

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

Westpac

WBC93QW: Business loans

- (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:

- (a) No. Responsible lending laws relate to loans regulated under National Consumer Credit Protection Act. The required test for small business loans comes from the Banking Code of Practice, which requires us to exercise the “care and skill of a diligent and prudent banker”.
- (b) If the loan is wholly or predominately for business purposes (not including purchase improvement or renovation of residential investment or residential development) and secured with the residential home then responsible lending does not apply.

However, where a small business customer uses the residential home as security for multiple loans that are for a mix of business and personal purposes, it can be difficult to identify the dominant purpose (both at the outset and subsequently if the purpose changes, e.g. with an additional drawdown to fund a home renovation).