

## **Australia and New Zealand Banking Group Limited**

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

**Proof Hansard page:** 18

#### **Question**

Mr Hodges: We did not provide any finance to Timbercorp, that we are aware of, directly through financial planners. A customer may have come into ANZ and borrowed themselves, without advice, and invested in Timbercorp, which we may be unaware of.

Mr CONROY: Could you take that on notice and come back to the committee.

Mr Hodges: I do not know how I would know whether someone has come in and borrowed some money from ANZ, for whatever reason, and then invested in Timbercorp.

Mr CONROY: If I go into a bank and say, 'Can I borrow \$20,000?' they are not going to give it to me. They are going to ask me what it is for.

Mr Hodges: It could be for investments, and it could be that you have invested at one stage in something else and then at another stage in Timbercorp. We will certainly examine that issue for you.

#### **Answer**

ANZ, together with other lenders, provided wholesale funding to the Timbercorp Group, including Timbercorp Finance. ANZ did not provide advice to customers to borrow to invest in Timbercorp.

Loans by Timbercorp Finance to investors were not secured by mortgages over borrowers' homes. This means that Timbercorp Finance does not have the right to sell/foreclose on a borrower's home if the loan advanced by Timbercorp Finance has not been repaid.

Loan collection undertaken by the Timbercorp Liquidator, KordaMentha, relates to loans between Timbercorp Finance and the individual borrower/investor. These are not loans with ANZ. The Liquidator must act independently of creditors such as ANZ and questions about recovery should be directed to KordaMentha.

ANZ and Parliamentary representatives encouraged the Liquidator to put in place an accessible, transparent and empathetic hardship program for Timbercorp Finance borrowers. The Liquidator appointed an Independent Hardship Advocate to provide borrowers experiencing financial difficulty with additional time, flexibility and options to resolve their debt.

KordaMentha has advised ANZ that as at October 7 settlements have been reached with 326 Timbercorp borrower/investors through the hardship program and hardship reviews are underway or offers have been made to a further 112 borrowers/investors.

Between 1996 when the Timbercorp Group first offered interests in forestry Managed Investment Schemes (MISs) and 30 June 2008, when it ceased selling MISs, it is possible that ANZ provided lending to customers that may have then been used by the customer to invest in Timbercorp MISs. Apart from one specific case that has been brought to ANZ's attention, ANZ is not able to identify when this may have occurred over the period 1996 to 2008.

ANZ requires loans to be for acceptable legal purposes, such as "investment". For significant lending such as home purchases or construction, ANZ will ensure that the

funds are used for the stated purpose. ANZ will not however track less significant loans for broadly defined purposes (such as "household" or "investment") to see if the loan is used for the purpose stated by the customer.

In December 2014, ANZ was contacted by ASIC regarding a customer. ANZ had provided the customer with a loan in 1999 for investment purposes, which the customer told ASIC had been used to purchase a \$100,000 interest in a Timbercorp MIS. The customer still had an amount owing (\$13,500) on his loan to ANZ, and was asked to make contact with ANZ's dedicated hardship team in the event that he was experiencing financial difficulty.

ANZ is committed to assisting customers who may be in financial difficulty or hardship with their loan facilities. We will consider any cases that are referred to us and seek to assist where we can. As noted in our response to the Question on Notice (Proof Hansard page 38, ANZ reference 13), hardship assistance offered by ANZ includes payment moratoriums, mortgage debt restructuring, pay down plans, debt consolidation, temporarily reducing payments, debt waiver, referral to a financial counsellor and information in relation to budgeting and financial literacy. Customers have access to a financial counselling hotline and an independent financial counsellor.