
The Parliament of the Commonwealth of Australia

Advisory report on the Banking Amendment (Rural Finance Reform) Bill 2019

House of Representatives
Standing Committee on Economics

March 2020
Canberra

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Chair's foreword

The ability for farm business owners to access credit with reasonable and fair terms is an integral part of agri-business. A fair and equitable banking system for all Australians has come into sharp focus in recent years, with the Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry bringing to light a raft of issues. The committee has been overseeing the remediation of these issues in its rolling Review of the Four Major Banks and Other Financial Institutions.

The Banking Amendment (Rural finance Reform) Bill 2019 was presented on 22 July 2019 by Ms Rebekah Sharkie MP, as a Bill for an Act to amend the *Banking Act 1959* in relation to loans to primary production businesses and related purposes. On 25 July 2019 the Selection Committee referred the Bill to the House Economics Committee for consideration.

The Bill seeks to provide certainty and fairness to small farm businesses taking out loans under \$5 million, by setting standard practices for all Authorised Deposit-taking Institutions (ADIs) offering such products. These measures include easy to read one page summaries of clauses that may trigger non-monetary default by the borrower; prohibiting catch-all material adverse change clauses in loan documents, except where it relates to fraud or criminal activity; requiring a 30 business day notice period before an ADI can exercise a power under a general restriction; and requiring the lender to contact the borrower and request to meet at least six months prior to the expiry of the loan.

The committee held a roundtable public hearing with the Australian Small Business and Family Enterprise Ombudsman; the Australian Financial Complaints Authority; the Rural Policy & Farm Performance Division, Department of Agriculture; and the Australian Banking Association. This roundtable discussion covered the reform measures as outlined in the bill.

The National Farmers Federation (NFF) contributed a submission that was supportive of measures in the Bill, noting the importance of fairness and transparency for both the lender and the borrower.

The committee recommends that these suggested measures be considered by the government as a part of its Royal Commission implementation road map, or any subsequent legislation that arises.

On behalf of the committee, I thank all of the participants at the round table and the NFF for their submission to the inquiry.

Tim Wilson MP
Chair



Contents

Chair's foreword	iii
Membership of the Committee	vii
Abbreviations.....	viii
List of recommendations	ix

THE REPORT

Analysis of the bill.....	1
Overview	1
Referral of the Bill	1
Objective and scope of the inquiry.....	2
Purpose and overview of the Bill.....	2
Definitions	4
Context.....	5
Evidence to the Royal Commission.....	5
Implementing the Hayne Royal Commission reforms	7
Key provisions of the bill.....	10
Key fact sheet	10
Valuations	10
Catch-all material adverse change clauses.....	11
Audits.....	12
30-business day notice period for general restriction covenant.....	12
Meeting between borrower and lender six months prior to expiry of a loan term	12
Ban on unilaterally varying terms or conditions of loans	13

Issues raised during the public hearing.....	13
Codification	13
Definition of a small business.....	16
Conclusion	18
Appendix A – Hearing and witnesses	21
Appendix B – List of Submissions.....	23



Membership of the Committee

Chair	Mr Tim Wilson MP
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Members	Mrs Bridget Archer MP Dr Anne Aly MP Mr Adam Bandt MP Mr Jason Falinski MP Mr Craig Kelly MP Mr Andrew Laming MP Dr Daniel Mulino MP Mr Ted O'Brien MP
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Committee Secretariat

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Inquiry Secretary	Ms Stephanie Woodbridge (<i>from 31.01.2020</i>) Dr John White (<i>to 30.01.2020</i>)
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Abbreviations

ABA	Australian Banking Association
ADI	Authorised Deposit-taking Institution
AFCA	Australian Financial Complaints Authority
ASBFEO	Australian Small Business and Family Enterprise Ombudsman
ASIC	Australian Securities and Investments Commission
BCCC	Banking Code Compliance Committee
RIC	Regional Investment Corporation



List of recommendations

1 Analysis of the bill

Recommendation 1

The committee recommends the Government consider the measures raised in the Banking Amendment Rural (Finance Reform) Bill 2019 as part of its broader Royal Commission implementation road map, or in subsequent legislation.