

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS

#### Westpac

**WBC53QW:** (a) Have you completed a cost estimation of the impact of implementing responsible lending obligations for: (i) Your institution? If so, please provide this estimation; and (ii) Your customers? If so, please provide this estimation. (b) Since the exemption from the responsible lending obligations for small and medium enterprises has been in place: (i) Have you adjusted your internal processes to assess credit approvals?; (ii) What impact has the exemption had on the bank's capacity to lend?; and (iii) If the exemption has had no effect, why? (c) Have you seen small and medium enterprises turn to other lines of credit during the coronavirus pandemic? If so, why?

#### Answer:

(a) (i) A review of project costs has been completed to estimate the cost of implementing responsible lending obligations. Costs to Westpac exceed \$200m. This excludes ongoing operational costs and additional costs to manage ongoing compliance with RL obligations both at the individual transaction and group level.

(ii) Westpac have not completed a cost estimation of the impact of implementing responsible lending obligations for our customers.

An analysis of costs to implement responsible lending obligations does not account for the impacts from application volumes not submitted or submitted at reduced amounts nor the opportunity cost of time spent implementing and managing responsible lending obligations.

(b) We continue to evaluate all transactions on an individual basis, based on the appropriate credit assessment obligations for the type of lending. We took the decision to allow for overrides to our credit policy for some customers in light of the emergency relief granted by the government. However, our observation has been there is an issue with demand for lending rather than supply underpinned by concerns by business on future outlook both in macro terms and the circumstances facing individual businesses. Therefore, we have had a negligible change as a result of the responsible lending exemption.

(c) We have seen a general decline in business lending activity during 2020 in a large part due to business conditions being adversely impacted by COVID-19 pandemic.

Bank loan payment deferral programs as well as additional Government support measures such as the Job Keeper and the SME Government Guarantee program have provided alternate cashflow sources to impacted businesses.