

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS (FIFTH HEARINGS)

#### Commonwealth Bank of Australia

**CBA14QW:** I refer to the news article on 12 March 2019, Sydney Morning Herald, Sydney, Author: Sarah Danckert. Quote: *"The corporate regulator has slammed Australia's biggest banks over the time they are taking to find and repay customers ripped off in the \$1 billion-plus fees-for-no service scandal, saying they had failed to 'sufficiently prioritise and resource their reviews'."*

The Australian Securities and Investments Commission (ASIC), which started investigating the fees charged by the wealth management arms of the big four banks, AMP and Macquarie six years ago, said on Monday most were yet to complete the reviews they had started in 2013.

CBA was criticised over three of its planning licensees adopting *"a file review methodology ASIC does not consider sufficient to identify clients who paid fees for no service"*.

A CBA spokesman said: *"We recognise this is important to complete in an efficient and timely manner for customers and to date we've done this for our salaried advisers. Our priority now is to work with our aligned planners and complete all remaining work."*

- a) Given the nature of the Fee's for No Service scandal, why has this process taken so long when it should have been a priority for your organisation?
- b) Do you take this allegation from ASIC seriously?
- c) How many people from your bank have been affected?
- d) What is the total value your bank received wrongfully in fees for no service?
- e) Can you give me a date as to when this process will be complete?
- f) Why does your bank continue to treat its customers with such disdain that it has failed to adequately resource and plan providing compensation to customers that the bank has ripped off in a reasonable time?

#### Answer:

a) Commonwealth Financial Planning Limited (CFP) has completed its review and remediation for customers in the period July 2007 to June 2015. Commonwealth Private have also completed reviews from October 2007 to June 2014, and where required remediated customers. Refunds have been offered to over 28,000 customers. The three

licensees consisting of aligned advisers (Count, Financial Wisdom and Pathways) referred to in ASIC's media release have agreed to conduct a more extensive investigation and remediate, where required.

b) Yes. In December 2018, CBA announced that it had provisioned \$200 million (including operational costs), which includes the cost to conduct a further, historical investigation of ongoing service fees charged by aligned advisers and, if required, remediate customers. This is in addition to the \$610 million already paid or provisioned relating to remediation in the wealth management business, including refunds to address issues relating to advice quality and fees where no service was provided in the Advice business.

c) The Bank has offered refunds to over 28,000 customers. It is possible that as a result of the further investigation, Count, Financial Wisdom and Pathways will identify further customers who require remediation. Commonwealth Private is also conducting a further review for the period 2014-2017. The licensees are committed to refunding these customers their ongoing service fees plus interest as quickly as possible.

d) In relation to remediation across the Group, CBA has refunded over \$128 million in ongoing service fees across all licensees.

e) Count, Financial Wisdom and Pathways are in the process of developing the methodology for the further investigation. Once this methodology is finalised (following consultation with ASIC) any further remediation will continue as a business priority and will be appropriately resourced.

f) We deeply regret that there are concerns around historical delivery of ongoing service to customers of Count, Financial Wisdom and Pathways. The licensees are committed to ensuring that the further investigation it conducts for ongoing service customers is extensive, customer-centred, fair and efficient. This program will be well resourced and we are aiming to complete this as quickly as possible.