HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS (THIRD REPORT)

Westpac Banking Corporation

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Mr EVANS: Other than non-monetary default clauses, were there any other major areas of provisions or groupings of clauses that you reached agreement with the ombudsman to remove?

Answer: In response to the recommendations of the Australian Small Business and Family Enterprises Ombudsman, Westpac is making the following changes to our small business lending contracts of less than $3m:

- Financial indicator covenants: We will no longer require a customer with existing borrowings less than $1m and who in the future borrow less than $3m to meet financial indicator covenants, such as maintaining a particular interest cover ratio (ICR). Certain conditions and standard covenants have been retained for some specialist facilities, such as property development lending, invoice and trade finance.
- Entire agreement clauses: We won't rely on clauses that limit our agreement to the written contract. This means statements we make to our customers (in writing, or otherwise) can form part of our agreement.
- General indemnity clauses: If something goes wrong, we're limiting the kinds of loss we can ask customers to cover. For example, we'll specifically exclude loss caused by negligence of our related entities, agents or any receiver we appoint.
- Unilateral variation clauses: We're reducing our rights to make changes to a customer's finance contract without agreement. We'll generally give up to 30 days' notice of changes unless they're out of our control (for example, government charges) or relate to a change in the pricing of the facility (such as the interest rate).
- Non-monetary defaults: We're limiting the situations where we can take enforcement action, ask a customer to repay the entire finance amount early or change the terms of the facility. For example, a reduction in profitability won't, on its own, trigger a

default as long as the customer is still meeting their payment and other obligations. We'll give our customers more time to fix certain things before they trigger a default and in some cases, default won't be triggered unless there's an increase in our credit risk.

In addition, we are launching a new small business lending contract which will be written in plain English to make it easier to explain and easier to understand.