

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

Commonwealth Bank of Australia

CBA62QON: Dr LEIGH: In terms of innovation, the provision of small-business loans has been criticised by COSBOA's Peter Strong and by the Small Business and Family Enterprise Ombudsman, Kate Carnell. One of the proposals that is around is Bruce Chapman's proposal for a revenue-contingent loan, something like a HECS-style loan, to small business. Do you see that as being an innovative model that might have a greater degree of take-up among small businesses?

Mr Comyn: I'm not specifically aware of the loan you're referring to in any detail. I'd be happy to look at it. I think there is a place for both speedy decisions and faster turnaround times of lending and different security types, so less reliance on property in particular. That's a particular area of interest for us. I spoke to the head of COSBOA six or so months ago, but I'm not specifically aware of that. But I'd be happy to look at it.

Answer: CBA believes that access to credit is an important issue for small businesses and sees innovation as a key means to facilitate this. We are committed to supporting customers through our leading participation in the SME Government Guarantee Scheme, our investment in building BizExpress, which allows eligible businesses to apply online and receive approval in minutes, as well as through the significant expansion of our small business banking team.

Whilst we have not received a specific proposal for a Revenue-Contingent Loan concept, we understand the model proposed by the Ombudsman suggests that Government would guarantee the loan repayments until the borrower is able to meet their commitments. Whilst we would be happy to review any such proposal, we expect that such a loan concept would need to comply with the provisions of the Banking Code of Practice and relevant regulation and legislation. This requires applying the skill and care of a prudent and diligent banker (amongst other things) to ensure customers can afford to meet their repayment commitments.