

3 July 2024

Ivan Powell, Committee Secretary
Senate Corporations and Financial Services Committee

Sent via email: Corporations.Joint@aph.gov.au

Dear Committee Members,

Inquiry into the financial services regulatory framework in relation to financial abuse

Unity Bank Limited welcomes and thanks the Senate Corporations and Financial Services Committee for the opportunity to offer this Submission into combatting financial abuse in our society.

By way of brief background, Unity Bank is a customer-owned and mutually structured Australian Bank of some 52+ years standing, with over 40,000 Members (customers) and over \$1.8 billion in assets.

Our roots are proudly founded in the Australian Trade Union movement and in supporting worker communities throughout Australia. Our publicly stated and driving aim is *“the lifelong financial prosperity, security, and dignity of our Members”*.

Financial abuse (in whatever form) is an anathema to the Bank’s ethos; vigilance in combatting and protecting against such abuse has long been an important element of the trusted relationship we share with Members. The Bank has always supported those experiencing vulnerability with this support representing an important expression of our organisational values.

Unity Bank is also a proud Member of the Customer-Owned Banking Association (COBA), and vigorously support its work in raising awareness and mandating vigilance through the COBA Code of Practice¹ and other initiatives in relation to financial abuse related surveillance, identification, consumer support and prevention ... *“increasing protections for customers experiencing vulnerability including elder abuse, domestic violence and disability”*².

The balance of our submission focuses on the Committee’s invitation and areas of identified interest.

1. What specific policies, systems, processes or other safeguards does your business have in place to identify, respond to and report suspected financial abuse occurring to your customers?

Unity Bank has a well-defined and regularly tested set of policies, procedures and protocols to give meaning to our commitment to the COBA Code of Practice and to reinforcing the Bank’s

¹ <https://www.customerownedbanking.asn.au/about-us/our-sector/code-of-practice/>

² <https://www.customerownedbanking.asn.au/vulnerable-consumers-supported-by-new-code-of-practice-for-customer-owned-banks/>

broader commitment to combatting financial abuse, to protecting vulnerable consumers and to promoting the continuing financial prosperity, security and dignity of all Members.

This is coordinated and driven via the Bank's ***"Members experiencing vulnerability Policy"***.

Unity Bank has also been one of just two lending institutions appointed to the lenders panel of the NSW Government's shared equity "Home Buyer Helper" scheme which, among other eligible cohorts, offer special home finance opportunities for the benefit of victim survivors of domestic and family violence. This responsibility also requires a range of support policies, systems, and lending processes to maintain vigilance and to protect scheme participants from the risk of financial abuse.

The policies, systems and processes operate on a whole of organisation basis and are designed to raise awareness internally (all staff) and externally (Members).

They give particular emphasis to explaining potential vulnerabilities, risks or behaviours that could or would give rise to financial abuse.

Similarly, identification and suspected vulnerability and/or financial abuse is highlighted as an organisational-wide responsibility, with responsibility (and associated training) extending to Member facing staff as well as specialist appointed staff trained, skilled and/or qualified in managing and supporting vulnerable Members and those subject to suspected financial abuse.

Unity Bank is confident that both its policies and (more importantly) practices are conducive to and effective in:

- Identifying vulnerable Members and in detecting actual, suspected, or potential (high risk) incidences of financial abuse.
- Ensuring timely, caring and culturally appropriate support is offered/provided.
- Ensuring products and services are designed and controlled having regard to the needs of vulnerable Members and to diffuse or eliminate the prospect of financial abuse.
- Mandating timely and effective reporting (including external reporting/referral) and record keeping is maintained; with appropriate escalation channels (internal and external) and associated protocols being well defined.
- Educating, raising awareness, and informing Members and staff alike of the protections and support channels available; and
- Ensuring training and resources are available on an organisational-wide basis to support the vulnerable and to effectively combat financial abuse.

These policies, systems and processes are further supported with various guidelines for staff, with these guidelines forming part of the Bank's overall protection framework, including:

- Guidelines – supporting a vulnerable Member.
- Guide to dealing with a power of attorney.
- Guide to dealing with the financial abuse of a vulnerable Member.

Unity Bank's website includes information and guidance in relation to available Member support and the Bank's commitment to vulnerable members and those challenged by financial abuse ... outlining:

- Bank's approach to financial hardship assistance and where customers can go for help.
- External support services available and where to get more help and information; and
- Channels of "one-on-one" confidential contact for reporting or discussing concerns, vulnerabilities, threats and/or actual or potential financial abuse.

2. What is the extent of suspected financial abuse identified by any such measures in place?

Unity Bank has current identified and are supporting some 34 vulnerable Members potentially exposed to and/or being suspected victims of financial abuse.

These Members are, in the main, victim survivors of domestic and family violence ... but with 5 relating to elder abuse.

In accordance with the Bank's Policy, such vulnerable Members are actively supported with sensitivity, compassion, and respect, including (but not necessarily limited to):

- Obtaining consent to record details (in accordance with the Privacy Act) of their vulnerability and/or financial abuse.
- Orientating communications and service supports to the personal challenges and needs of these Members (e.g. special communication support and assistance where the Member may have cognition or communication issues);
- Escalating complex vulnerabilities to specialist staff within the Bank possessing the relevant specialist training, skills, and qualifications.
- Sharing experiences with Member-facing business units to raise alertness, awareness, and capability; and
- Referring effected Members to external support services such as government agencies, customer advocacy groups, public trustee organisations, charities, legal aid, counsellors, and community organisations etc where added support and/or expertise and/or resourcing is sought and/or will provide valuable and practical assistance to the impacted Member.

Actual/suspected financial abuse is being identified by Unity Bank via a range of intersecting techniques operating 24/7 and involving self-reporting, through to staff reporting, through to transactional behaviour analysis, and through to BI supported scrutiny and analysis of both incoming and outgoing transactional messaging (narrations, references etc accompanying transactions).

This surveillance has been raising a consistent average of 200 -230 "exceptions" per day warranting more detailed initial assessment; the vast majority of these relating to potential "red flag" indicators being triggered in relation to transactional or similar narrations.

However, and to date, just 4 cases have been confirmed as being clear incidences of actual/suspected/reported financial abuse ... the balance of the "exceptions" continuing to be "red flagged" and monitored where the underlying or potential vulnerability to financial abuse remains.

While in the context of the Bank's 40,000+ membership the numbers impacted by actual/suspected financial abuse are fortunately relatively small, the financial, social and emotional impact on the victims is immense.

Further, the Bank recognises that all Members may experience vulnerability during their lives and so remains steadfast in its continuing commitment to protecting the vulnerable and combatting financial abuse in all its forms.

For these reasons, Unity Bank remains firmly committed to protecting the vulnerable and to combatting financial abuse in all its forms through 24/7, organisational-wide surveillance.

3. **What is the impact of the shift of financial products to online platforms on the prevalence of, and ability of your business to identify, respond to and report, suspected financial abuse?**

The shift and growing prevalence of on-line product delivery and support systems has not adversely impacted the Bank's ability to identify suspected financial abuse ... indeed, and in most regards, technologies are proving highly complementary to the effort.

Unity Bank has always sought to maintain close personal relationships within the various worker groups and communities it serves.

It has maintained an emphasis on offering a highly personalised service via branches, in community relationship managers, tele-servicing and other one-on-one staff engagements ... in a number of regional and worker-based communities, Unity Bank is the only remaining service provider offering face-to-face service.

This has and remains conducive to developing a highly personalised relationship founded on mutual trust, understanding and empathy ... this greatly advancing the Bank as a trusted confidant for those with heightened personal need, challenge and/or financial vulnerability.

While the growing prevalence of on-line banking and service delivery has impacted this to a minor degree, the nature of customer-owned mutuals and their connection to their Customer/Member is such that self-reporting and/or staff detection remain as essential and effective components to identifying suspected financial abuse.

However, technologies (including BI type applications) are now complementing the effort, particularly as it relates to "red flagging" potential vulnerability and/or suspected financial abuse.

Such technologies are being deployed by Unity Bank 24/7/365 and are also proving very effective in identifying suspicious transactional patterns, unusual or unexpected changes to those banking patterns, abuse directed via transaction notations etc ... each of which present "exceptions" and "red flags" warranting closer scrutiny and (where necessary) Member outreach, consultation, and support.

For Unity Bank, the minor "de-personalisation" risks from on-line service delivery are far outweighed by the advances in detection offered by new technologies and the growing application of BI and related analysis.

Nevertheless, the shift of financial products to online platforms has considerable implications for ensuring product design and controls are rigorous against financial abuse.

Customer-owned banks are taking a front foot lead in this regard with COBA raising industry awareness on how good product design and control can support vulnerable consumers and help tackle or contain the impacts of financial abuse³.

In response, Unity Bank's "***Members experiencing vulnerability Policy***" requires:

- Current and planned products and services to be assessed having regard to their potential risk to vulnerable Members and/or their potential for misuse in the case of financial abuse.
- Priority in relevant communications and service systems to be given to the option of one-on-one personal staff service.
- The Bank to adapt its practices, where appropriate, to address vulnerabilities ... including refining systems and processes to help the Bank better detect financial abuse and to reduce the risk of the Bank's processes and products being used for abusive purposes.

Other matters - Committee's Terms of Reference

With reference to the Senate Corporations and Financial Services Committee's Terms of Reference, Unity Bank would also like to offer the following observations and comments:

Financial services regulatory framework in relation to financial abuse:

Unity Bank is satisfied that the existing legislation, common law, and regulatory arrangements that govern the ability of financial institutions to prevent and respond to financial abuse, are more than adequate ... particularly when complemented by banking industry codes of practice (e.g. COBA Code of Practice for customer-owned banks) and the policies, processes and procedures being adopted by individual financial service providers.

There is, however, a case for some recognition of the special needs of the vulnerable and to combatting the potential for financial abuse within existing legislation and associated regulatory frameworks, particularly as it relates to potentially conflicting obligations and to facilitating the necessary information exchanges between bodies and authorities to combat significant financial abuse.

In this regard, a Commonwealth administered central coordinating body through which vulnerable consumers and financial abuse cases can be thoroughly examined from a more holistic perspective and with meaningful protections for victims and sanctions against perpetrators.

While banking institutions are well equipped to identify risk and abuse, the multi-jurisdictional issues, material variations between States/Territories and the multitude of sometimes conflicting prudential and conformance obligations present a real business hazard and one that could also undermine or dilute the effectiveness of efforts to combat financial abuse.

³ <https://www.customerownedbanking.asn.au/financial-abuse-how-to-protect-customers-and-stop-banking-products-from-being-weaponised/>

Areas of reform:

Unity Bank is confident that most financial service providers and their staff are alert to, well-trained and effective in identifying financial abuse; and also effective in proactive prevention, protection and support of those at risk and/or impacted by financial abuse.

More particularly, advances are being continually made, particularly with the adoption of advanced transaction and financial behaviour analytics, and with the rapid emergence of BI and other technologies focussing on identifying abusive transactional banking narratives.

Unity Bank concedes that more work is required of financial service providers around product design, operation, terms and conditions and control, particularly as the consumer shift to on-line and “self-serve” delivery accelerates.

Cultural considerations:

While most financial service providers, including Unity Bank, are cognisant and skilled in ensuring culturally appropriate service provision and communication, this takes on even greater significance if involving vulnerable consumers and/or persons subject to or perpetrating financial abuse.

Again, this (in the view of Unity Bank) adds to the case for the Committee to consider a Commonwealth managed central coordinating body with sufficient “arms-length” capacity to receive, assess and direct relevant remedies for vulnerable consumers and/or sanctions against perpetrators of financial abuse.

Unity Bank again thanks the Senate Corporations and Financial Services Committee for the opportunity to offer this Submission in relation to its Inquiry into the financial service’s regulatory framework in relation to financial abuse.

We share a commitment to protecting vulnerable consumers of financial services and to combatting financial abuse in all its forms in our society ... and would therefore again welcome any further enquiry from the Committee.

