09 11 2018

Mr Stephen Boyd
Committee Secretary
House of Representatives Standing Committee on Economics
Parliament House
Canberra ACT 2600

Westpac Place
Level 20, 275 Kent St,
Sydney
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House of Representatives Standing Committee on Economics: Fourth Hearing of the Review of Australia's Four Major Banks

Dear Mr Boyd

I am writing in response to the letter of 22 October 2018 to Westpac CEO Brian Hartzer from the Committee Secretary on 22 October 2018 in relation to the Review of Australia's Four Major Banks (Fourth Report) – Request for Information.

As requested, we have provided responses to the Questions on Notice identified in the hearings and Questions in Writing provided by the Committee.

In addition, Mr Hartzer was asked a number of questions that went to a broad range of areas across the bank. Given the Committee's interest in these topics, Westpac wishes to provide additional information and clarify a number of statements made by Mr Hartzer during his appearance.

These include:

- The case studies considered by the Royal Commission;
- Our approach to changes to flex commissions in the car finance market; and
- The application of default interest.

Royal Commission case studies

Westpac has taken a constructive, open and positive approach to the work of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the Commission). We have sought to provide comprehensive responses to the Commission's requests for information. In total we have received more than 140 requests and produced over 66,000 documents.

At page 36 of the transcript from 11 October 2018 (the Transcript) Mr Hartzer said "...obviously we were aware of all the stories because we had submitted them to the commission in the first place." By way of clarification, some of the customer case studies considered during the public hearings were brought to Westpac's attention by the Commission, rather than being submitted to the Commission by Westpac.

Flex-commissions

Mr Hartzer commented at page 55 of the Transcript that "we approached ASIC proactively before that came up to say that we thought this was a concerning practice in the industry that should stop." By way of clarification, from late 2015 and through to 2017, ASIC prepared and released a number of consultation papers to industry participants (and more broadly) concerning flex-commissions. Westpac responded to those inquiries and has engaged proactively and constructively with ASIC since that initial approach and throughout the more recent consultation phases in support of removing flex-commissions.

Westpac has made changes to comply with ASIC's Legislative Instrument to ban flex commissions in the car finance market. These changes have been communicated to dealers and began on 1 November 2018.

Mr Hartzer also said "[w]e have some ongoing contractual arrangements that we are working through, but it has absolutely been our intent to push the industry to get rid of this." As discussed above we have made the necessary changes and there are no longer contractual limitations which prevent this from occurring.

Agri-business – default interest

Westpac is committed to supporting our customers through the current drought. We understand that lending to agribusiness, and regional and rural communities, requires us to take a long-term view through the cycle

In response to questions regarding default interest rates, Mr Hartzer at page 58 of the Transcript said that "in our case—particularly if you take farmers, for example—we haven't charged penalty interest, as a matter of policy, for, probably, 10 years."

We have initiatives in place to support customers who request assistance in disaster-declared areas, including not charging or refunding any default interest. These initiatives have been available for over a decade and apply to all natural disasters. We are treating the current drought on the east coast as a natural disaster and have set up an internal drought taskforce to ensure a consistent approach.

While we have the above initiatives in place over the past 10 years and it certainly isn't our practice to charge default interest to customers affected by natural disasters, it was not a formal policy and there may be some instances of default interest being charged over that 10 year period.

Please contact me if you would like to discuss any of the matters in this letter.

Yours sincerely,

Michael Choueifate
Group Head of Government and Industry Affairs