

Chapter 1

Introduction

Inquiry terms of reference

1.1 On 16 February 2017, the Senate established the Senate Select Committee on Lending to Primary Production Customers to inquire into and report on the regulation and practices of financial institutions in relation to primary production industries, including agriculture, fisheries and forestry. The reporting date for the committee was set as 18 October 2017.¹ On 11 September 2017 the reporting date was extended to 29 November 2017 and then on 27 November 2017 the report was again extended to 6 December 2017.²

1.2 The terms of reference for the inquiry are:

- a) the lending, and foreclosure and default practices, including constructive and non-monetary default processes;
- b) the roles of other service providers to, and agents of, financial institutions, including valuers and insolvency practitioners, and the impact of these services;
- c) the appropriateness of internal complaints handling and dispute management procedures within financial institutions; and
- d) the appropriateness of loan contract terms particular to the primary production industries, including loan-to-value ratios and provision of reasonable written notice.³

Conduct of the inquiry

1.3 The inquiry was publicised on the committee's website.⁴ The committee also wrote to key stakeholder groups and organisations to invite submissions, and placed advertisements in a number of regional newspapers. To publicise the inquiry further the former Chair, former Senator Roberts, and Deputy Chair, Senator Williams prepared a piece to camera which was posted on the committee website and published via social media.

1 *Journals of the Senate*, No. 30, 16 February 2017, pp. 1000–1001.

2 *Journals of the Senate*, No. 60, 11 September 2017, p. 1935; *Journals of the Senate*, No.72, 27 November 2017, p. 2284.

3 *Journals of the Senate*, No. 30, 16 February 2017, pp. 1000–1001.

4 Senate Select Committee on Lending to Primary Production Customers, www.aph.gov.au/Parliamentary_Business/Committees/Senate/Lending_to_Primary_Production_Customers/LendingPrimaryProducion (accessed 4 October 2017).

1.4 The committee received 77 public submissions which are listed at Appendix 1. The committee also received 38 confidential submissions, largely from farmers who did not want their circumstances to be disclosed publicly.

1.5 The committee held 11 public hearings:

- 13 July 2017 in Charters Towers;
- 19 July 2017 in Perth;
- 2 August 2017 in Roma;
- 11 August 2017 in Sydney;
- 6 September 2017 in Canberra;
- 7 September 2017 in Canberra;
- 11 September 2017 in Canberra;
- 14 September 2017 in Canberra;
- 18 September 2017 in Canberra;
- 20 October 2017 in Canberra; and
- 17 November 2017 in Canberra.

1.6 The witness lists for these hearings are available at Appendix 2.

1.7 The committee also held a number of private briefings and *in camera* hearings.

1.8 In conducting the inquiry the committee resolved not to investigate, or seek to resolve or adjudicate disputes between customers, banks or other parties. The committee did however explore certain individual circumstances to build up a picture of the broader or systemic issues that may be prevalent in this sector.

Structure of the report

1.9 During the course of the inquiry, the committee identified a wide range of matters relating to lending to primary production customers.

1.10 Following this introductory chapter, Chapter 2 provides background information on the unique characteristics of the primary production sector that impact on the lending profiles of farmers.

1.11 Chapter 3 then examines the appropriateness of certain loan contract terms particular to primary production industries, including loan-to-value ratios, provision of reasonable written notice and penalty interest rates.

1.12 Chapter 4 in turn looks at matters relating to dispute resolution and access to justice.

1.13 Chapter 5 goes on to consider the roles and impacts of valuers and insolvency practitioners.

1.14 Finally, Chapter 6 analyses issues related to the broader bank culture in Australia.

Acknowledgment

1.15 The committee thanks those individuals and organisations who contributed to the inquiry by preparing written submissions and giving evidence at public hearings. In particular the committee acknowledges the personal stories and experiences of many farmers who often travelled vast distances and incurred significant expense to appear before the committee in person.

Notes on references

1.16 References in this report to the Hansard for the public hearings are to the official and proof transcripts. Please note that page numbers may vary between the proof and official transcripts.

