

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

NAB84QW

(a) Are you required to follow responsible lending laws for loans that are predominantly for a business purpose?

(b) Is that requirement different if the family home is being used as security for the business loan?

Answer

The Credit Act's responsible lending obligations (RLOs) apply to consumer credit and do not apply to lending for predominantly business purposes. There can be ambiguity, however, in determining the predominant purpose of a mixed purpose loan, which is a loan used partly for business and partly for consumer purposes. The approach to a business loan secured by a family home would depend on the assessment of the predominant purpose of that loan.

The Banking Code of Practice also contains relevant obligations governing banks' lending to individuals and small businesses. Paragraph 51 of the code outlines considerations when assessing whether a small business can repay a loan.