

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS

HSBC

HSB01QW: Westpac has publicly stated that it will defer repayments on credit cards for COVID-19 affected customers (Westpac Freezes Credit Card Charges for COVID-19 hit customers, The Age, 24 April 2020). Therefore, can you please advise:

HSB01QW(a): What processes do you have in place to identify credit card customers who have been impacted by the COVID-19 pandemic?

Answer: HSBC Australia has taken two steps to identify customers:

- i. From 29 March, we contacted all credit card customers via email or letter to provide detailed information about the support that we could offer during COVID-19 and encourage them to seek our assistance. This information was also posted in a prominent position on our [homepage](https://www.hsbc.com.au) (hsbc.com.au).

This process generated 5,678 requests as detailed in question HSB01QW(b).

- ii. On 3 June, we began contacting an additional 7,346 customers based on data which suggested they were displaying patterns of financial distress but had not self-identified during the process above.

These are customers with a credit card balance of at least \$1,000 who satisfy at least one of the following criteria:

- receive JobSeeker or JobKeeper payments to transaction accounts
- experienced a 50% or more reduction in transaction account inflows in the past three months compared to the previous 12 months
- previously never incurred interest on their credit cards, but incurred interest for two consecutive months from 1 March
- previously never incurred a payment dishonour fee on their credit cards, but incurred such a fee for two consecutive months from 1 March
- previously never incurred a late payment reminder fee on their credit cards, but incurred such a fee for two consecutive months from 1 March.

HSB01QW(b): How many credit card customers have requested deferrals of repayments related to the COVID-19 pandemic?

Answer: 5,678 requests (out of a total 245,582 credit card accounts at 3 June).

Of these, 5,202 are on a payment deferral arrangement and 476 are on a reduced payment arrangement.

HSB01QW(c): How many credit card customers have you identified as impacted by the COVID-19 pandemic?

Answer: We have identified an estimated 13,024 accounts that we believe may be impacted by the COVID-19 pandemic made up of:

- i. 5,678 as described in HSB01QW(a)(i) and HSB01QW(b) who are on some form of COVID-19 assistance package (payment deferral or reduced payment arrangement).
- ii. 7,346 who meet the criteria in HSB01QW(a)(ii) above for potentially impacted customers. These customers have been contacted via email or letter and provided with detailed information about the support that we could offer during COVID-19.

HSB01QW(d): For those credit card customers that you have identified as impacted by the COVID-19 pandemic:

Answer: The below answers relate to the 5,678 requests we have received so far.

HSB01QW(d)(i): What is the accumulated value of the credit card debt?

Answer: \$44.21 million (out of a total \$678.06 million retail credit card debt at 3 June)

HSB01QW(d)(ii): What is the average value of the credit card debt?

Answer: \$7,786 (at 3 June)

HSB01QW(d)(iii): What is the accumulated value of the credit card limit?

Answer: \$52.17 million (at 3 June)

HSB01QW(d)(iv): What is the average value of the credit card limit?

Answer: \$9,188 (at 3 June)

HSB01QW(d)(v): What is the accumulated value of the credit card monthly repayments?

Answer: \$1.33 million (at 3 June)

Note: this is an indicative monthly figure based on the aggregated value of minimum monthly repayments on credit cards that have been suspended for customers on a deferral or a reduced payment arrangement.

HSB01QW(d)(vi): What is the average value of the credit card monthly repayments?

Answer: \$233 per month (at 3 June)

Note: this is an indicative monthly figure, based on the average value of minimum monthly repayments on credit cards that have been suspended for those customers on a deferral or a reduced payment arrangement.

HSB01QW(e): What deferral options are available for credit card customers that you have identified as impacted by the COVID-19 pandemic?

Answer: Customers affected by COVID-19 can defer credit card repayments by up to six months, with a review after the first three months. Customers have two options for deferral:

- Full payment deferral for an initial three months with no interest and fees incurred during this period
- A reduced repayment arrangement for an initial three months, with no fees and interest incurred during the period.

Those who appear at risk of long-term financial hardship will be fully assessed according to our hardship criteria and may be entitled to additional assistance, including:

- Up to nine months of full payment deferral, without interest or fees
- Up to twelve months of reduced payments, without interest or fees
- Settlement plans (up to five years) in which the outstanding balance is repaid in interest free, equal monthly instalments. This is offered usually to customers who have been identified as vulnerable and experiencing long-term financial distress.

HSB01QW(e)(i): If none, do you intend on doing so?

Answer: Not applicable, please refer to answer for HSB01QW(e) above.