

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS

#### Westpac

**WBC54QW:** (a) Do you have any case studies highlighting where responsible lending obligations are inhibiting the provision of credit to individuals, households, or small and medium enterprises? If so, can you provide them to the committee? (b) Have you estimated the cost of applying the responsible lending obligations? Has it increased the fees and charges for customers? If so, please provide information on how much the average and median fees and charges to customers have increased for the following products: (i) new mortgages; (ii) refinancing internal mortgages; (iii) refinancing transferred mortgages; (iv) new small and medium enterprise credit; (v) refinancing and/or rollover internal small and medium enterprise credit; and (vi) refinancing and/or rollover external small and medium enterprise credit. (c) Have you estimated the impact of applying the responsible lending obligations on the amount of processing time required from the receipt of an application to approval? Has the required processing time increased? If so, please provide information on how much the average and median processing times have increased for the following products: (i) new mortgages; (ii) refinancing internal mortgages; (iii) refinancing transferred mortgages; (iv) new small and medium enterprise credit; (v) refinancing and/or rollover internal small and medium enterprise credit; and (vi) refinancing and/or rollover external small and medium enterprise credit.

#### Answer:

- (a) In some cases, we are unable to continue to offer credit in line with customers' requests.

One example relates to a customer who was a professional lawyer with their own consulting business with a proven income earning capacity. The customer had been with St.George since 2014 and purchased four investment properties. The customer entered into an arrangement to pay interest only repayments for five years with the intention of extending the interest only period by another five years at the expiry of the interest only term.

Further regulatory guidance on responsible lending required a change to our approach for interest only repayment extensions whereby a customer is required to meet serviceability on a principal and interest repayment basis. At the expiry of the customer's interest only term, due to having to consider the customer's principal and interest repayments for all loans even though the customer wished to remain on interest only repayments (presumably for tax reasons) and had a clear exit strategy (e.g. selling a property to reduce debt upon retirement), we were inhibited from offering an extension of the interest only term.

- (b) We have not estimated the cost of applying responsible lending obligations.

Whilst we have provided information on costs to implement responsible lending obligations (see the answer to WBC53QW(a) above), this would 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.

- (c) We have not estimated the specific impact of applying the responsible lending obligations on the amount of processing time required from the receipt of an application to approval. Changes to processes and systems have been implemented to further strengthen compliance with the responsible lending obligations as guidance has evolved since the obligations were implemented.

Further information on processing times is provided in WBC55QW.