]. [↑](#footnote-ref-1987)
1988. Transcript, Brendan John Stanford, 29 May 2018, 2716; Exhibit 3.106, Witness statement of Brendan John Stanford, 24 May 2018, 6 [32]. [↑](#footnote-ref-1988)
1989. Exhibit 3.111, Witness statement of David Antony Keith Cohen, 17 May 2018, 48 [196]; Exhibit 3.106, Witness statement of Brendan John Stanford, 24 May 2018, 6 [34]. [↑](#footnote-ref-1989)
1990. Transcript, Brendan John Stanford, 29 May 2018, 2716; Exhibit 3.111, Witness statement of David Antony Keith Cohen, 17 May 2018, 48 [198]; Exhibit 3.106, Witness statement   
      of Brendan John Stanford, 24 May 2018, 7 [35]. [↑](#footnote-ref-1990)
1991. Transcript, David Antony Keith Cohen, 30 May 2018, 2799. [↑](#footnote-ref-1991)
1992. Transcript, Brendan John Stanford, 29 May 2018, 2716; Exhibit 3.111, Witness statement of David Antony Keith Cohen, 17 May 2018, 48–9 [199]; Exhibit 3.106, Witness statement of Brendan John Stanford, 24 May 2018, 7 [35]. [↑](#footnote-ref-1992)
1993. Transcript, Brendan John Stanford, 29 May 2018, 2716; Transcript, David Antony Keith Cohen, 30 May 2018, 2801. [↑](#footnote-ref-1993)
1994. Transcript, Brendan John Stanford, 29 May 2018, 2716–18; Transcript, David Antony Keith Cohen, 30 May 2018, 2801. [↑](#footnote-ref-1994)
1995. Exhibit 3.126, 27 June 2014, Emails between Fragar and Medway; see also   
      Transcript, David Antony Keith Cohen, 30 May 2018, 2802. [↑](#footnote-ref-1995)
1996. Transcript, Brendan John Stanford, 29 May 2018, 2717–18. [↑](#footnote-ref-1996)
1997. Exhibit 3.107, 26 June 2014, Email Medway to Bankwest; Transcript, Brendan John Stanford, 29 May 2018, 2718–19. [↑](#footnote-ref-1997)
1998. See Transcript, Brendan John Stanford, 29 May 2018, 2722; see also Transcript, David Antony Keith Cohen, 30 May 2018, 2804–5. [↑](#footnote-ref-1998)
1999. Transcript, David Antony Keith Cohen, 30 May 2018, 2804–5. [↑](#footnote-ref-1999)
2000. Exhibit 3.109, 2 July 2014, Emails between Bankwest, Medway and others;   
      Transcript, Brendan John Stanford, 29 May 2018, 2720. [↑](#footnote-ref-2000)
2001. Transcript, David Antony Keith Cohen, 30 May 2018, 2807. [↑](#footnote-ref-2001)
2002. Exhibit 3.111, Witness statement of David Antony Keith Cohen, 17 May 2018, 50 [205]. [↑](#footnote-ref-2002)
2003. Exhibit 3.111, Witness statement of David Antony Keith Cohen, 17 May 2018, 50–1 [208]–[209]. [↑](#footnote-ref-2003)
2004. Exhibit 3.111, Witness statement of David Antony Keith Cohen, 17 May 2018, 51 [209]. [↑](#footnote-ref-2004)
2005. Transcript, Brendan John Stanford, 29 May 2018, 2722. [↑](#footnote-ref-2005)
2006. Exhibit 4.8, Witness statement of Benjamin William Steinberg, 18 June 2018, 4 [7], [9]. [↑](#footnote-ref-2006)
2007. Transcript, Benjamin William Steinberg, 25 June 2018, 3128. [↑](#footnote-ref-2007)
2008. Transcript, Benjamin William Steinberg, 25 June 2018, 3129; Exhibit 4.8,   
      Witness statement of Benjamin William Steinberg, 18 June 2018, Exhibit BWS-1 [ANZ.800.097.7082 at .7083 -.7084]. [↑](#footnote-ref-2008)
2009. Transcript, Benjamin William Steinberg, 25 June 2018, 3130; Exhibit 4.8,   
      Witness statement of Benjamin William Steinberg, 18 June 2018, Exhibit BWS-1 [ANZ.800.097.7082 at .7084]. [↑](#footnote-ref-2009)
2010. Transcript, Benjamin William Steinberg, 25 June 2018, 3143; Exhibit 4.8,   
      Witness statement of Benjamin William Steinberg, 18 June 2018, Exhibit BWS-7 [ANZ.800.616.1266 at .1268]. [↑](#footnote-ref-2010)
2011. Transcript, Benjamin William Steinberg, 25 June 2018, 3143–4. [↑](#footnote-ref-2011)
2012. Transcript, Benjamin William Steinberg, 25 June 2018, 3147–8. [↑](#footnote-ref-2012)
2013. Transcript, Benjamin William Steinberg, 25 June 2018, 3152. [↑](#footnote-ref-2013)
2014. Exhibit 4.8, Witness statement of Benjamin William Steinberg, 18 June 2018,   
      Exhibit BWS-3 [ANZ.800.616.1038 at .1053]; Transcript, Benjamin William Steinberg,   
      25 June 2018, 3151. [↑](#footnote-ref-2014)
2015. Transcript, Benjamin William Steinberg, 25 June 2018, 3132. [↑](#footnote-ref-2015)
2016. Transcript, Benjamin William Steinberg, 25 June 2018, 3132. [↑](#footnote-ref-2016)
2017. Exhibit 4.8, Witness statement of Benjamin William Steinberg, 18 June 2018, 21 [51(a)]. [↑](#footnote-ref-2017)
2018. Transcript, Benjamin William Steinberg, 25 June 2018, 3140–1. [↑](#footnote-ref-2018)
2019. Exhibit 4.8, Witness statement of Benjamin William Steinberg, 18 June 2018, 20 [50]. [↑](#footnote-ref-2019)
2020. Transcript, Benjamin William Steinberg, 25 June 2018, 3141. [↑](#footnote-ref-2020)
2021. Transcript, Benjamin William Steinberg, 25 June 2018, 3141. [↑](#footnote-ref-2021)
2022. Exhibit 4.8, Witness statement of Benjamin William Steinberg, 18 June 2018, 21 [51(b)]. [↑](#footnote-ref-2022)
2023. Transcript, Benjamin William Steinberg, 25 June 2018, 3141. [↑](#footnote-ref-2023)
2024. Transcript, Benjamin William Steinberg, 25 June 2018, 3141. [↑](#footnote-ref-2024)
2025. Exhibit 4.8, Witness statement of Benjamin William Steinberg, 18 June 2018, 20 [50]. [↑](#footnote-ref-2025)
2026. Transcript, Benjamin William Steinberg, 26 June 2018, 3157. [↑](#footnote-ref-2026)
2027. Exhibit 4.10G, Witness statement of Benjamin William Steinberg (Annexure G), 18 June 2018; Transcript, Benjamin William Steinberg, 26 June 2018, 3158; Exhibit 4.8, Witness statement of Benjamin William Steinberg, 18 June 2018, 10–11 [34]–[35]. [↑](#footnote-ref-2027)
2028. Transcript, Benjamin William Steinberg, 26 June 2018, 3158. [↑](#footnote-ref-2028)
2029. Transcript, Benjamin William Steinberg, 26 June 2018, 3158; Exhibit 4.8,   
      Witness statement of Benjamin William Steinberg, 18 June 2018, 10–11 [34]–[35]. [↑](#footnote-ref-2029)
2030. Transcript, Benjamin William Steinberg, 26 June 2018, 3158. [↑](#footnote-ref-2030)
2031. Transcript, Benjamin William Steinberg, 26 June 2018, 3167. [↑](#footnote-ref-2031)
2032. Transcript, Benjamin William Steinberg, 26 June 2018, 3167. [↑](#footnote-ref-2032)
2033. Transcript, Benjamin William Steinberg, 26 June 2018, 3167. [↑](#footnote-ref-2033)
2034. Transcript, Benjamin William Steinberg, 26 June 2018, 3167. [↑](#footnote-ref-2034)
2035. Transcript, Benjamin William Steinberg, 26 June 2018, 3168. [↑](#footnote-ref-2035)
2036. Transcript, Benjamin William Steinberg, 26 June 2018, 3168. [↑](#footnote-ref-2036)
2037. Transcript, Benjamin William Steinberg, 26 June 2018, 3169. [↑](#footnote-ref-2037)
2038. Transcript, Benjamin William Steinberg, 26 June 2018, 3169. [↑](#footnote-ref-2038)
2039. Transcript, Benjamin William Steinberg, 26 June 2018, 3169. [↑](#footnote-ref-2039)
2040. Transcript, Benjamin William Steinberg, 26 June 2018, 3170. [↑](#footnote-ref-2040)
2041. Transcript, Benjamin William Steinberg, 26 June 2018, 3170. [↑](#footnote-ref-2041)
2042. Transcript, Benjamin William Steinberg, 26 June 2018, 3171. [↑](#footnote-ref-2042)
2043. Transcript, Benjamin William Steinberg, 26 June 2018, 3171–2. [↑](#footnote-ref-2043)
2044. Transcript, Benjamin William Steinberg, 26 June 2018, 3172. [↑](#footnote-ref-2044)
2045. Transcript, Benjamin William Steinberg, 26 June 2018, 3172. [↑](#footnote-ref-2045)
2046. Transcript, Benjamin William Steinberg, 26 June 2018, 3172. [↑](#footnote-ref-2046)
2047. Transcript, Benjamin William Steinberg, 26 June 2018, 3173–4. [↑](#footnote-ref-2047)
2048. Transcript, Benjamin William Steinberg, 26 June 2018, 3174–5; Exhibit 4.10G.22, Witness statement of Benjamin William Steinberg (Annexure G), 21 June 2018,   
      Exhibit LMG-22 [ANZ.160.004.0002 at .0006]. [↑](#footnote-ref-2048)
2049. Transcript, Benjamin William Steinberg, 26 June 2018, 3175–6. [↑](#footnote-ref-2049)
2050. Transcript, Benjamin William Steinberg, 26 June 2018, 3175; Exhibit 4.10G.17, Witness statement of Benjamin William Steinberg (Annexure G), 21 June 2018, Exhibit LMG-17 [ANZ.160.004.0013 at .0016]. [↑](#footnote-ref-2050)
2051. Transcript, Benjamin William Steinberg, 26 June 2018, 3176. [↑](#footnote-ref-2051)
2052. Transcript, Benjamin William Steinberg, 26 June 2018, 3176. [↑](#footnote-ref-2052)
2053. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 5 [20]. [↑](#footnote-ref-2053)
2054. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 5 [21]; Transcript, Benjamin William Steinberg,   
      26 June 2018, 3178. [↑](#footnote-ref-2054)
2055. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 5 [21]. [↑](#footnote-ref-2055)
2056. Transcript, Benjamin William Steinberg, 26 June 2018, 3178–9. [↑](#footnote-ref-2056)
2057. Transcript, Benjamin William Steinberg, 26 June 2018, 3179–80. [↑](#footnote-ref-2057)
2058. Transcript Benjamin William Steinberg, 26 June 2018, 3181–2; Exhibit 4.10G.17,   
      Witness statement of Benjamin William Steinberg (Annexure G), 21 June 2018,   
      Exhibit LMG-17 [ANZ.160.004.0013 at .0016–.0017]. [↑](#footnote-ref-2058)
2059. Transcript, Benjamin William Steinberg, 26 June 2018, 3182. [↑](#footnote-ref-2059)
2060. Transcript, Benjamin William Steinberg, 26 June 2018, 3182–3; Exhibit 4.10G.27.6, Witness statement of Benjamin William Steinberg (Annexure G), 21 June 2018,   
      Exhibit LMG-27 [ANZ.160.003.0047]. [↑](#footnote-ref-2060)
2061. Transcript, Benjamin William Steinberg, 26 June 2018, 3182–3; Exhibit 4.10G.27.7, Witness statement of Benjamin William Steinberg (Annexure G), 21 June 2018,   
      Exhibit LMG-27 [ANZ.160.003.0046]. [↑](#footnote-ref-2061)
2062. Exhibit 4.10G.27.10, Witness statement of Benjamin William Steinberg (Annexure G),   
      21 June 2018, Exhibit LMG-27 [ANZ.160.003.0043 at .0044]. [↑](#footnote-ref-2062)
2063. Transcript, Benjamin William Steinberg, 26 June 2018, 3185. [↑](#footnote-ref-2063)
2064. Exhibit 4.10G.27.10, Witness statement of Benjamin William Steinberg (Annexure G),   
      21 June 2018, Exhibit LMG-27 [ANZ.160.003.0043 at .0044]. [↑](#footnote-ref-2064)
2065. Exhibit 4.10G.27.10, Witness statement of Benjamin William Steinberg (Annexure G),   
      21 June 2018, Exhibit LMG-27 [ANZ.160.003.0043 at .0044–.0045]. [↑](#footnote-ref-2065)
2066. Transcript, Benjamin William Steinberg, 26 June 2018, 3186–7; Exhibit 4.10G.27.9, Witness statement of Benjamin William Steinberg (Annexure G), 21 June 2018,   
      Exhibit LMG-27 [ANZ.160.003.0042]. [↑](#footnote-ref-2066)
2067. Exhibit 4.10G.27.11, Witness statement of Benjamin William Steinberg (Annexure G),   
      21 June 2018, Exhibit LMG-27 [ANZ.160.003.0041]. [↑](#footnote-ref-2067)
2068. Transcript, Benjamin William Steinberg, 26 June 2018, 3187. [↑](#footnote-ref-2068)
2069. Transcript, Benjamin William Steinberg, 26 June 2018, 3188–9. [↑](#footnote-ref-2069)
2070. Transcript, Benjamin William Steinberg, 26 June 2018, 3187–8. [↑](#footnote-ref-2070)
2071. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 5–6 [22]–[24]. [↑](#footnote-ref-2071)
2072. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 5–6 [23]; Exhibit 4.10G.27.12, Witness statement of Benjamin William Steinberg (Annexure G), 21 June 2018, Exhibit LMG-27 [ANZ.160.003.0037 at .0039–.0040] [↑](#footnote-ref-2072)
2073. Exhibit 4.10G.27.11, Witness statement of Benjamin William Steinberg (Annexure G),   
      21 June 2018, Exhibit LMG-27 [ANZ.160.003.0041]. [↑](#footnote-ref-2073)
2074. Transcript, Benjamin William Steinberg, 26 June 2018, 3182–3; Exhibit 4.10G.27.6, Witness statement of Benjamin William Steinberg (Annexure G), 21 June 2018, Exhibit LMG-17 [ANZ.160.003.0047]; Exhibit 4.10G.27.7, Witness statement of Benjamin William Steinberg (Annexure G), 21 June 2018, Exhibit LMG-27 [ANZ.160.003.0046]. [↑](#footnote-ref-2074)
2075. Exhibit 4.10G.27.10, Witness statement of Benjamin William Steinberg (Annexure G),   
      21 June 2018, Exhibit LMG-27 [ANZ.160.003.0043 at .0044]. [↑](#footnote-ref-2075)
2076. Transcript, Benjamin William Steinberg, 26 June 2018, 3192. [↑](#footnote-ref-2076)
2077. Transcript, Benjamin William Steinberg, 26 June 2018, 3192. [↑](#footnote-ref-2077)
2078. Transcript, Benjamin William Steinberg, 26 June 2018, 3192–9. [↑](#footnote-ref-2078)
2079. Transcript, Benjamin William Steinberg, 26 June 2018, 3192. [↑](#footnote-ref-2079)
2080. Transcript, Benjamin William Steinberg, 26 June 2018, 3201. [↑](#footnote-ref-2080)
2081. Transcript, Benjamin William Steinberg, 26 June 2018, 3198–200. [↑](#footnote-ref-2081)
2082. Transcript, Benjamin William Steinberg, 26 June 2018, 3202. [↑](#footnote-ref-2082)
2083. Transcript, Benjamin William Steinberg, 26 June 2018, 3202. [↑](#footnote-ref-2083)
2084. Transcript, Benjamin William Steinberg, 26 June 2018, 3201. [↑](#footnote-ref-2084)
2085. Transcript, Benjamin William Steinberg, 26 June 2018, 3203. [↑](#footnote-ref-2085)
2086. Transcript, Benjamin William Steinberg, 26 June 2018, 3202. [↑](#footnote-ref-2086)
2087. Transcript, Benjamin William Steinberg, 26 June 2018, 3203; Exhibit 4.13, May 2004, Code of Banking Practice, 6. [↑](#footnote-ref-2087)
2088. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 6 [25]. [↑](#footnote-ref-2088)
2089. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 6 [26]. [↑](#footnote-ref-2089)
2090. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 6–7 [28]; Transcript, Benjamin William Steinberg,   
      26 June 2018, 3200–1. [↑](#footnote-ref-2090)
2091. Transcript, Benjamin William Steinberg, 26 June 2018, 3203, 3206. [↑](#footnote-ref-2091)
2092. Transcript, Benjamin William Steinberg, 26 June 2018, 3204; Exhibit 4.17, 26 April 2016, Memorandum Landmark Taskforce Consideration re Cheesmans, 3. [↑](#footnote-ref-2092)
2093. Exhibit 4.9B, Witness statement of Benjamin William Steinberg (Annexure B),   
      20 June 2018. [↑](#footnote-ref-2093)
2094. Transcript, Benjamin William Steinberg, 26 June 2018, 3211. [↑](#footnote-ref-2094)
2095. Transcript, Benjamin William Steinberg, 26 June 2018, 3212. [↑](#footnote-ref-2095)
2096. Transcript, Benjamin William Steinberg, 26 June 2018, 3212. [↑](#footnote-ref-2096)
2097. Transcript, Benjamin William Steinberg, 26 June 2018, 3214. [↑](#footnote-ref-2097)
2098. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ* , 13 July 2018, 10 [46]. [↑](#footnote-ref-2098)
2099. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 10 [46]. [↑](#footnote-ref-2099)
2100. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 10 [44]. [↑](#footnote-ref-2100)
2101. Transcript, Benjamin William Steinberg, 26 June 2018, 3190. [↑](#footnote-ref-2101)
2102. Transcript, Benjamin William Steinberg, 26 June 2018, 3222. [↑](#footnote-ref-2102)
2103. Transcript, Benjamin William Steinberg, 26 June 2018, 3220. [↑](#footnote-ref-2103)
2104. Transcript, Benjamin William Steinberg, 26 June 2018, 3217–8. [↑](#footnote-ref-2104)
2105. See generally, Exhibit 4.9E, Witness statement of Benjamin William Steinberg   
      (Annexure E), 20 June 2018, 20 [94]. [↑](#footnote-ref-2105)
2106. Transcript, Benjamin William Steinberg, 26 June 2018, 3223. [↑](#footnote-ref-2106)
2107. Transcript, Benjamin William Steinberg, 26 June 2018, 3223. [↑](#footnote-ref-2107)
2108. Transcript, Benjamin William Steinberg, 26 June 2018, 3225. [↑](#footnote-ref-2108)
2109. Transcript, Benjamin William Steinberg, 26 June 2018, 3223. [↑](#footnote-ref-2109)
2110. Transcript, Benjamin William Steinberg, 26 June 2018, 3224–5. [↑](#footnote-ref-2110)
2111. Transcript, Benjamin William Steinberg, 26 June 2018, 3226–7. [↑](#footnote-ref-2111)
2112. Transcript, Benjamin William Steinberg, 26 June 2018, 3227. [↑](#footnote-ref-2112)
2113. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 9 [39]–[40]. [↑](#footnote-ref-2113)
2114. See generally, Exhibit 4.9D, Witness statement of Benjamin William Steinberg (Annexure D), 20 June 2018, 19 [70]; Transcript, Benjamin William Steinberg, 26 June 2018, 3228. [↑](#footnote-ref-2114)
2115. Transcript, Benjamin William Steinberg, 26 June 2018, 3228. [↑](#footnote-ref-2115)
2116. Transcript, Benjamin William Steinberg, 26 June 2018, 3228. [↑](#footnote-ref-2116)
2117. Transcript, Benjamin William Steinberg, 26 June 2018, 3229. [↑](#footnote-ref-2117)
2118. Transcript, Benjamin William Steinberg, 26 June 2018, 3230. [↑](#footnote-ref-2118)
2119. Transcript, Benjamin William Steinberg, 26 June 2018, 3230. [↑](#footnote-ref-2119)
2120. Transcript, Benjamin William Steinberg, 26 June 2018, 3232. [↑](#footnote-ref-2120)
2121. Transcript, Benjamin William Steinberg, 26 June 2018, 3232. [↑](#footnote-ref-2121)
2122. Transcript, Benjamin William Steinberg, 26 June 2018, 3232. [↑](#footnote-ref-2122)
2123. Transcript, Benjamin William Steinberg, 26 June 2018, 3232–3. [↑](#footnote-ref-2123)
2124. Transcript, Benjamin William Steinberg, 26 June 2018, 3235. [↑](#footnote-ref-2124)
2125. Transcript, Benjamin William Steinberg, 26 June 2018, 3237. [↑](#footnote-ref-2125)
2126. Transcript, Benjamin William Steinberg, 26 June 2018, 3238. [↑](#footnote-ref-2126)
2127. Transcript, Benjamin William Steinberg, 26 June 2018, 3240. [↑](#footnote-ref-2127)
2128. Transcript, Benjamin William Steinberg, 26 June 2018, 3230, 3240. [↑](#footnote-ref-2128)
2129. Transcript, Benjamin William Steinberg, 26 June 2018, 3240. [↑](#footnote-ref-2129)
2130. Transcript, Benjamin William Steinberg, 26 June 2018, 3240. [↑](#footnote-ref-2130)
2131. Transcript, Benjamin William Steinberg, 26 June 2018, 3241. [↑](#footnote-ref-2131)
2132. Transcript, Benjamin William Steinberg, 26 June 2018, 3241. [↑](#footnote-ref-2132)
2133. Transcript, Benjamin William Steinberg, 26 June 2018, 3241. [↑](#footnote-ref-2133)
2134. Transcript, Benjamin William Steinberg, 26 June 2018, 3242. [↑](#footnote-ref-2134)
2135. Transcript, Benjamin William Steinberg, 26 June 2018, 3245 [↑](#footnote-ref-2135)
2136. Transcript, Benjamin William Steinberg, 26 June 2018, 3246 [↑](#footnote-ref-2136)
2137. Transcript, Benjamin William Steinberg, 26 June 2018, 3246 [↑](#footnote-ref-2137)
2138. Transcript, Benjamin William Steinberg, 26 June 2018, 3245–6; Exhibit 4.9D.19,   
      Witness statement of Benjamin William Steinberg (Annexure D), 20 June 2018,   
      Exhibit LMD-19 [ANZ.800.644.0421 at .0427, .0430, .0432, .0441–.0442]. [↑](#footnote-ref-2138)
2139. Transcript, Benjamin William Steinberg, 26 June 2018, 3250. [↑](#footnote-ref-2139)
2140. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 7 [30]. [↑](#footnote-ref-2140)
2141. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 8 [36]. [↑](#footnote-ref-2141)
2142. Transcript, Benjamin William Steinberg, 26 June 2018, 3246. [↑](#footnote-ref-2142)
2143. Transcript, Benjamin William Steinberg, 26 June 2018, 3250. [↑](#footnote-ref-2143)
2144. Transcript, Benjamin William Steinberg, 26 June 2018, 3251. [↑](#footnote-ref-2144)
2145. Transcript, Benjamin William Steinberg, 26 June 2018, 3251–2. [↑](#footnote-ref-2145)
2146. Transcript, Benjamin William Steinberg, 26 June 2018, 3251. [↑](#footnote-ref-2146)
2147. Transcript, Benjamin William Steinberg, 26 June 2018, 3251. [↑](#footnote-ref-2147)
2148. Transcript, Benjamin William Steinberg, 26 June 2018, 3251; Exhibit 4.9D.45.1,   
      Witness statement of Benjamin William Steinberg (Annexure D), 20 June 2018,   
      Exhibit LMD-45 [ANZ.800.644.0387 at .0388]. [↑](#footnote-ref-2148)
2149. Transcript, Benjamin William Steinberg, 26 June 2018, 3251–2. [↑](#footnote-ref-2149)
2150. Transcript, Benjamin William Steinberg, 26 June 2018, 3252–6. [↑](#footnote-ref-2150)
2151. Transcript, Benjamin William Steinberg, 26 June 2018, 3256. [↑](#footnote-ref-2151)
2152. Transcript, Benjamin William Steinberg, 26 June 2018, 3256–7. [↑](#footnote-ref-2152)
2153. Transcript, Benjamin William Steinberg, 26 June 2018, 3257. [↑](#footnote-ref-2153)
2154. Transcript, Benjamin William Steinberg, 26 June 2018, 3257. [↑](#footnote-ref-2154)
2155. Transcript, Benjamin William Steinberg, 27 June 2018, 3270–2. [↑](#footnote-ref-2155)
2156. Transcript, Benjamin William Steinberg, 26 June 2018, 3256. [↑](#footnote-ref-2156)
2157. Transcript, Benjamin William Steinberg, 26 June 2018, 3257; ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*,   
      13 July 2018, 8 [37]. [↑](#footnote-ref-2157)
2158. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 8 [37]. [↑](#footnote-ref-2158)
2159. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 8 [37]. [↑](#footnote-ref-2159)
2160. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 7 [32], 7–8 [34]. [↑](#footnote-ref-2160)
2161. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 7 [33]. [↑](#footnote-ref-2161)
2162. Transcript, Benjamin William Steinberg, 26 June 2018, 3257. [↑](#footnote-ref-2162)
2163. Transcript, Benjamin William Steinberg, 26 June 2018, 3256. [↑](#footnote-ref-2163)
2164. Transcript, Benjamin William Steinberg, 26 June 2018, 3258. [↑](#footnote-ref-2164)
2165. Transcript, Benjamin William Steinberg, 27 June 2018, 3275. [↑](#footnote-ref-2165)
2166. Exhibit 4.9, Witness statement of Benjamin Steinberg (Annexure D), 20 June 2018,   
      14–15 [60], 16–17 [64]. [↑](#footnote-ref-2166)
2167. Transcript, Benjamin William Steinberg, 27 June 2018, 3275. [↑](#footnote-ref-2167)
2168. Transcript, Benjamin William Steinberg, 27 June 2018, 3276. [↑](#footnote-ref-2168)
2169. Transcript, Benjamin William Steinberg, 27 June 2018, 3275–6. [↑](#footnote-ref-2169)
2170. Transcript, Benjamin William Steinberg, 27 June 2018, 3280. [↑](#footnote-ref-2170)
2171. Transcript, Benjamin William Steinberg, 27 June 2018, 3280. [↑](#footnote-ref-2171)
2172. Exhibit 4.9, Witness statement of Benjamin Steinberg (Annexure D), 20 June 2018,   
      25 [96(b)(iii)]. [↑](#footnote-ref-2172)
2173. Transcript, Benjamin William Steinberg, 27 June 2018, 3283. [↑](#footnote-ref-2173)
2174. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 8–9 [38]; Transcript, Benjamin William Steinberg,   
      27 June 2018, 3281. [↑](#footnote-ref-2174)
2175. Transcript, Benjamin William Steinberg, 26 June 2018, 3236. [↑](#footnote-ref-2175)
2176. Transcript, Benjamin William Steinberg, 26 June 2018, 3236. [↑](#footnote-ref-2176)
2177. Transcript, Benjamin William Steinberg, 27 June 2018, 3285; Exhibit 4.9C,   
      Witness statement of Benjamin William Steinberg (Annexure C), 20 June 2018, 6 [4]. [↑](#footnote-ref-2177)
2178. Transcript, Benjamin William Steinberg, 27 June 2018, 3285. [↑](#footnote-ref-2178)
2179. Transcript, Benjamin William Steinberg, 27 June 2018, 3285. [↑](#footnote-ref-2179)
2180. Transcript, Benjamin William Steinberg, 27 June 2018, 3286. [↑](#footnote-ref-2180)
2181. Transcript, Benjamin William Steinberg, 27 June 2018, 3286. [↑](#footnote-ref-2181)
2182. Transcript, Benjamin William Steinberg, 27 June 2018, 3286. [↑](#footnote-ref-2182)
2183. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 10 [43]. [↑](#footnote-ref-2183)
2184. Transcript, Benjamin William Steinberg, 27 June 2018, 3287. [↑](#footnote-ref-2184)
2185. Transcript, Benjamin William Steinberg, 27 June 2018, 3288; Exhibit 4.10F,   
      Witness statement of Benjamin William Steinberg (Annexure F), 21 June 2018. [↑](#footnote-ref-2185)
2186. Transcript, Benjamin William Steinberg, 27 June 2018, 3288. [↑](#footnote-ref-2186)
2187. Transcript, Benjamin William Steinberg, 27 June 2018, 3288. [↑](#footnote-ref-2187)
2188. Exhibit 4.8, Witness statement of Benjamin Steinberg, 18 June 2018, 16–17 [43]. [↑](#footnote-ref-2188)
2189. Exhibit 4.8, Witness statement of Benjamin Steinberg, 18 June 2018, 18–20 [45]. [↑](#footnote-ref-2189)
2190. Exhibit 4.8, Witness statement of Benjamin Steinberg, 18 June 2018, 18–20 [45]. [↑](#footnote-ref-2190)
2191. Transcript, Benjamin William Steinberg, 26 June 2018, 3163. [↑](#footnote-ref-2191)
2192. Transcript, Benjamin William Steinberg, 26 June 2018, 3164. [↑](#footnote-ref-2192)
2193. Exhibit 4.8, Witness statement of Benjamin Steinberg, 18 June 2018, 18–20 [45]. [↑](#footnote-ref-2193)
2194. Transcript, Benjamin William Steinberg, 26 June 2018, 3164. [↑](#footnote-ref-2194)
2195. Transcript, Benjamin William Steinberg, 27 June 2018, 3291. [↑](#footnote-ref-2195)
2196. Transcript, Benjamin William Steinberg, 27 June 2018, 3291–2. [↑](#footnote-ref-2196)
2197. Transcript, Benjamin William Steinberg, 27 June 2018, 3292. [↑](#footnote-ref-2197)
2198. Transcript, Benjamin William Steinberg, 27 June 2018, 3292. [↑](#footnote-ref-2198)
2199. Transcript, Benjamin William Steinberg, 27 June 2018, 3295–7. [↑](#footnote-ref-2199)
2200. Transcript, Benjamin William Steinberg, 27 June 2018, 3298. [↑](#footnote-ref-2200)
2201. Transcript, Benjamin William Steinberg, 27 June 2018, 3302–3. [↑](#footnote-ref-2201)
2202. Transcript, Benjamin William Steinberg, 27 June 2018, 3298. [↑](#footnote-ref-2202)
2203. Transcript, Benjamin William Steinberg, 26 June 2018, 3260–1. [↑](#footnote-ref-2203)
2204. Exhibit 4.8, Witness statement of Benjamin Steinberg, 18 June 2018, 22–3 [59(d)]; Exhibit 4.9A, Witness statement of Benjamin William Steinberg (Annexure A),   
      20 June 2018, 23 [92]. [↑](#footnote-ref-2204)
2205. Transcript Benjamin William Steinberg, 27 June 2018, 3299; Exhibit 4.8, Witness statement of Benjamin Steinberg, 18 June 2018, Exhibit BWS-22 [ANZ.800.552.2654]. [↑](#footnote-ref-2205)
2206. Transcript, Benjamin William Steinberg, 27 June 2018, 3299. [↑](#footnote-ref-2206)
2207. Transcript, Benjamin William Steinberg, 27 June 2018, 3300. [↑](#footnote-ref-2207)
2208. Transcript, Benjamin William Steinberg, 27 June 2018, 3300. [↑](#footnote-ref-2208)
2209. See, eg, Transcript, Benjamin William Steinberg, 27 June 2018, 3300. [↑](#footnote-ref-2209)
2210. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 2–3 [12]. [↑](#footnote-ref-2210)
2211. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 3 [13]. [↑](#footnote-ref-2211)
2212. Transcript, Benjamin William Steinberg, 26 June 2018, 3188. [↑](#footnote-ref-2212)
2213. Transcript, Benjamin William Steinberg, 27 June 2018, 3293. [↑](#footnote-ref-2213)
2214. Transcript, Benjamin William Steinberg, 27 June 2018, 3295–6. [↑](#footnote-ref-2214)
2215. Transcript, Benjamin William Steinberg, 25 June 2018, 3147. [↑](#footnote-ref-2215)
2216. Transcript, Benjamin William Steinberg, 25 June 2018, 3152. [↑](#footnote-ref-2216)
2217. Transcript, Benjamin William Steinberg, 25 June 2018, 3152. [↑](#footnote-ref-2217)
2218. Transcript, Benjamin William Steinberg, 25 June 2018, 3152. [↑](#footnote-ref-2218)
2219. Transcript, Benjamin William Steinberg, 25 June 2018, 3153. [↑](#footnote-ref-2219)
2220. Transcript, Benjamin William Steinberg, 25 June 2018, 3153. [↑](#footnote-ref-2220)
2221. Exhibit 4.8, Witness statement of Benjamin Steinberg, 18 June 2018, 21 [54]. [↑](#footnote-ref-2221)
2222. Transcript, Benjamin William Steinberg, 25 June 2018, 3130. [↑](#footnote-ref-2222)
2223. Transcript, Benjamin William Steinberg, 25 June 2018, 3131. [↑](#footnote-ref-2223)
2224. Transcript, Benjamin William Steinberg, 25 June 2018, 3154. [↑](#footnote-ref-2224)
2225. Exhibit 4.12, 6 August 2015, Minutes of ANZ Board, 11. [↑](#footnote-ref-2225)
2226. Transcript, Benjamin William Steinberg, 26 June 2018, 3161. [↑](#footnote-ref-2226)
2227. Transcript, Benjamin William Steinberg, 26 June 2018, 3209. [↑](#footnote-ref-2227)
2228. Transcript, Benjamin William Steinberg, 26 June 2018, 3209. [↑](#footnote-ref-2228)
2229. Exhibit 4.18, 1 June 2015, Lending Services Agribusiness Discussion Document, 2. [↑](#footnote-ref-2229)
2230. Exhibit 4.4, Witness statement of Chris Wheatcroft, 15 June 2018, 5 [17];   
      Transcript, Chris Wheatcroft, 25 June 2018, 3102–3. [↑](#footnote-ref-2230)
2231. Transcript, Benjamin William Steinberg, 26 June 2018, 3214. [↑](#footnote-ref-2231)
2232. Exhibit 4.8, Witness statement of Benjamin Steinberg, 18 June 2018, 21 [54]. [↑](#footnote-ref-2232)
2233. Exhibit 4.8, Witness statement of Benjamin Steinberg, 18 June 2018, 21 [53]. [↑](#footnote-ref-2233)
2234. Transcript, Benjamin William Steinberg, 26 June 2018, 3225. [↑](#footnote-ref-2234)
2235. Exhibit 4.24, 28 October 2016, Landmark Portfolio Upgrade Board Paper, 2. [↑](#footnote-ref-2235)
2236. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 12 [51]. [↑](#footnote-ref-2236)
2237. ANZ, *Hearing Round 4: ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 12 [51]. [↑](#footnote-ref-2237)
2238. Transcript, Benjamin William Steinberg, 27 June 2018, 3273. [↑](#footnote-ref-2238)
2239. Transcript, Benjamin William Steinberg, 27 June 2018, 3273. [↑](#footnote-ref-2239)
2240. Transcript, Benjamin William Steinberg, 27 June 2018, 3273. [↑](#footnote-ref-2240)
2241. Transcript, Benjamin William Steinberg, 27 June 2018, 3273. [↑](#footnote-ref-2241)
2242. Transcript, Benjamin William Steinberg, 27 June 2018, 3274. [↑](#footnote-ref-2242)
2243. Exhibit 4.20, Witness statement of Benjamin Steinberg, 18 June 2018, 11 [38]. [↑](#footnote-ref-2243)
2244. Transcript, Benjamin William Steinberg, 27 June 2018, 3298. [↑](#footnote-ref-2244)
2245. Transcript, Wendy Jolene Brauer, 27 June 2018, 3320. [↑](#footnote-ref-2245)
2246. Transcript, Wendy Jolene Brauer, 27 June 2018, 3321. [↑](#footnote-ref-2246)
2247. Transcript, Wendy Jolene Brauer, 27 June 2018, 3321; Exhibit 4.31.1, Witness statement of Wendy Jolene Brauer, 21 June 2018, Exhibit WB-1 [RAL.0002.0001.0880 at .0880]. [↑](#footnote-ref-2247)
2248. Transcript, Wendy Jolene Brauer, 27 June 2018 3321–2. [↑](#footnote-ref-2248)
2249. Transcript, Wendy Jolene Brauer, 27 June 2018, 3322; Exhibit 4.31.1, Witness statement of Wendy Jolene Brauer, 21 June 2018, Exhibit WB-1 [RAL.0002.0001.0880 at .0885]. [↑](#footnote-ref-2249)
2250. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, Exhibit WB-1 [RAL.0002.0001.0880 at .0889]; Transcript, Wendy Jolene Brauer, 27 June 2018, 3322. [↑](#footnote-ref-2250)
2251. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, Exhibit WB-1 [RAL.0002.0001.0880 at .0893]; Transcript, Wendy Jolene Brauer, 27 June 2018, 3322. [↑](#footnote-ref-2251)
2252. Transcript, Wendy Jolene Brauer, 27 June 2018, 3323. [↑](#footnote-ref-2252)
2253. Transcript, Wendy Jolene Brauer, 27 June 2018, 3323–4; Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, Exhibit WJB-5 [RAL.0002.0003.3219]. [↑](#footnote-ref-2253)
2254. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, Exhibit WB-6 [RAL.0002.0003.3216]. [↑](#footnote-ref-2254)
2255. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, Exhibit WB-6 [RAL.0002.0003.3216]. [↑](#footnote-ref-2255)
2256. Exhibit 4.37, 30 July 2009, Property Inspection/Valuation Report, Jamberoo, 3. [↑](#footnote-ref-2256)
2257. Exhibit 4.45, 29 July 2009, Property Inspection and Valuation Report, 4. [↑](#footnote-ref-2257)
2258. Exhibit 4.31.7, Witness statement of Wendy Jolene Brauer, 21 June 2018,   
      Exhibit WB-7 [RAL.0002.0003.3211]. [↑](#footnote-ref-2258)
2259. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, 6, 7 [29], [35]. [↑](#footnote-ref-2259)
2260. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, 6 [29]. [↑](#footnote-ref-2260)
2261. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, 6 [29], 7–8 [35]. [↑](#footnote-ref-2261)
2262. Exhibit 4.33, Witness statement of Bradley Mark James, Exhibit BMJ-1 [RAL.0002.0001.3556]; Transcript, Wendy Brauer, 27 June 2018, 3326. [↑](#footnote-ref-2262)
2263. Exhibit 4.47, 17 September 2009, Email from Gray. [↑](#footnote-ref-2263)
2264. Exhibit 4.47, 17 September 2009, Email from Gray. [↑](#footnote-ref-2264)
2265. Exhibit 4.47, 17 September 2009, Email from Gray. [↑](#footnote-ref-2265)
2266. Exhibit 4.48, 17 September 2009, Email to Brauers. [↑](#footnote-ref-2266)
2267. Transcript, Bradley Mark James, 28 June 2018, 3382–3. [↑](#footnote-ref-2267)
2268. Transcript, Bradley Mark James, 28 June 2018, 3390. [↑](#footnote-ref-2268)
2269. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018,   
      Exhibit WJB-11 [RAL.0002.0003.3020]. [↑](#footnote-ref-2269)
2270. Exhibit 4.49, 21 September 2009, Email to Gray. [↑](#footnote-ref-2270)
2271. Exhibit 4.50, 22 September 2009, Email to Brauers. [↑](#footnote-ref-2271)
2272. Exhibit 4.50, 22 September 2009, Email to Brauers. [↑](#footnote-ref-2272)
2273. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, 7 [34]. [↑](#footnote-ref-2273)
2274. Transcript, Bradley Mark James, 28 June 2018, 3388–9. [↑](#footnote-ref-2274)
2275. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018,   
      Exhibit WB-13 [RAL.0002.0001.3697]. [↑](#footnote-ref-2275)
2276. Transcript, Bradley Mark James, 27 June 2018, 3349–50. [↑](#footnote-ref-2276)
2277. Transcript, Closing Submissions, 6 July 2018, 4111; Transcript, Bradley Mark James,   
      27 June 2018, 3350–1; Exhibit 4.36, November 2006, Rabobank Worldwide Compliance Standards November ‘06. [↑](#footnote-ref-2277)
2278. Rabobank, *Submissions: Brauer Case Study*, 13 July 2018, B5 and C4. [↑](#footnote-ref-2278)
2279. Rabobank, *Submissions: Brauer Case Study*, 13 July 2018, 16 [60(c)]. [↑](#footnote-ref-2279)
2280. Transcript, Wendy Jolene Brauer, 27 June 2018, 3332. [↑](#footnote-ref-2280)
2281. Transcript, Bradley Mark James, 28 June 2018, 3393–4. [↑](#footnote-ref-2281)
2282. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, 8 [40]. [↑](#footnote-ref-2282)
2283. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, 8 [40]. [↑](#footnote-ref-2283)
2284. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, 9 [43]; Transcript, Wendy Jolene Brauer, 27 June 2018, 3332–3. [↑](#footnote-ref-2284)
2285. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, 9 [43]; Transcript, Wendy Jolene Brauer, 27 June 2018, 3332–3. [↑](#footnote-ref-2285)
2286. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, 9 [43]; Transcript, Wendy Jolene Brauer, 27 June 2018, 3332–3. [↑](#footnote-ref-2286)
2287. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, 9 [43]; Transcript, Wendy Jolene Brauer, 27 June 2018, 3332–3. [↑](#footnote-ref-2287)
2288. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018,   
      Exhibit WJB-14 [RAL.0002.0003.2644]. [↑](#footnote-ref-2288)
2289. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018,   
      Exhibit WJB-14 [RAL.0002.0003.2644]. [↑](#footnote-ref-2289)
2290. Transcript, Bradley Mark James, 27 June 2018, 3333. [↑](#footnote-ref-2290)
2291. Transcript, Bradley Mark James, 27 June 2018, 3334. [↑](#footnote-ref-2291)
2292. Transcript, Bradley Mark James, 27 June 2018, 3334. [↑](#footnote-ref-2292)
2293. Transcript, Bradley Mark James, 27 June 2018, 3334. [↑](#footnote-ref-2293)
2294. Transcript, Bradley Mark James, 27 June 2018, 3335. [↑](#footnote-ref-2294)
2295. Transcript, Bradley Mark James, 27 June 2018, 3335. [↑](#footnote-ref-2295)
2296. Transcript, Bradley Mark James, 27 June 2018, 3335. [↑](#footnote-ref-2296)
2297. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, 11 [57]. [↑](#footnote-ref-2297)
2298. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, 11 [57]. [↑](#footnote-ref-2298)
2299. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, 11 [57]. [↑](#footnote-ref-2299)
2300. Transcript, Wendy Jolene Brauer, 27 June 2018, 3336 and 28 June 2018, 3415. [↑](#footnote-ref-2300)
2301. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, 11 [58]. [↑](#footnote-ref-2301)
2302. Transcript, Bradley Mark James, 28 June 2018, 3415–3416; Exhibit 4.34, Supplementary witness statement of Bradley Mark James, 21 June 2018, Exhibit BMJ-2 [RAL.0002.0003.0518]. [↑](#footnote-ref-2302)
2303. Transcript, Bradley Mark James, 28 June 2018, 3415–3416; Exhibit 4.34, Supplementary witness statement of Bradley Mark James, 21 June 2018, Exhibit BMJ-2 [RAL.0002.0003.0518]. [↑](#footnote-ref-2303)
2304. Transcript, Bradley Mark James, 28 June 2018, 3417. [↑](#footnote-ref-2304)
2305. Transcript, Wendy Jolene Brauer, 27 June 2018, 3337. [↑](#footnote-ref-2305)
2306. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, 11–12 [60]; Transcript, Bradley Mark James, 28 June 2018, 3419. [↑](#footnote-ref-2306)
2307. Transcript, Bradley Mark James, 28 June 2018, 3415, 3419. [↑](#footnote-ref-2307)
2308. Exhibit 4.31, Witness statement of Wendy Jolene Brauer, 21 June 2018, 12 [61]. [↑](#footnote-ref-2308)
2309. Transcript, Wendy Jolene Brauer, 27 June 2018, 3338. [↑](#footnote-ref-2309)
2310. Exhibit 4.33, Witness statement of Bradley Mark James, 15 May 2018, 35 [95]. [↑](#footnote-ref-2310)
2311. Exhibit 4.33, Witness statement of Bradley Mark James, 15 May 2018, 35 [95]. [↑](#footnote-ref-2311)
2312. Exhibit 4.33, Witness statement of Bradley Mark James, 15 May 2018, 35 [97]. [↑](#footnote-ref-2312)
2313. Exhibit 4.34, Supplementary witness statement of Bradley Mark James,   
      22 June 2018, 2 [9]. [↑](#footnote-ref-2313)
2314. Exhibit 4.34, Supplementary witness statement of Bradley Mark James,   
      22 June 2018, 2–3 [10]. [↑](#footnote-ref-2314)
2315. Transcript, Bradley Mark James, 28 June 2018, 3392, 3420. [↑](#footnote-ref-2315)
2316. Rabobank, *Submissions: Brauer Case Study*, 13 July 2018, 4 [16]. [↑](#footnote-ref-2316)
2317. Rabobank, *Submissions: Brauer Case Study*, 13 July 2018, 5 [21]. [↑](#footnote-ref-2317)
2318. Transcript, Wendy Jolene Brauer, 27 June 2018, 3335. [↑](#footnote-ref-2318)
2319. Exhibit 4.34, Supplementary witness statement of Bradley Mark James,   
      22 June 2018, 3 [12]. [↑](#footnote-ref-2319)
2320. Exhibit 4.34, Supplementary witness statement of Bradley Mark James,   
      22 June 2018, 3 [12]. [↑](#footnote-ref-2320)
2321. Transcript, Closing Submissions, 6 July 2018, 4113 [↑](#footnote-ref-2321)
2322. Rabobank, *Submissions: Brauer Case Study*, 13 July 2018, 8–11 [37]–[43]. [↑](#footnote-ref-2322)
2323. Rabobank, *Submissions: Brauer Case Study*, 13 July 2018, 9 [39]. [↑](#footnote-ref-2323)
2324. Rabobank, *Submissions: Brauer Case Study*, 13 July 2018, 9 [39]. [↑](#footnote-ref-2324)
2325. Rabobank, *Submissions: Brauer Case Study*, 13 July 2018, 9–10 [41]. [↑](#footnote-ref-2325)
2326. Rabobank, *Submissions: Brauer Case Study*, 13 July 2018, 9 [39]. [↑](#footnote-ref-2326)
2327. Rabobank, *Submissions: Brauer Case Study*, 13 July 2018, 11 [47]. [↑](#footnote-ref-2327)
2328. Exhibit 4.38, 19 February 2007, Rabobank Valuation Policy. [↑](#footnote-ref-2328)
2329. Transcript, Bradley Mark James, 27 June 2018, 3356–7. [↑](#footnote-ref-2329)
2330. Transcript, Bradley Mark James, 27 June 2018, 3357–8. [↑](#footnote-ref-2330)
2331. Exhibit 4.39, 30 June 2011, EY Report APRA Targeted Review. [↑](#footnote-ref-2331)
2332. Exhibit 4.39, 30 June 2011, EY Report APRA Targeted Review, 7–8 [2.1]. [↑](#footnote-ref-2332)
2333. Exhibit 4.40, 2 December 2011, Letter APRA to Rabobank. [↑](#footnote-ref-2333)
2334. Exhibit 4.40, 2 December 2011, Letter APRA to Rabobank, 4. [↑](#footnote-ref-2334)
2335. Exhibit 4.40, 2 December 2011, Letter APRA to Rabobank, 4. [↑](#footnote-ref-2335)
2336. Exhibit 4.42, 22 July 2014, Memo to Executive Committee Rabobank. [↑](#footnote-ref-2336)
2337. Transcript, Bradley Mark James, 27 June 2018, 3362. [↑](#footnote-ref-2337)
2338. Transcript, Bradley Mark James, 27 June 2018, 3362. [↑](#footnote-ref-2338)
2339. Transcript, Closing submissions, 6 July 2018, 4113. [↑](#footnote-ref-2339)
2340. Transcript, Closing submissions, 6 July 2018, 4113–14. [↑](#footnote-ref-2340)
2341. Exhibit 4.90, Witness statement of Melville William Ruddy, 21 June 2018, 2 [5], 2–3 [10]. [↑](#footnote-ref-2341)
2342. Exhibit 4.90, Witness statement of Melville William Ruddy, 21 June 2018, 3–4 [15]. [↑](#footnote-ref-2342)
2343. Exhibit 4.90, Witness statement of Melville William Ruddy, 21 June 2018, 2 [5],   
      4–5 [19]–[24]. [↑](#footnote-ref-2343)
2344. Exhibit 4.90, Witness statement of Melville William Ruddy, 21 June 2018, 5 [25]. [↑](#footnote-ref-2344)
2345. Exhibit 4.90, Witness statement of Melville William Ruddy, 21 June 2018, 6–7 [28]–[30]. [↑](#footnote-ref-2345)
2346. Exhibit 4.90, Witness statement of Melville William Ruddy, 21 June 2018, 7 [30]–[31]. [↑](#footnote-ref-2346)
2347. Exhibit 4.90, Witness statement of Melville William Ruddy, 21 June 2018, 7 [32],   
      8 [36]–[37]. [↑](#footnote-ref-2347)
2348. Transcript, Sinead Taylor, 28 June 2018, 3457. [↑](#footnote-ref-2348)
2349. Exhibit 4.90, Witness statement of Melville William Ruddy, 21 June 2018, 7 [30]. [↑](#footnote-ref-2349)
2350. Exhibit 4.90, Witness statement of Melville William Ruddy, 21 June 2018, 9 [39]–[40]. [↑](#footnote-ref-2350)
2351. Transcript, Sinead Taylor, 28 June 2018, 3473. [↑](#footnote-ref-2351)
2352. Transcript, Sinead Taylor, 28 June 2018, 3460. [↑](#footnote-ref-2352)
2353. Transcript, Sinead Taylor, 28 June 2018, 3464. [↑](#footnote-ref-2353)
2354. Transcript, Sinead Taylor, 28 June 2018, 3463. [↑](#footnote-ref-2354)
2355. Exhibit 4.92, Witness statement of Sinead Taylor, 24 June 2018, 21 [73]. [↑](#footnote-ref-2355)
2356. Transcript, Sinead Taylor, 28 June 2018, 3468. [↑](#footnote-ref-2356)
2357. Transcript, Sinead Taylor, 28 June 2018, 3468. [↑](#footnote-ref-2357)
2358. Transcript, Sinead Taylor, 28 June 2018, 3469. [↑](#footnote-ref-2358)
2359. Transcript, Sinead Taylor, 28 June 2018, 3469. [↑](#footnote-ref-2359)
2360. Transcript, Sinead Taylor, 28 June 2018, 3471. [↑](#footnote-ref-2360)
2361. Transcript, Sinead Taylor, 28 June 2018, 3478. [↑](#footnote-ref-2361)
2362. Transcript, Sinead Taylor, 28 June 2018, 3475–6. [↑](#footnote-ref-2362)
2363. Transcript, Sinead Taylor, 28 June 2018, 3476. [↑](#footnote-ref-2363)
2364. Transcript, Sinead Taylor, 28 June 2018, 3479. [↑](#footnote-ref-2364)
2365. Transcript, Melville William Ruddy, 28 June 2018, 3442. [↑](#footnote-ref-2365)
2366. Transcript, Melville William Ruddy, 28 June 2018, 3443. [↑](#footnote-ref-2366)
2367. Exhibit 4.90, Witness statement of Melville Ruddy, 21 June 2018, 12 [51]; Transcript, Melville William Ruddy, 28 June 2018, 3444; Exhibit 4.92, Witness statement   
      of Sinead Taylor, 24 June 2018, 33 [120(a)(ii)], [120(d)]. [↑](#footnote-ref-2367)
2368. Transcript, Sinead Taylor, 28 June 2018, 3483. [↑](#footnote-ref-2368)
2369. Transcript, Sinead Taylor, 28 June 2018, 3485. [↑](#footnote-ref-2369)
2370. Transcript, Melville William Ruddy, 28 June 2018, 3446. [↑](#footnote-ref-2370)
2371. Transcript, Melville William Ruddy, 28 June 2018, 3446; Transcript, Sinead Taylor,   
      28 June 2018, 3488–9. [↑](#footnote-ref-2371)
2372. Exhibit 4.90, Witness statement of Melville William Ruddy, 21 June 2018, 12 [51];   
      Exhibit 4.92, Witness statement of Sinead Taylor, 24 June 2018, 33 [119]. [↑](#footnote-ref-2372)
2373. Transcript, Sinead Taylor, 28 June 2018, 3487; Exhibit 4.92, Witness statement   
      of Sinead Taylor, 24 June 2018, 38 [141]. [↑](#footnote-ref-2373)
2374. Transcript, Melville William Ruddy, 28 June 2018, 3445. [↑](#footnote-ref-2374)
2375. Transcript, Melville William Ruddy, 28 June 2018, 3448. [↑](#footnote-ref-2375)
2376. Transcript, Melville William Ruddy, 28 June 2018, 3449. [↑](#footnote-ref-2376)
2377. Transcript, Sinead Taylor, 29 June 2018, 3524. [↑](#footnote-ref-2377)
2378. Transcript, Sinead Taylor, 29 June 2018, 3524. [↑](#footnote-ref-2378)
2379. Transcript, Melville William Ruddy, 28 June 2018, 3450. [↑](#footnote-ref-2379)
2380. Transcript, Sinead Taylor, 29 June 2018, 3525; Exhibit 4.92, Witness statement   
      of Sinead Taylor, 24 June 2018, 38 [139]. [↑](#footnote-ref-2380)
2381. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 3 [11]. [↑](#footnote-ref-2381)
2382. Transcript, Sinead Taylor, 29 June 2018, 3528. [↑](#footnote-ref-2382)
2383. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 3 [12]. [↑](#footnote-ref-2383)
2384. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 3 [12]. [↑](#footnote-ref-2384)
2385. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 3 [13]. [↑](#footnote-ref-2385)
2386. Transcript, Sinead Taylor, 28 June 2018, 3477. [↑](#footnote-ref-2386)
2387. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 10 [53]. [↑](#footnote-ref-2387)
2388. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 4 [20]. [↑](#footnote-ref-2388)
2389. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 4 [18], 4–5 [21]. [↑](#footnote-ref-2389)
2390. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 4–5 [21]. [↑](#footnote-ref-2390)
2391. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 5 [22]. [↑](#footnote-ref-2391)
2392. Transcript, Sinead Taylor, 28 June 2018, 3470; CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 5–6 [28]. [↑](#footnote-ref-2392)
2393. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 5–6 [28]. [↑](#footnote-ref-2393)
2394. Transcript, Sinead Taylor, 28 June 2018, 3479. [↑](#footnote-ref-2394)
2395. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 4 [20]. [↑](#footnote-ref-2395)
2396. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 6 [29]. [↑](#footnote-ref-2396)
2397. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 6 [30]; see also Transcript, Sinead Taylor,   
      28 June 2018, 3471. [↑](#footnote-ref-2397)
2398. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 6 [30]. [↑](#footnote-ref-2398)
2399. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 10 [54]. [↑](#footnote-ref-2399)
2400. Transcript, Sinead Taylor, 28 June 2018, 3475–6. [↑](#footnote-ref-2400)
2401. Transcript, Sinead Taylor, 28 June 2018, 3472–3. [↑](#footnote-ref-2401)
2402. Transcript, Sinead Taylor, 28 June 2018, 3472. [↑](#footnote-ref-2402)
2403. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 11 [57]; Transcript, Sinead Taylor, 28 June 2018, 3475–6. [↑](#footnote-ref-2403)
2404. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 11 [58]. [↑](#footnote-ref-2404)
2405. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 9 [47]; Transcript, Sinead Taylor, 28 June 2018, 3488. [↑](#footnote-ref-2405)
2406. Transcript, Sinead Taylor, 28 June 2018, 3489. [↑](#footnote-ref-2406)
2407. Transcript, Sinead Taylor, 28 June 2018, 3489. [↑](#footnote-ref-2407)
2408. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 6 [33]. [↑](#footnote-ref-2408)
2409. Transcript, Sinead Taylor, 28 June 2018, 3471. [↑](#footnote-ref-2409)
2410. Transcript, Sinead Taylor, 28 June 2018, 3472. [↑](#footnote-ref-2410)
2411. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 6–7 [34]–[36]. [↑](#footnote-ref-2411)
2412. Transcript, Sinead Taylor, 29 June 2018, 3492. [↑](#footnote-ref-2412)
2413. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 13 [69]. [↑](#footnote-ref-2413)
2414. Transcript, Sinead Taylor, 29 June 2018, 3522. [↑](#footnote-ref-2414)
2415. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 13 [73]. [↑](#footnote-ref-2415)
2416. Transcript, Sinead Taylor, 28 June 2018, 3460–1. [↑](#footnote-ref-2416)
2417. Transcript, Sinead Taylor, 28 June 2018, 3461. [↑](#footnote-ref-2417)
2418. Transcript, Sinead Taylor, 28 June 2018, 3461. [↑](#footnote-ref-2418)
2419. Transcript, Sinead Taylor, 28 June 2018, 3466. [↑](#footnote-ref-2419)
2420. Transcript, Sinead Taylor, 28 June 2018, 3465. [↑](#footnote-ref-2420)
2421. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 14 [79]. [↑](#footnote-ref-2421)
2422. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 15 [82]. [↑](#footnote-ref-2422)
2423. Transcript, Sinead Taylor, 28 June 2018, 3474. [↑](#footnote-ref-2423)
2424. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 15 [85]. [↑](#footnote-ref-2424)
2425. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 15 [86] [↑](#footnote-ref-2425)
2426. CBA*, Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 15 [86]. [↑](#footnote-ref-2426)
2427. Transcript, Sinead Taylor, 29 June 2018, 3525–6. [↑](#footnote-ref-2427)
2428. Transcript, Sinead Taylor, 29 June 2018, 3526. [↑](#footnote-ref-2428)
2429. Transcript, Sinead Taylor, 29 June 2018, 3528. [↑](#footnote-ref-2429)
2430. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 15–16 [87]. [↑](#footnote-ref-2430)
2431. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 16 [88]. [↑](#footnote-ref-2431)
2432. CBA, *Round 4 Hearing – Agricultural Lending & Enforcement Practices – Closing Submissions*, 13 July 2018, 16 [88]. [↑](#footnote-ref-2432)
2433. Exhibit 4.110, Witness statement of Deborah Allison Smith, 22 June 2018, 1 [2]. [↑](#footnote-ref-2433)
2434. Exhibit 4.110, Witness statement of Deborah Allison Smith, 22 June 2018, 2 [7]. [↑](#footnote-ref-2434)
2435. Exhibit 4.110, Witness statement of Deborah Allison Smith, 22 June 2018, 2 [7]. [↑](#footnote-ref-2435)
2436. Exhibit 4.110, Witness statement of Deborah Allison Smith, 22 June 2018, 1–2 [2], [7]. [↑](#footnote-ref-2436)
2437. Exhibit 4.110, Witness statement of Deborah Allison Smith, 22 June 2018, 2 [8]. [↑](#footnote-ref-2437)
2438. Exhibit 4.110, Witness statement of Deborah Allison Smith, 22 June 2018, 2 [8]. [↑](#footnote-ref-2438)
2439. Transcript, Deborah Allison Smith, 29 June 2018, 3545. [↑](#footnote-ref-2439)
2440. Transcript, Deborah Allison Smith, 29 June 2018, 3545–6. [↑](#footnote-ref-2440)
2441. Transcript, Deborah Allison Smith, 29 June 2018, 3546. [↑](#footnote-ref-2441)
2442. Exhibit 4.110, Witness statement of Deborah Allison Smith, 22 June 2018, 2–3 [9]. [↑](#footnote-ref-2442)
2443. Transcript, Deborah Allison Smith, 29 June 2018, 3547. [↑](#footnote-ref-2443)
2444. Transcript, Deborah Allison Smith, 29 June 2018, 3547. [↑](#footnote-ref-2444)
2445. Exhibit 4.112, Witness statement of Ross Hugh McNaughton, 18 June 2018,   
      Exhibit RHM-2 (Tab 38) [NAB.005.514.0001]. [↑](#footnote-ref-2445)
2446. Exhibit 4.112, Witness statement of Ross Hugh McNaughton, 18 June 2018,   
      Exhibit RHM-2 (Tab 38) [NAB.005.514.0001]. [↑](#footnote-ref-2446)
2447. Transcript, Deborah Allison Smith, 29 June 2018, 3576. [↑](#footnote-ref-2447)
2448. Transcript, Deborah Allison Smith, 29 June 2018, 3564; Exhibit 4.110,   
      Witness statement of Deborah Allison Smith, 22 June 2018, 4 [20]. [↑](#footnote-ref-2448)
2449. NAB, *Submission: Smith Case Study*, 13 July 2018, 8 [35]. [↑](#footnote-ref-2449)
2450. Transcript, Ross Hugh McNaughton, 29 June 2018, 3581. [↑](#footnote-ref-2450)
2451. Transcript, Ross Hugh McNaughton, 29 June 2018, 3586. [↑](#footnote-ref-2451)
2452. Transcript, Deborah Allison Smith, 29 June 2018, 3564. [↑](#footnote-ref-2452)
2453. Exhibit 4.112, Witness statement of Ross Hugh McNaughton, 18 June 2018,   
      Exhibit RHM-2 (Tab 41) [NAB.005.481.0001]. [↑](#footnote-ref-2453)
2454. Transcript, Deborah Allison Smith, 29 June 2018, 3586. [↑](#footnote-ref-2454)
2455. Exhibit 4.112, Witness statement of Ross Hugh McNaughton, 18 June 2018, 24 [81]. [↑](#footnote-ref-2455)
2456. Transcript, Deborah Allison Smith, 29 June 2018, 3547. [↑](#footnote-ref-2456)
2457. Exhibit 4.110, Witness statement of Deborah Allison Smith, 22 June 2018, 3 [10]. [↑](#footnote-ref-2457)
2458. Transcript, Deborah Allison Smith, 29 June 2018 3548; Exhibit 4.110,   
      Witness statement of Deborah Allison Smith, 29 June 2018, 3 [11]. [↑](#footnote-ref-2458)
2459. Exhibit 4.112, Witness statement of Ross Hugh McNaughton, 18 June 2018, 39 [147]. [↑](#footnote-ref-2459)
2460. Exhibit 4.112, Witness statement of Ross Hugh McNaughton, 18 June 2018, 39 [147]. [↑](#footnote-ref-2460)
2461. Exhibit 4.112, Witness statement of Ross Hugh McNaughton, 18 June 2018, 39 [147]. [↑](#footnote-ref-2461)
2462. Transcript, Ross Hugh McNaughton, 29 June 2018, 3579–80. [↑](#footnote-ref-2462)
2463. Exhibit 4.112, Witness statement of Ross Hugh McNaughton, 18 June 2018,   
      Exhibit RHM-2 [NAB.148.032.8970]. [↑](#footnote-ref-2463)
2464. Transcript, Deborah Allison Smith, 29 June 2018, 3549. [↑](#footnote-ref-2464)
2465. Transcript, Deborah Allison Smith, 29 June 2018, 3549. [↑](#footnote-ref-2465)
2466. Transcript, Deborah Allison Smith, 29 June 2018, 3550. [↑](#footnote-ref-2466)
2467. Transcript, Deborah Allison Smith, 29 June 2018, 3550. [↑](#footnote-ref-2467)
2468. Transcript, Deborah Allison Smith, 29 June 2018, 3550. [↑](#footnote-ref-2468)
2469. Transcript, Deborah Allison Smith, 29 June 2018, 3551. [↑](#footnote-ref-2469)
2470. Exhibit 4.112, Witness statement of Ross Hugh McNaughton, 18 June 2018,   
      Exhibit RHM-2 [NAB.005.451.1023]. [↑](#footnote-ref-2470)
2471. Exhibit 4.112, Witness statement of Ross Hugh McNaughton, 18 June 2018,   
      Exhibit RHM-2 [NAB.005.451.1023 at .1031]. [↑](#footnote-ref-2471)
2472. Exhibit 4.112, Witness statement of Ross Hugh McNaughton, 18 June 2018,   
      Exhibit RHM-2 [NAB.005.451.1023 at .1031]. [↑](#footnote-ref-2472)
2473. Exhibit 4.112, Witness statement of Ross Hugh McNaughton, 18 June 2018,   
      Exhibit RHM-2 [NAB.005.451.1023 at .1031]. [↑](#footnote-ref-2473)
2474. Exhibit 4.112, Witness statement of Ross Hugh McNaughton, 18 June 2018,   
      Exhibit RHM-2 [NAB.005.451.1023 at .1030]. [↑](#footnote-ref-2474)
2475. Transcript, Deborah Allison Smith, 29 June 2018, 3554. [↑](#footnote-ref-2475)
2476. Exhibit 4.110, Witness statement of Deborah Allison Smith, 22 June 2018, 6 [29]. [↑](#footnote-ref-2476)
2477. Transcript, Deborah Allison Smith, 29 June 2018, 3556. [↑](#footnote-ref-2477)
2478. Exhibit 4.110, Witness statement of Deborah Allison Smith, 22 June 2018, 6 [29]–[30]. [↑](#footnote-ref-2478)
2479. Exhibit 4.110, Witness statement of Deborah Allison Smith, 22 June 2018,   
      Exhibit DS-11 [NAB.005.451.2196]. [↑](#footnote-ref-2479)
2480. Exhibit 4.112, Witness statement of Ross Hugh McNaughton, 18 June 2018,   
      Exhibit RHM-2 [NAB.005.451.1282]. [↑](#footnote-ref-2480)
2481. Transcript, Deborah Allison Smith, 29 June 2018, 3557. [↑](#footnote-ref-2481)
2482. Exhibit 4.112, Witness statement of Ross Hugh McNaughton, 18 June 2018, 20–1 [66]; Transcript Ross Hugh McNaughton, 29 June 2018, 3597. [↑](#footnote-ref-2482)
2483. Transcript, Deborah Allison Smith, 29 June 2018, 3564. [↑](#footnote-ref-2483)
2484. Exhibit 4.110, Witness statement of Deborah Allison Smith, 22 June 2018, 8 [39]. [↑](#footnote-ref-2484)
2485. Exhibit 4.112, Witness statement of Ross Hugh McNaughton, 18 June 2018, 38–9 [145]. [↑](#footnote-ref-2485)
2486. Transcript, Ross Hugh McNaughton, 29 June 2018, 3598. [↑](#footnote-ref-2486)
2487. Transcript, Ross Hugh McNaughton, 29 June 2018, 3598. [↑](#footnote-ref-2487)
2488. Transcript, Ross Hugh McNaughton, 29 June 2018, 3569, 3577. [↑](#footnote-ref-2488)
2489. Transcript, Ross Hugh McNaughton, 29 June 2018, 3578. [↑](#footnote-ref-2489)
2490. Transcript, Ross Hugh McNaughton, 29 June 2018, 3576. [↑](#footnote-ref-2490)
2491. NAB, *Submission: Smith Case Study*, 13 July 2018, 9–10 [41]. [↑](#footnote-ref-2491)
2492. NAB, *Submission: Smith Case Study*, 13 July 2018, 9–10 [41]. [↑](#footnote-ref-2492)
2493. Exhibit 4.110, Witness statement of Deborah Allison Smith, 22 June 2018, 4 [20]. [↑](#footnote-ref-2493)
2494. Transcript, Ross Hugh McNaughton, 29 June 2018, 3564. [↑](#footnote-ref-2494)
2495. NAB, *Submission: Smith Case Study*, 13 July 2018, 10 [42]. [↑](#footnote-ref-2495)
2496. NAB, *Submission: Smith Case Study*, 13 July 2018, 10 [43]. [↑](#footnote-ref-2496)
2497. NAB, *Submission: Smith Case Study*, 13 July 2018, 10 [44]. [↑](#footnote-ref-2497)
2498. NAB, *Submission: Smith Case Study*, 13 July 2018, 10 [45]. [↑](#footnote-ref-2498)
2499. Exhibit 4.112, Witness statement of Ross Hugh McNaughton, 18 June 2018,   
      44–5 [174]–[175]. [↑](#footnote-ref-2499)
2500. Transcript, Ross Hugh McNaughton, 29 June 2018, 3593. [↑](#footnote-ref-2500)
2501. Transcript, Ross Hugh McNaughton, 29 June 2018, 3598–602; Exhibit 4.115,   
      10 November 2014, Emails between Avent, Starky and others. [↑](#footnote-ref-2501)
2502. Transcript, Ross Hugh McNaughton, 29 June 2018, 3598. [↑](#footnote-ref-2502)
2503. Transcript, Ross Hugh McNaughton, 29 June 2018, 3591. [↑](#footnote-ref-2503)
2504. Transcript, Ross Hugh McNaughton, 29 June 2018, 3591. [↑](#footnote-ref-2504)
2505. Transcript, Ross Hugh McNaughton, 29 June 2018, 3593. [↑](#footnote-ref-2505)
2506. Transcript, Ross Hugh McNaughton, 29 June 2018, 3593. [↑](#footnote-ref-2506)
2507. Transcript, Ross Hugh McNaughton, 29 June 2018, 3594. [↑](#footnote-ref-2507)
2508. Transcript, Ross Hugh McNaughton, 29 June 2018, 3598. [↑](#footnote-ref-2508)
2509. Transcript, Ross Hugh McNaughton, 29 June 2018, 3596. [↑](#footnote-ref-2509)
2510. Transcript, Ross Hugh McNaughton, 29 June 2018, 3596. [↑](#footnote-ref-2510)
2511. Transcript, Ross Hugh McNaughton, 29 June 2018, 3591. [↑](#footnote-ref-2511)
2512. Transcript, Ross Hugh McNaughton, 29 June 2018, 3591. [↑](#footnote-ref-2512)
2513. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3612. [↑](#footnote-ref-2513)
2514. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3612–13. [↑](#footnote-ref-2514)
2515. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3613. [↑](#footnote-ref-2515)
2516. Exhibit 4.123, 15 December 2017, Response to Letter from Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, 20 [80]. [↑](#footnote-ref-2516)
2517. Exhibit 4.123, 15 December 2017, Response to Letter from Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, 20 [80]. [↑](#footnote-ref-2517)
2518. Exhibit 4.123, 15 December 2017, Response to Letter from Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, 20 [80]. [↑](#footnote-ref-2518)
2519. Exhibit 4.124, 18 May 2018, Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – Response to Letter dated 11 May 2018, 8 [48]. [↑](#footnote-ref-2519)
2520. Exhibit 4.124, 18 May 2018, Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – Response to Letter dated   
      11 May 2018, 8 [49]. [↑](#footnote-ref-2520)
2521. Exhibit 4.124, 18 May 2018, Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – Response to Letter dated   
      11 May 2018, 8 [50]. [↑](#footnote-ref-2521)
2522. Exhibit 4.121, Witness statement of Alexandra Esme Maria Gartmann, 20 June 2018,   
      12 [53]. [↑](#footnote-ref-2522)
2523. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3635, 3684–5. [↑](#footnote-ref-2523)
2524. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3635. [↑](#footnote-ref-2524)
2525. Exhibit 4.121, Witness statement of Alexandra Esme Maria Gartmann, 20 June 2018,   
      14–15 [69]. [↑](#footnote-ref-2525)
2526. Exhibit 4.121, Witness statement of Alexandra Esme Maria Gartmann, 20 June 2018, Exhibit AEMG-8 [BAB.5022.0001.0254]. [↑](#footnote-ref-2526)
2527. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3645. [↑](#footnote-ref-2527)
2528. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3644. [↑](#footnote-ref-2528)
2529. Exhibit 4.121, Witness statement of Alexandra Esme Maria Gartmann, 20 June 2018, Exhibit AEMG-9 [BAB.5022.0001.0009]. [↑](#footnote-ref-2529)
2530. Exhibit 4.121, Witness statement of Alexandra Esme Maria Gartmann, 20 June 2018, Exhibit AEMG-9 [BAB.5022.0001.0009 at .0019]. [↑](#footnote-ref-2530)
2531. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3677–8. [↑](#footnote-ref-2531)
2532. Exhibit 4.121, Witness statement of Alexandra Esme Maria Gartmann, 20 June 2018, Exhibit AEMG-9 [BAB.5022.0001.0009 at .0019]; see also Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3679. [↑](#footnote-ref-2532)
2533. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3661, 3665. [↑](#footnote-ref-2533)
2534. Exhibit 4.121, Witness statement of Alexandra Esme Maria Gartmann, 20 June 2018, Exhibit AEMG-10 [BAB.5022.0003.0001]. [↑](#footnote-ref-2534)
2535. Exhibit 4.121, Witness statement of Alexandra Esme Maria Gartmann, 20 June 2018,   
      15 [71]. [↑](#footnote-ref-2535)
2536. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3651–2. [↑](#footnote-ref-2536)
2537. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3652. [↑](#footnote-ref-2537)
2538. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3653. [↑](#footnote-ref-2538)
2539. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3618. [↑](#footnote-ref-2539)
2540. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3619. [↑](#footnote-ref-2540)
2541. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3635. [↑](#footnote-ref-2541)
2542. Exhibit 4.121, Witness statement of Alexandra Esme Maria Gartmann, 20 June 2018,   
      14–15 [69]. [↑](#footnote-ref-2542)
2543. Exhibit 4.121, Witness statement of Alexandra Esme Maria Gartmann, 20 June 2018,   
      14–15 [69], 22 [114]. [↑](#footnote-ref-2543)
2544. Exhibit 4.121, Witness statement of Alexandra Esme Maria Gartmann, 20 June 2018,   
      14 [67]–[68]. [↑](#footnote-ref-2544)
2545. BAB, *Submissions of Bendigo and Adelaide Bank in Response to Counsel Assisting’s Closing Submissions on Case Study 5, Round 4*, 13 July 2018, 3–4 [14]. [↑](#footnote-ref-2545)
2546. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3672. [↑](#footnote-ref-2546)
2547. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3644. [↑](#footnote-ref-2547)
2548. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3680. [↑](#footnote-ref-2548)
2549. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3682. [↑](#footnote-ref-2549)
2550. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3653. [↑](#footnote-ref-2550)
2551. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3653. [↑](#footnote-ref-2551)
2552. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3663–4. [↑](#footnote-ref-2552)
2553. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3663, 3664. [↑](#footnote-ref-2553)
2554. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3620–1. [↑](#footnote-ref-2554)
2555. BAB, *Submissions of Bendigo and Adelaide Bank in Response to Counsel Assisting’s Closing Submissions on Case Study 5, Round 4*, 13 July 2018, 2–3 [7]–[9]. [↑](#footnote-ref-2555)
2556. BAB, *Submissions of Bendigo and Adelaide Bank in Response to Counsel Assisting’s Closing Submissions on Case Study 5, Round 4*, 13 July 2018, 2–3 [9]. [↑](#footnote-ref-2556)
2557. Exhibit 4.121, Witness statement of Alexandra Esme Maria Gartmann, 20 June 2018,   
      12 [53]. [↑](#footnote-ref-2557)
2558. See Exhibit 4.122, 2 July 2018, Banks that have adopted versions of the Code   
      of Banking Practice. [↑](#footnote-ref-2558)
2559. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3646. [↑](#footnote-ref-2559)
2560. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3646, 3673. [↑](#footnote-ref-2560)
2561. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3646. [↑](#footnote-ref-2561)
2562. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3646. [↑](#footnote-ref-2562)
2563. Exhibit 4.121, Witness statement of Alexandra Esme Maria Gartmann, 20 June 2018, Exhibit AEMG-8 [BAB.5022.0001.0254 at .0259–.0261]. [↑](#footnote-ref-2563)
2564. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3648. [↑](#footnote-ref-2564)
2565. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3649. [↑](#footnote-ref-2565)
2566. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3649. [↑](#footnote-ref-2566)
2567. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3649. [↑](#footnote-ref-2567)
2568. BAB, *Submissions of Bendigo and Adelaide Bank in Response to Counsel Assisting’s Closing Submissions on Case Study 5, Round 4*, 13 July 2018, 5–6 [18]. [↑](#footnote-ref-2568)
2569. BAB, *Submissions of Bendigo and Adelaide Bank in Response to Counsel Assisting’s Closing Submissions on Case Study 5, Round 4*, 13 July 2018, 3–4 [14]. [↑](#footnote-ref-2569)
2570. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3655. [↑](#footnote-ref-2570)
2571. Transcript, Alexandra Esme Maria Gartmann, 2 July 2018, 3656. [↑](#footnote-ref-2571)
2572. BAB, *Submissions of Bendigo and Adelaide Bank in Response to Counsel Assisting’s Closing Submissions on Case Study 5, Round 4*, 13 July 2018, 6 [20]. [↑](#footnote-ref-2572)
2573. Exhibit 4.135, Witness statement of Joanna White, 21 June 2018, 1 [7]. [↑](#footnote-ref-2573)
2574. Exhibit 4.135, Witness statement of Joanna White, 21 June 2018, Exhibit JCW-1 [CBA.0517.0157.6000 at .6003]. [↑](#footnote-ref-2574)
2575. Exhibit 4.135 Witness statement of Joanna White, 21 June 2018, Exhibit JCW-1 [CBA.0517.0157.6000 at .6003]. [↑](#footnote-ref-2575)
2576. Exhibit 4.135, Witness statement of Joanna White, 21 June 2018, 1 [7]. [↑](#footnote-ref-2576)
2577. Exhibit 4.135 Witness statement of Joanna White, 21 June 2018, Exhibit JCW-1 [CBA.0517.0157.6000 at .6002]. [↑](#footnote-ref-2577)
2578. Exhibit 4.135, Witness statement of Joanna Charlene White, 21 June 2018, 1 [8]. [↑](#footnote-ref-2578)
2579. CBA**,** *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry Submission*, 29 January 2018, 16 [66]. [↑](#footnote-ref-2579)
2580. Exhibit 4.135, Witness statement of Joanna Charlene White, 21 June 2018, 1–3 [8]–[16]. [↑](#footnote-ref-2580)
2581. Exhibit 4.135, Witness statement of Joanna Charlene White, 21 June 2018,   
      Exhibit JCW-7 [CBA.0001.0388.0544 at .0544]. [↑](#footnote-ref-2581)
2582. Exhibit 4.135, Witness statement of Joanna Charlene White, 21 June 2018,   
      Exhibit JCW-8 [CBA.0001.0039.9361 at .9361]. [↑](#footnote-ref-2582)
2583. Exhibit 4.135, Witness statement of Joanna Charlene White, 21 June 2018,   
      Exhibit JCW-8 [CBA.0001.0039.9361 at .9362]. [↑](#footnote-ref-2583)
2584. Exhibit 4.135, Witness statement of Joanna Charlene White, 21 June 2018,   
      Exhibit JCW-8 [CBA.0001.0039.9361 at .9362]. [↑](#footnote-ref-2584)
2585. Exhibit 4.135, Witness statement of Joanna Charlene White, 21 June 2018, 3 [15]. [↑](#footnote-ref-2585)
2586. Exhibit 4.135, Witness statement of Joanna Charlene White, 21 June 2018, 6 [23]. [↑](#footnote-ref-2586)
2587. Exhibit 4.135, Witness statement of Joanna Charlene White, 21 June 2018, 6 [29]. [↑](#footnote-ref-2587)
2588. Exhibit 4.146, Witness statement of Bryn Jones, 13 June 2018, 10 [12.1]. [↑](#footnote-ref-2588)
2589. Exhibit 4.149, undated, ACBF Website Screenshot, 1. [↑](#footnote-ref-2589)
2590. Transcript, Bryn Jones, 3 July 2018, 3790. [↑](#footnote-ref-2590)
2591. Transcript, Bryn Jones, 3 July 2018, 3789. [↑](#footnote-ref-2591)
2592. Transcript, Bryn Jones, 3 July 2018, 3790. [↑](#footnote-ref-2592)
2593. Transcript, Bryn Jones, 3 July 2018, 3793. [↑](#footnote-ref-2593)
2594. *ASIC v Aboriginal Community Benefit Fund Pty Ltd* (2004) 136 FCR 155; see also *ASIC   
      v Aboriginal Community Benefit Fund Pty Ltd* (2004) 50 ACSR 9. [↑](#footnote-ref-2594)
2595. Transcript, Bryn Jones, 3 July 2018, 3792; Corporations Act s 992A. [↑](#footnote-ref-2595)
2596. Transcript, Bryn Jones, 3 July 2018, 3793. [↑](#footnote-ref-2596)
2597. Transcript, Bryn Jones, 3 July 2018, 3793–4. [↑](#footnote-ref-2597)
2598. Transcript, Bryn Jones, 3 July 2018, 3799. [↑](#footnote-ref-2598)
2599. Transcript, Bryn Jones, 3 July 2018, 3794; *Corporations Regulations 2001* (Cth) reg 7.1.07D. [↑](#footnote-ref-2599)
2600. Transcript, Bryn Jones, 3 July 2018, 3799. [↑](#footnote-ref-2600)
2601. Transcript, Bryn Jones, 3 July 2018, 3799. [↑](#footnote-ref-2601)
2602. Transcript, Bryn Jones, 3 July 2018, 3800. [↑](#footnote-ref-2602)
2603. Transcript, Bryn Jones, 3 July 2018, 3801. [↑](#footnote-ref-2603)
2604. Transcript, Bryn Jones, 3 July 2018, 3807. [↑](#footnote-ref-2604)
2605. Transcript, Bryn Jones, 3 July 2018, 3807. [↑](#footnote-ref-2605)
2606. Transcript, Bryn Jones, 3 July 2018, 3765–6, 3769. [↑](#footnote-ref-2606)
2607. Transcript, Bryn Jones, 3 July 2018, 3766. [↑](#footnote-ref-2607)
2608. Transcript, Tracey Walsh, 3 July 2018, 3766–7; Exhibit 4.144, Witness statement   
      of Tracey Walsh, 26 June 2018, 2–3 [9]. [↑](#footnote-ref-2608)
2609. Transcript, Tracey Walsh, 3 July 2018, 3769; Exhibit 4.144, Witness statement   
      of Tracey Walsh, 26 June 2018, Exhibit TLW-1 [RCD.0024.0016.0003 at .0004];   
      Exhibit 4.144, Witness statement of Tracey Walsh, 26 June 2018, Exhibit TLW-2 [RCD.0024.0016.0001]. [↑](#footnote-ref-2609)
2610. Transcript, Tracey Walsh, 3 July 2018, 3767–3770; Exhibit 4.144, Witness statement   
      of Tracey Walsh, 26 June 2018, Exhibit TLW-1 [RCD.0024.0016.0003 at .0004];   
      Exhibit 4.144, Witness statement of Tracey Walsh, 26 June 2018, Exhibit TLW-2 [RCD.0024.0016.0001]. [↑](#footnote-ref-2610)
2611. Exhibit 4.144, Witness statement of Tracey Walsh, 26 June 2018, 4 [13]. [↑](#footnote-ref-2611)
2612. Transcript, Tracey Walsh, 3 July 2018, 3767. [↑](#footnote-ref-2612)
2613. Exhibit 4.144, Witness statement of Tracey Walsh, 26 June 2018 4–5 [18], [20], [21]. [↑](#footnote-ref-2613)
2614. Transcript, Tracey Walsh, 3 July 2018, 3774. [↑](#footnote-ref-2614)
2615. Transcript, Tracey Walsh, 3 July 2018, 3773–6. [↑](#footnote-ref-2615)
2616. Exhibit 4.144, Witness statement of Tracey Walsh, 26 June 2018, Exhibit TLW-8 [FOS.0039.0001.0139 at .0139–.0146]. [↑](#footnote-ref-2616)
2617. Exhibit 4.144, Witness statement of Tracey Walsh, 26 June 2018, Exhibit TLW-9 [CALC.0001.0001.0001]. [↑](#footnote-ref-2617)
2618. Transcript, Bryn Jones, 4 July 2018, 3874. [↑](#footnote-ref-2618)
2619. Transcript, Bryn Jones, 4 July 2018, 3869. [↑](#footnote-ref-2619)
2620. Exhibit 4.144, Witness statement of Tracey Walsh, 26 June 2018, Exhibit TLW-9 [CALC.0001.0001.0001]; Transcript, Tracey Walsh, 3 July 2018, 3777. [↑](#footnote-ref-2620)
2621. Transcript, Tracey Walsh, 3 July 2018, 3777. [↑](#footnote-ref-2621)
2622. Transcript, Bryn Jones, 4 July 2018, 3822. [↑](#footnote-ref-2622)
2623. Transcript, Bryn Jones, 4 July 2018, 3824–5; Exhibit 4.156, 24 September 1999,   
      Consent Orders Federal Court of Australia, 6 [12]. [↑](#footnote-ref-2623)
2624. Exhibit 4.157, 23 April 2014, Web Banner Screenshot National Indigenous Times Website, 1. [↑](#footnote-ref-2624)
2625. Exhibit 4.158, 29 November 2012, Radio Script, 1. [↑](#footnote-ref-2625)
2626. Transcript, Bryn Jones, 4 July 2018, 3825–6. [↑](#footnote-ref-2626)
2627. Exhibit 4.156, 24 September 1999, Consent Orders Federal Court of Australia, 8–9 [15]. [↑](#footnote-ref-2627)
2628. Exhibit 4.152, 28 August 2012, Aboriginal Community Funeral Plan Branding Concepts, 4–5. [↑](#footnote-ref-2628)
2629. Transcript, Bryn Jones, 4 July 2018, 3827. [↑](#footnote-ref-2629)
2630. Transcript, Bryn Jones, 3 July 2018, 3804. [↑](#footnote-ref-2630)
2631. Transcript, Bryn Jones, 4 July 2018, 3822. [↑](#footnote-ref-2631)
2632. Transcript, Bryn Jones, 4 July 2018, 3836. [↑](#footnote-ref-2632)
2633. Exhibit 4.161, 30 June 2016, Reasons for Judgment: ACBF v Chief Executive Centrelink, 6 [10]. [↑](#footnote-ref-2633)
2634. Transcript, Bryn Jones, 4 July 2018, 3837. [↑](#footnote-ref-2634)
2635. Transcript, Bryn Jones, 4 July 2018, 3836–8. [↑](#footnote-ref-2635)
2636. Transcript, Bryn Jones, 4 July 2018, 3833. [↑](#footnote-ref-2636)
2637. Transcript, Bryn Jones, 4 July 2018, 3836. [↑](#footnote-ref-2637)
2638. Transcript, Bryn Jones, 4 July 2018, 3834. [↑](#footnote-ref-2638)
2639. Transcript, Bryn Jones, 4 July 2018, 3834. [↑](#footnote-ref-2639)
2640. Transcript, Bryn Jones, 3 July 2018, 3809. [↑](#footnote-ref-2640)
2641. Exhibit 4.151, April 2014, ASIC Analysis Funeral Insurance Sector in Australia, 8 [35]; see also Exhibit 4.164, October 2015, ASIC, Report 454: Funeral Insurance:   
      A Snapshot, 18 [43]. [↑](#footnote-ref-2641)
2642. Exhibit 4.151, April 2014, ASIC Analysis Funeral Insurance Sector in Australia, 8 [35]. [↑](#footnote-ref-2642)
2643. Exhibit 4.160, undated, Cultural Audit Report Mura Connect, 8; Transcript, Bryn Jones,   
      4 July 2018, 3832. [↑](#footnote-ref-2643)
2644. Exhibit 4.160, undated, Cultural Audit Report Mura Connect, 8; Transcript, Bryn Jones,   
      4 July 2018, 3832. [↑](#footnote-ref-2644)
2645. Transcript, Bryn Jones, 3 July 2018, 3809. [↑](#footnote-ref-2645)
2646. Transcript, Bryn Jones, 4 July 2018, 3843. [↑](#footnote-ref-2646)
2647. Transcript, Bryn Jones, 4 July 2018, 3843. [↑](#footnote-ref-2647)
2648. Transcript, Bryn Jones, 4 July 2018, 3844. [↑](#footnote-ref-2648)
2649. Transcript, Bryn Jones, 4 July 2018, 3844. [↑](#footnote-ref-2649)
2650. Transcript, Bryn Jones, 4 July 2018, 3846. [↑](#footnote-ref-2650)
2651. Transcript, Bryn Jones, 4 July 2018, 3846. [↑](#footnote-ref-2651)
2652. Transcript, Bryn Jones, 4 July 2018, 3846–7. [↑](#footnote-ref-2652)
2653. Transcript, Bryn Jones, 4 July 2018, 3847. [↑](#footnote-ref-2653)
2654. Transcript, Bryn Jones, 4 July 2018, 3849. [↑](#footnote-ref-2654)
2655. Transcript, Bryn Jones, 4 July 2018, 3847–8. [↑](#footnote-ref-2655)
2656. Exhibit 4.165, undated, ACBF List of Future Payments Waived, 1. [↑](#footnote-ref-2656)
2657. Transcript, Bryn Jones, 4 July 2018, 3850. [↑](#footnote-ref-2657)
2658. Transcript, Bryn Jones, 4 July 2018, 3852. [↑](#footnote-ref-2658)
2659. Transcript, Bryn Jones, 4 July 2018, 3852. [↑](#footnote-ref-2659)
2660. Transcript, Bryn Jones, 4 July 2018, 3852. [↑](#footnote-ref-2660)
2661. Transcript, Bryn Jones, 4 July 2018, 3850. [↑](#footnote-ref-2661)
2662. Transcript, Bryn Jones, 4 July 2018, 3860. [↑](#footnote-ref-2662)
2663. Transcript, Bryn Jones, 4 July 2018, 3860. [↑](#footnote-ref-2663)
2664. Transcript, Bryn Jones, 4 July 2018, 3862. [↑](#footnote-ref-2664)
2665. Exhibit 4.150, 27 June 2018, ACBF Media Release; Exhibit 4.148, 29 June 2018,   
      ACBF Media Release; Exhibit 4.169, 2 July 2018, ACBF Media Release. [↑](#footnote-ref-2665)
2666. Transcript, Bryn Jones, 4 July 2018, 3864. [↑](#footnote-ref-2666)
2667. Exhibit 4.150, 27 June 2018, ACBF Media Release, 1. [↑](#footnote-ref-2667)
2668. ACBF, *Submissions on Behalf of ACBF Group Holdings Pty Ltd*, 13 July 2018, 3 [9]. [↑](#footnote-ref-2668)
2669. ACBF, *Submissions on Behalf of ACBF Group Holdings Pty Ltd*, 13 July 2018, 3 [10(a)]. [↑](#footnote-ref-2669)
2670. ACBF, *Submissions on Behalf of ACBF Group Holdings Pty Ltd*, 13 July 2018, 3 [10(b)]. [↑](#footnote-ref-2670)
2671. ACBF, *Submissions on Behalf of ACBF Group Holdings Pty Ltd*, 13 July 2018, 4 [10(c)]. [↑](#footnote-ref-2671)
2672. Transcript, Bryn Jones, 4 July 2018, 3844. [↑](#footnote-ref-2672)
2673. Transcript, Bryn Jones, 4 July 2018, 3860. [↑](#footnote-ref-2673)
2674. Transcript, Bryn Jones, 4 July 2018, 3860. [↑](#footnote-ref-2674)
2675. Exhibit 4.164, October 2015, ASIC, Report 454: Funeral Insurance: A Snapshot, 18 [43]. [↑](#footnote-ref-2675)
2676. ACBF, *Submissions on Behalf of ACBF Group Holdings Pty Ltd*, 13 July 2018,   
      9–10 [15]–[18]. [↑](#footnote-ref-2676)
2677. ACBF, *Submissions on Behalf of ACBF Group Holdings Pty Ltd*, 13 July 2018,   
      5–6 [11(c)(i)]. [↑](#footnote-ref-2677)
2678. Transcript, Bryn Jones, 3 July 2018, 3809. [↑](#footnote-ref-2678)
2679. Transcript, Bryn Jones, 4 July 2018, 3869; ACBF, *Submissions on Behalf of ACBF Group Holdings Pty Ltd*, 13 July 2018, 7 [11(e)(i)–(ii)]. [↑](#footnote-ref-2679)
2680. Exhibit 4.164, October 2015, ASIC, Report 454: Funeral Insurance: A Snapshot, 20 [47]. [↑](#footnote-ref-2680)
2681. ACBF, *Submissions on Behalf of ACBF Group Holdings Pty Ltd*, 13 July 2018, 8 [11(f)]. [↑](#footnote-ref-2681)
2682. Transcript, Bryn Jones, 4 July 2018, 3827. [↑](#footnote-ref-2682)
2683. Transcript, Bryn Jones, 3 July 2018, 3804. [↑](#footnote-ref-2683)
2684. Transcript, Bryn Jones, 4 July 2018, 3825–6. [↑](#footnote-ref-2684)
2685. ASIC Act ss 12DA and 12DF(1). [↑](#footnote-ref-2685)
2686. Transcript, Bryn Jones, 4 July 2018, 3849. [↑](#footnote-ref-2686)
2687. ACBF, *Submissions on Behalf of ACBF Group Holdings Pty Ltd*, 13 July 2018, 11 [26(a)]. [↑](#footnote-ref-2687)
2688. Transcript, Bryn Jones, 4 July 2018, 3846–7. [↑](#footnote-ref-2688)
2689. ACBF, *Submissions on Behalf of ACBF Group Holdings Pty Ltd*, 13 July 2018, 12 [26(b)]. [↑](#footnote-ref-2689)
2690. Transcript, Bryn Jones, 4 July 2018, 3853. [↑](#footnote-ref-2690)
2691. Transcript, Bryn Jones, 4 July 2018, 3858. [↑](#footnote-ref-2691)
2692. Transcript, Bryn Jones, 4 July 2018, 3866; Exhibit 4.151, April 2014, ASIC Analysis Funeral Insurance Sector in Australia, 22 [73]. [↑](#footnote-ref-2692)
2693. Transcript, Bryn Jones, 4 July 2018, 3867. [↑](#footnote-ref-2693)
2694. ACBF, *Submissions on Behalf of ACBF Group Holdings Pty Ltd*, 13 July 2018, 14 [26(f)]. [↑](#footnote-ref-2694)
2695. Transcript, Bryn Jones, 4 July 2018, 3824–6. [↑](#footnote-ref-2695)
2696. Exhibit 4.163, 4 April 2018, Offer of Employment ACBF Administration Proprietary Limited, 15. [↑](#footnote-ref-2696)
2697. Transcript, Bryn Jones, 4 July 2018, 3842. [↑](#footnote-ref-2697)
2698. Exhibit 4.160, undated, Cultural Audit Report Mura Connect, 3. [↑](#footnote-ref-2698)
2699. Transcript, Tracey Walsh, 3 July 2018, 3774. [↑](#footnote-ref-2699)
2700. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, 2 [6]. [↑](#footnote-ref-2700)
2701. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, 2 [7]. [↑](#footnote-ref-2701)
2702. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, Exhibit KBM-2 [SAF.0001.0001.0080 at .0080]. [↑](#footnote-ref-2702)
2703. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, Exhibit KBM-2 [SAF.0001.0001.0080 at .0080]. [↑](#footnote-ref-2703)
2704. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, Exhibit KBM-4 [SAF.0001.0001.0082] records at .0084 that the Agent said ‘… we deal with Insurance Line customers, like yourself, actually, every day. I’d say about 80 per cent of my day, I deal with switching Insurance Line customers over to us, because we are able to save them money.’ [↑](#footnote-ref-2704)
2705. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, Exhibit KBM-4 [SAF.0001.0001.0082] transcript records at .0084 that Ms Marika said ‘I can’t have two. … I’m happy with the other one.’ [↑](#footnote-ref-2705)
2706. Transcript, Russell Howden, 5 July 2018, 3976. [↑](#footnote-ref-2706)
2707. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, Exhibit KBM-4 [SAF.0001.0001.0085] transcript records at .0089 that Ms Marika said ‘yeah, might as well join’. [↑](#footnote-ref-2707)
2708. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, Exhibit KBM-4 [SAF.0001.0001.0085 at .0087]. [↑](#footnote-ref-2708)
2709. Exhibit 4.174, Witness statement of Russell Howden, 13 June 2018, 3–4 [4.5];   
      Transcript, Russell Howden, 5 July 2018, 3977–8. [↑](#footnote-ref-2709)
2710. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, Exhibit KMB-6 [SAF.0001.0001.0085 at .0098]. [↑](#footnote-ref-2710)
2711. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, 3 [11]. [↑](#footnote-ref-2711)
2712. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, 3 [11]. [↑](#footnote-ref-2712)
2713. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, 3 [11]–[12]. [↑](#footnote-ref-2713)
2714. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, 3 [12]. [↑](#footnote-ref-2714)
2715. Transcript, Russell Howden, 5 July 2018, 3979. [↑](#footnote-ref-2715)
2716. Exhibit 4.174, Witness statement of Russell Howden, 13 June 2018, 4 [4.7]. [↑](#footnote-ref-2716)
2717. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, Exhibit KBM-10 [SAF.0001.0001.0105 at 0107]. [↑](#footnote-ref-2717)
2718. Transcript, Kathy Marika, 4 July 2018, 3888–9. [↑](#footnote-ref-2718)
2719. Exhibit 4.174, Witness statement of Russell Howden, 13 June 2018, 5 [5.2];   
      Transcript, Russell Howden, 5 July 2018, 3980. [↑](#footnote-ref-2719)
2720. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, Exhibit KMB-12 [SAF.0001.0001.0075]. [↑](#footnote-ref-2720)
2721. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, 4 [18]; Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, Exhibit KBM-14   
      [SAF.0001.0001.0122 at .0122–.0123]. [↑](#footnote-ref-2721)
2722. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, Exhibit KBM-14 [SAF.0001.0001.0122 at .0122]. [↑](#footnote-ref-2722)
2723. Transcript, Russell Howden, 5 July 2018, 3983–4. [↑](#footnote-ref-2723)
2724. See Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, Exhibit KBM-16 [SAF.0001.0001.0067] indicating that Select would refund all premiums subject to Ms Marika’s authorisation to cancel the policies. [↑](#footnote-ref-2724)
2725. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, Exhibit KBM-16 [SAF.0001.0001.0067]. [↑](#footnote-ref-2725)
2726. Transcript, Russell Howden, 5 July 2018, 3982. [↑](#footnote-ref-2726)
2727. Transcript, Russell Howden, 5 July 2018, 3984. [↑](#footnote-ref-2727)
2728. Exhibit 4.173, Witness statement of Russell Howden, 13 June 2018, 28–9 [28.1]–[28.2]. [↑](#footnote-ref-2728)
2729. Transcript, Russell Howden, 4 July 2018, 3908. [↑](#footnote-ref-2729)
2730. Transcript, Russell Howden, 4 July 2018, 3911. [↑](#footnote-ref-2730)
2731. Transcript, Russell Howden, 4 July 2018, 3916. [↑](#footnote-ref-2731)
2732. Transcript, Russell Howden, 4 July 2018, 3911. [↑](#footnote-ref-2732)
2733. Transcript, Russell Howden, 4 July 2018, 3912. [↑](#footnote-ref-2733)
2734. Transcript, Russell Howden, 4 July 2018, 3913. [↑](#footnote-ref-2734)
2735. Transcript, Russell Howden, 4 July 2018, 3909. [↑](#footnote-ref-2735)
2736. Transcript, Russell Howden, 5 July 2018, 3923. [↑](#footnote-ref-2736)
2737. Transcript, Russell Howden, 5 July 2018, 3925. [↑](#footnote-ref-2737)
2738. Exhibit 4.181, undated, Vespa Sales Battle Rounds 1 and 2. [↑](#footnote-ref-2738)
2739. Exhibit 4.182, undated, Let’s Insure Sailors Sale Incentive February to June 2015. [↑](#footnote-ref-2739)
2740. Transcript, Russell Howden, 5 July 2018, 3936. [↑](#footnote-ref-2740)
2741. Transcript, Russell Howden, 5 July 2018, 3937. [↑](#footnote-ref-2741)
2742. Transcript, Russell Howden, 5 July 2018, 3937. [↑](#footnote-ref-2742)
2743. Transcript, Russell Howden, 5 July 2018, 3938. [↑](#footnote-ref-2743)
2744. Transcript, Russell Howden, 5 July 2018, 3938. [↑](#footnote-ref-2744)
2745. Transcript, Russell Howden, 5 July 2018, 3938. [↑](#footnote-ref-2745)
2746. Transcript, Russell Howden, 5 July 2018, 3939. [↑](#footnote-ref-2746)
2747. Transcript, Russell Howden, 5 July 2018, 3939. [↑](#footnote-ref-2747)
2748. Transcript, Russell Howden, 5 July 2018, 3940. [↑](#footnote-ref-2748)
2749. Transcript, Russell Howden, 5 July 2018, 3940. [↑](#footnote-ref-2749)
2750. Transcript, Russell Howden, 5 July 2018, 3942. [↑](#footnote-ref-2750)
2751. Transcript, Russell Howden, 5 July 2018, 3942. [↑](#footnote-ref-2751)
2752. Transcript, Russell Howden, 4 July 2018, 3899. [↑](#footnote-ref-2752)
2753. Transcript, Russell Howden, 4 July 2018, 3899. [↑](#footnote-ref-2753)
2754. Transcript, Russell Howden, 4 July 2018, 3899–901. [↑](#footnote-ref-2754)
2755. Transcript, Russell Howden, 5 July 2018, 3952. [↑](#footnote-ref-2755)
2756. Exhibit 4.173, Witness statement of Russell Howden, 5 July 2018,   
      Exhibit RH-15 [SAF.0002.0001.0222 at .0226]. [↑](#footnote-ref-2756)
2757. Transcript, Russell Howden, 5 July 2018, 3954. [↑](#footnote-ref-2757)
2758. Transcript, Russell Howden, 5 July 2018, 3954. [↑](#footnote-ref-2758)
2759. Transcript, Russell Howden, 5 July 2018, 3962. [↑](#footnote-ref-2759)
2760. Transcript, Russell Howden, 5 July 2018, 3968. [↑](#footnote-ref-2760)
2761. Transcript, Russell Howden, 5 July 2018, 3969–70. [↑](#footnote-ref-2761)
2762. Exhibit 4.190, undated, Annexure B to Email Howden to ASIC, 1–2;   
      Transcript, Russell Howden, 5 July 2018, 3970. [↑](#footnote-ref-2762)
2763. Exhibit 4.190, undated, Annexure B to Email Howden to ASIC, 1. [↑](#footnote-ref-2763)
2764. Exhibit 4.191, 4 April 2018, Letter Howden of Select to Way of St Andrews. [↑](#footnote-ref-2764)
2765. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, Exhibit RBM-6 [SAF.0001.0001.0085 at .0086–.0087]. [↑](#footnote-ref-2765)
2766. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, Exhibit RBM-6 [SAF.0001.0001.0085 at .0087]. [↑](#footnote-ref-2766)
2767. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, Exhibit RBM-6 [SAF.0001.0001.0085 at .0087]. [↑](#footnote-ref-2767)
2768. Transcript, Russell Howden, 5 July 2018, 3978. [↑](#footnote-ref-2768)
2769. Select ASFL, *Written Submissions*, 13 July 2018, 3 [8]–[12]. [↑](#footnote-ref-2769)
2770. Exhibit 4.171, Witness statement of Kathy Marika, 19 June 2018, Exhibit RBM-6 [SAF.0001.0001.0085 at .0087]. [↑](#footnote-ref-2770)
2771. Transcript, Russell Howden, 5 July 2018, 3976, 3979–80. [↑](#footnote-ref-2771)
2772. Select AFSL, *Submissions on behalf of Select AFSL*, 13 July 2018, 4–5 [16]–[20]. [↑](#footnote-ref-2772)
2773. Exhibit 4.174, Witness statement of Russell Howden, 13 June 2018, 5 [5.2];   
      Transcript, Russell Howden, 5 July 2018, 3980. [↑](#footnote-ref-2773)
2774. Transcript, Russell Howden, 5 July 2018, 3983. [↑](#footnote-ref-2774)
2775. Transcript, Russell Howden, 5 July 2018, 3951. [↑](#footnote-ref-2775)
2776. Transcript, Russell Howden, 5 July 2018, 3951; *Insurance Contracts Act 1984*(Cth) s 13(2). [↑](#footnote-ref-2776)
2777. Select AFSL, *Submissions on Behalf of Select AFSL*, 13 July 2018, 6–7 [30]–[31]. [↑](#footnote-ref-2777)
2778. Select AFSL, *Submissions on Behalf of Select AFSL*, 13 July 2018, 5 [22]–[23]. [↑](#footnote-ref-2778)
2779. Transcript, Russell Howden, 4 July 2018, 3909. [↑](#footnote-ref-2779)
2780. Transcript, Russell Howden, 5 July 2018, 3980. [↑](#footnote-ref-2780)
2781. Transcript, Russell Howden, 4 July 2018, 3899–901. [↑](#footnote-ref-2781)
2782. Exhibit 4.198, Witness statement of Thy Do, 30 June 2018, 1 [2]. [↑](#footnote-ref-2782)
2783. Transcript, Thy Do, 5 July 2018, 3988. [↑](#footnote-ref-2783)
2784. Transcript, Thy Do, 5 July 2018, 3988. [↑](#footnote-ref-2784)
2785. Transcript, Thy Do, 5 July 2018, 3988. [↑](#footnote-ref-2785)
2786. Transcript, Thy Do, 5 July 2018, 3988. [↑](#footnote-ref-2786)
2787. Transcript, Thy Do, 5 July 2018, 3988. [↑](#footnote-ref-2787)
2788. Transcript, Thy Do, 5 July 2018, 3990; Exhibit 4.198, Witness statement of Thy Do,   
      30 June 2018, 2 [6]. [↑](#footnote-ref-2788)
2789. Transcript, Thy Do, 5 July 2018, 3990. [↑](#footnote-ref-2789)
2790. Transcript, Thy Do, 5 July 2018, 3990. [↑](#footnote-ref-2790)
2791. Transcript, Thy Do, 5 July 2018, 3991. [↑](#footnote-ref-2791)
2792. Transcript, Thy Do, 5 July 2018, 3991. [↑](#footnote-ref-2792)
2793. Transcript, Thy Do, 5 July 2018, 3991. [↑](#footnote-ref-2793)
2794. Transcript, Thy Do, 5 July 2018, 3992; Exhibit 4.198, Witness statement of Thy Do,   
      30 June 2018, 4 [15]. [↑](#footnote-ref-2794)
2795. Transcript, Thy Do, 5 July 2018, 3992. [↑](#footnote-ref-2795)
2796. Transcript, Thy Do, 5 July 2018, 3992. [↑](#footnote-ref-2796)
2797. Transcript, Thy Do, 5 July 2018, 3994. [↑](#footnote-ref-2797)
2798. Transcript, Tony Tapsall 5 July 2018, 4040. [↑](#footnote-ref-2798)
2799. Transcript, Thy Do, 5 July 2018, 3994. [↑](#footnote-ref-2799)
2800. Transcript, Thy Do, 5 July 2018, 3995. [↑](#footnote-ref-2800)
2801. Transcript, Thy Do, 5 July 2018, 3995. [↑](#footnote-ref-2801)
2802. Transcript, Thy Do, 5 July 2018, 3995. [↑](#footnote-ref-2802)
2803. Transcript, Thy Do, 5 July 2018, 3995–6. [↑](#footnote-ref-2803)
2804. Transcript, Tony Tapsall 5 July 2018, 4042. [↑](#footnote-ref-2804)
2805. Transcript, Thy Do, 5 July 2018, 3995. [↑](#footnote-ref-2805)
2806. Transcript, Thy Do, 5 July 2018, 3996. [↑](#footnote-ref-2806)
2807. Transcript, Thy Do, 5 July 2018, 3995–6. [↑](#footnote-ref-2807)
2808. Transcript, Thy Do, 5 July 2018, 3996. [↑](#footnote-ref-2808)
2809. Exhibit 4.198, Witness statement of Thy Do, 30 June 2018, 6–7 [26]. [↑](#footnote-ref-2809)
2810. Transcript, Thy Do, 5 July 2018, 3997. [↑](#footnote-ref-2810)
2811. Transcript, Thy Do, 5 July 2018, 3997. [↑](#footnote-ref-2811)
2812. Transcript, Thy Do, 5 July 2018, 3998. [↑](#footnote-ref-2812)
2813. Transcript, Thy Do, 5 July 2018, 3998. [↑](#footnote-ref-2813)
2814. Transcript, Thy Do, 5 July 2018, 3998. [↑](#footnote-ref-2814)
2815. Transcript, Thy Do, 5 July 2018, 3999. [↑](#footnote-ref-2815)
2816. Transcript, Thy Do, 5 July 2018, 3999. [↑](#footnote-ref-2816)
2817. Transcript, Thy Do, 5 July 2018, 4001. [↑](#footnote-ref-2817)
2818. Transcript, Thy Do, 5 July 2018, 4001. [↑](#footnote-ref-2818)
2819. Transcript, Thy Do, 5 July 2018, 4001. [↑](#footnote-ref-2819)
2820. Transcript, Thy Do, 5 July 2018, 4001–2. [↑](#footnote-ref-2820)
2821. Transcript, Thy Do, 5 July 2018, 4002. [↑](#footnote-ref-2821)
2822. Transcript, Thy Do, 5 July 2018, 4002. [↑](#footnote-ref-2822)
2823. Transcript, Thy Do, 5 July 2018, 4003. [↑](#footnote-ref-2823)
2824. Transcript, Thy Do, 5 July 2018, 4003. [↑](#footnote-ref-2824)
2825. Transcript, Thy Do, 5 July 2018, 4003. [↑](#footnote-ref-2825)
2826. Transcript, Thy Do, 5 July 2018, 4004. [↑](#footnote-ref-2826)
2827. Transcript, Thy Do, 5 July 2018, 4004. [↑](#footnote-ref-2827)
2828. Transcript, Thy Do, 5 July 2018, 4004. [↑](#footnote-ref-2828)
2829. Transcript, Thy Do, 5 July 2018, 4004. [↑](#footnote-ref-2829)
2830. Transcript, Thy Do, 5 July 2018, 4005. [↑](#footnote-ref-2830)
2831. Transcript, Thy Do, 5 July 2018, 4006. [↑](#footnote-ref-2831)
2832. Transcript, Thy Do, 5 July 2018, 4005. [↑](#footnote-ref-2832)
2833. Transcript, Thy Do, 5 July 2018, 4005. [↑](#footnote-ref-2833)
2834. Transcript, Thy Do, 5 July 2018, 4006. [↑](#footnote-ref-2834)
2835. Transcript, Tony Tapsall, 5 July 2018, 4037. [↑](#footnote-ref-2835)
2836. Transcript, Tony Tapsall, 5 July 2018, 4046. [↑](#footnote-ref-2836)
2837. Transcript, Tony Tapsall, 5 July 2018, 4046. [↑](#footnote-ref-2837)
2838. Transcript, Tony Tapsall, 5 July 2018, 4040. [↑](#footnote-ref-2838)
2839. ANZ, *ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 13–14 [57]–[60]. [↑](#footnote-ref-2839)
2840. They will be required to do this under the new Code of Banking Practice – Exhibit 4.142, undated, Proposed Code of Banking Practice, 10 [35]. [↑](#footnote-ref-2840)
2841. Transcript, Thy Do, 5 July 2018, 3991, 3998. [↑](#footnote-ref-2841)
2842. Transcript, Thy Do, 5 July 2018, 3992. [↑](#footnote-ref-2842)
2843. Exhibit 4.142, undated, Proposed Code of Banking Practice, 10 [35]. [↑](#footnote-ref-2843)
2844. Transcript, Tony Tapsall, 6 July 2018, 4061, 4064–6. [↑](#footnote-ref-2844)
2845. Transcript, Tony Tapsall, 6 July 2018, 4065. [↑](#footnote-ref-2845)
2846. Transcript, Tony Tapsall, 6 July 2018, 4065. [↑](#footnote-ref-2846)
2847. Transcript, Tony Tapsall, 6 July 2018, 4069. [↑](#footnote-ref-2847)
2848. ANZ, *ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*,   
      13 July 2018, 15 [65]. [↑](#footnote-ref-2848)
2849. ANZ, *ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*,   
      13 July 2018, 15–16 [66]. [↑](#footnote-ref-2849)
2850. Transcript, Philip Bowden, 5 July 2018, 4014–15; Exhibit 4.200, Witness statement   
      of Phillip Bowden, 4 July 2018, 1 [5], 3 [11], [14]. [↑](#footnote-ref-2850)
2851. Transcript, Philip Bowden, 5 July 2018, 4015. [↑](#footnote-ref-2851)
2852. Transcript, Philip Bowden, 5 July 2018, 4016. [↑](#footnote-ref-2852)
2853. Transcript, Philip Bowden, 5 July 2018, 4016. [↑](#footnote-ref-2853)
2854. Transcript, Philip Bowden, 5 July 2018, 4016. [↑](#footnote-ref-2854)
2855. Transcript, Philip Bowden, 5 July 2018, 4016. [↑](#footnote-ref-2855)
2856. Exhibit 4.202, Witness statement of Tony Tapsall, 21 June 2018, 7, 14 [22], [57]. [↑](#footnote-ref-2856)
2857. Exhibit 4.202, Witness statement of Tony Tapsall, 21 June 2018, 14–15 [55]–[59A]. [↑](#footnote-ref-2857)
2858. Transcript, Tony Tapsall, 6 July 2018, 4070. [↑](#footnote-ref-2858)
2859. Exhibit 4.204, Witness statement of Tony Tapsall, 21 June 2018, 15 [63];   
      Transcript, Tony Tapsall, 6 July 2018, 4071–3. [↑](#footnote-ref-2859)
2860. Transcript, Tony Tapsall, 6 July 2018, 4073. [↑](#footnote-ref-2860)
2861. Exhibit 4.205, Supplementary witness statement of Tony Tapsall, 4 July 2018,   
      3 [17]–[18]; Transcript, Tony Tapsall, 6 July 2018, 4082–3. [↑](#footnote-ref-2861)
2862. Transcript, Tony Tapsall, 6 July 2018, 4083. [↑](#footnote-ref-2862)
2863. Transcript, Tony Tapsall, 6 July 2018, 4074. [↑](#footnote-ref-2863)
2864. Transcript, Tony Tapsall, 6 July 2018, 4074. [↑](#footnote-ref-2864)
2865. Transcript, Tony Tapsall, 6 July 2018, 4074. [↑](#footnote-ref-2865)
2866. Exhibit 4.202, Witness statement of Tony Tapsall, 21 June 2018. [↑](#footnote-ref-2866)
2867. Transcript, Tony Tapsall, 6 July 2018, 4074. [↑](#footnote-ref-2867)
2868. Transcript, Tony Tapsall, 6 July 2018, 4074. [↑](#footnote-ref-2868)
2869. Exhibit 4.202, Witness statement of Tony Tapsall, 21 June 2018, 23 [100]. [↑](#footnote-ref-2869)
2870. Exhibit 4.202, Witness statement of Tony Tapsall, 21 June 2018, 8 [27], 17–18 [75]–[79]. [↑](#footnote-ref-2870)
2871. Exhibit 4.202, Witness statement of Tony Tapsall, 21 June 2018, 8 [27]. [↑](#footnote-ref-2871)
2872. Exhibit 4.202, Witness statement of Tony Tapsall, 21 June 2018, 22 [93]. [↑](#footnote-ref-2872)
2873. Exhibit 4.202, Witness statement of Tony Tapsall, 21 June 2018, 21–2 [95]. [↑](#footnote-ref-2873)
2874. Transcript, Philip Bowden, 5 July 2016, 4017. [↑](#footnote-ref-2874)
2875. Transcript, Philip Bowden, 5 July 2016, 4017. [↑](#footnote-ref-2875)
2876. Transcript, Philip Bowden, 5 July 2016, 4017. [↑](#footnote-ref-2876)
2877. Transcript, Philip Bowden, 5 July 2016, 4018. [↑](#footnote-ref-2877)
2878. Transcript, Philip Bowden, 5 July 2016, 4018. [↑](#footnote-ref-2878)
2879. Transcript, Philip Bowden, 5 July 2016, 4018. [↑](#footnote-ref-2879)
2880. Transcript, Philip Bowden, 5 July 2016, 4018. [↑](#footnote-ref-2880)
2881. Transcript, Philip Bowden, 5 July 2016, 4018. [↑](#footnote-ref-2881)
2882. Transcript, Philip Bowden, 5 July 2016, 4018. [↑](#footnote-ref-2882)
2883. Transcript, Philip Bowden, 5 July 2016, 4019. [↑](#footnote-ref-2883)
2884. Transcript, Philip Bowden, 5 July 2016, 4019. [↑](#footnote-ref-2884)
2885. Transcript, Philip Bowden, 5 July 2016, 4019. [↑](#footnote-ref-2885)
2886. Transcript, Philip Bowden, 5 July 2016, 4019. [↑](#footnote-ref-2886)
2887. Transcript, Philip Bowden, 5 July 2016, 4019. [↑](#footnote-ref-2887)
2888. Transcript, Philip Bowden, 5 July 2016, 4019. [↑](#footnote-ref-2888)
2889. Transcript, Philip Bowden, 5 July 2016, 4019–20. [↑](#footnote-ref-2889)
2890. Transcript, Philip Bowden, 5 July 2016, 4020. [↑](#footnote-ref-2890)
2891. Transcript, Philip Bowden, 5 July 2016, 4020. [↑](#footnote-ref-2891)
2892. Transcript, Philip Bowden, 5 July 2016, 4020. [↑](#footnote-ref-2892)
2893. Transcript, Philip Bowden, 5 July 2016, 4020. [↑](#footnote-ref-2893)
2894. Transcript, Philip Bowden, 5 July 2016, 4020. [↑](#footnote-ref-2894)
2895. Transcript, Philip Bowden, 5 July 2016, 4020. [↑](#footnote-ref-2895)
2896. Exhibit 4.202, Witness statement of Tony Tapsall, 21 June 2018, Exhibit TCT-17 [ANZ.800.643.0441 at 0442]. [↑](#footnote-ref-2896)
2897. Transcript, Tony Tapsall, 6 July 2018, 4084. [↑](#footnote-ref-2897)
2898. Transcript, Tony Tapsall, 6 July 2017, 4086. [↑](#footnote-ref-2898)
2899. Transcript, Tony Tapsall, 6 July 2018, 4087. [↑](#footnote-ref-2899)
2900. Transcript, Tony Tapsall, 6 July 2018, 4084–6; see also ANZ, *ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*, 13 July 2018, 19 [79]. [↑](#footnote-ref-2900)
2901. ANZ, *ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*,   
      13 July 2018, 19 [79]. [↑](#footnote-ref-2901)
2902. Exhibit 4.202, Witness statement of Tony Tapsall, 21 June 2018, Exhibit TCT-17 [ANZ.8000.643.0441 at .0441]. [↑](#footnote-ref-2902)
2903. Exhibit 4.202, Witness statement of Tony Tapsall, 21 June 2018, Exhibit TCT-17 [ANZ.8000.643.0441 at .0442]. [↑](#footnote-ref-2903)
2904. Exhibit 4.140, Witness statement of Lynda Edwards, 22 June 2018, 5 [29(b)];   
      Transcript, Lynda Edwards, 3 July 2018, 3739–40. [↑](#footnote-ref-2904)
2905. Transcript, Tony Tapsall, 6 July 2018, 4072–3. [↑](#footnote-ref-2905)
2906. Transcript, Tony Tapsall, 6 July 2018, 4073. [↑](#footnote-ref-2906)
2907. ANZ, *ANZ’s Submissions on Findings Concerning Case Studies Involving ANZ*,   
      13 July 2018, 19 [82]. [↑](#footnote-ref-2907)