

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS

Australia and New Zealand Banking Group

ANZ17QW: **Mrs Archer:** I have had concerns raised that perhaps not all money allocation for remediation has ended up in customer hands and that some funds are being allocated to 'in house costs' by the bank. Is the total figure for remediation quoted by ANZ equal to the actual amount of money remediated to the customers?

a. Does this figure include costs associated with remediation and if so, how much of the total has directly been paid to customers?

Answer: The total figure quoted for remediation of around \$1.6 billion includes provisions for expected refunds to customers, remediation project costs and related customer and regulatory claims, penalties and litigation outcomes and represents the pre-tax charge recognised in the ANZ Group's Income Statement across the 2017, 2018 and 2019 financial years. It relates to the ANZ Group's global operations (not just those in Australia).

Approximately \$500 million of the \$1.6 billion relates to remediation program costs.

The amount paid to customers is not directly comparable to the charge in the ANZ Group's income statement. This is due to timing differences in provision/expense recognition under Australian accounting standards versus actual cash payments.

For example, during FY19 the Group made payments to customers of \$108 million and recognised a charge of \$826 million (pre-tax) in respect of customer remediation. The majority of this charge related to provisions for future expected payments.

As at 30 September 2019, the ANZ Group held a provision of approximately \$1.1 billion of which approximately \$240 million related to estimated future remediation program costs with the balance of approximately \$900 million relating to estimated amounts for refunds to customers and related customer and regulatory claims, penalties and litigation outcomes.

With respect to the figure of \$157m referred to by Mr Elliott in his testimony, this consists both of payments to our Australian Retail and Commercial customers and to our Wealth customers in Australia. For clarity, it does not cover other remediations across the Group's global operations, for example, it excludes remediation payments in New Zealand.

As reported on page 19 of our 2019 Annual Review, we are currently resolving identified fee or interest discrepancies with over 3.4 million Retail and Commercial customers. To date our Australian Retail and Commercial Responsible Banking team which was formed in April 2018 has remediated over one million customer accounts and issued refunds of around \$62 million.

In Wealth, the team has completed the first stage of a review to identify instances of inappropriate advice to customers. Over 7,000 advice cases, spanning more than a decade, were reviewed. In addition, the majority of remediation cases relating to ANZ Financial Planning 'fee for no service' have now been remediated. Wealth has remediated nearly 26,000 cases in total and made payments of \$95.2m as at 30 September 2019.