

Australia and New Zealand Banking Group Limited

Response to Questions on Notice following 5 October 2016 House of Representatives Economics Committee Hearing

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Question

CHAIR: 400,000 customers charged an incorrect fee on a core banking product. As I understand it, it is pretty much your core business to understand what fees you are entitled to charge your customers. What will occur in the future as a consequence of that and, again, what consequences have occurred for staff, remuneration and related issues?

[...]

CHAIR: And what consequences were there for the mistake?

Mr Elliott: I cannot recall on that particular one, but no doubt there will have been consequences, and I am happy to come back to you with the details on the consequences.

Answer

ANZ has been refunding 390,000 accounts due to unclear fee disclosures for certain transfers between accounts held by the same customer. There was a misalignment between the bank's systems and its disclosure.

To mitigate the risk of this type of issue impacting our customers again, ANZ has improved its processes for preventing and identifying fee errors. These improvements concern ANZ's forensic analysis framework, change management processes and incidents and complaints analysis.

ANZ does not believe any current staff members are directly responsible for the misalignment. The issue existed for a number of years. Further, there have been a number of organisational and staffing changes through that period.

In the event ANZ were to identify that staff member malfeasance caused customer harm, it has a comprehensive consequence management framework that would apply. This could see staff members suffer remuneration reductions or termination of employment.

The ANZ Board has on-going and absolute discretion to adjust deferred remuneration downwards, including where information comes to light after the grant of deferred revenue. This discretion is exercised through the Clawback Review Group which meets four times a year. During FY15, the clawback mechanism has been invoked in five instances (\$3.7m) for breaches of the ANZ Code of Conduct and Ethics, ANZ Values and the Use of Systems, Equipment and Information Policy and inappropriate lending practices, behavioural issues, and repeat unsatisfactory audit ratings.