

Response to Written Questions on Notice – National Australia Bank (30 August)

From Committee Chair Dr Daniel Mulino MP

- 1. Please indicate how many individual cases involving compensation or disputes from the time of the Royal Commission remain unresolved.**

NAB response: There are no disputes cases which were raised with NAB during the period covering the Hayne Royal Commission which are outstanding.

- 2. For each of the past five years, how many legal cases has your bank been involved with? How many were instigated by the bank?**

NAB response: For each of the past five years the number of legal proceedings involving the NAB Group, where the estimated value of the claim in those proceedings was more than \$1m, excluding proceedings which relate to lending NAB has made to customers, are as follows:

Date	Approx. number of proceedings
As at 31 March 2020	59
As at 31 March 2021	56
As at 31 March 2022	60
As at 31 March 2023	57
As at 31 March 2024	53

The majority of these legal proceedings were commenced against NAB.

3. For each of the past five years, how many cases has the bank had at AFCA? What is the proportion of cases that were resolved in the bank’s favour, and what proportion in the consumer’s favour?

NAB response:

Number of complaints to AFCA	Calendar Year	Decision Outcomes
4574	2020	Total: 222 NAB Favour: 160 (72%) Complainant Favour: 31 (14%) Other: 31 (14%)
4394	2021	Total: 236 NAB Favour: 166 (70%) Complainant Favour: 30 (13%) Other: 40 (17%)
4653	2022	Total: 183 NAB Favour: 121 (66%) Complainant Favour: 32 (17%) Other: 30 (16%)
6,544	2023	Total: 155 NAB Favour: 100 (65%) Complainant Favour: 33 (21%) Other: 22 (14%)
4,407	2024 (End of August)	Total: 90 NAB Favour: 51 (57%) Complainant Favour: 21 (23%) Other: 18 (21%)

* ‘Other’ refers to cases closed or resolved by agreement at decision stage

* AFCA decisions cases that fall within the published rules and operational guidelines. Complaints submitted that do not fit within the terms of reference will not be progressed nor receive a decision outcome. ¹

- 147 complaints have closed in favour of complainant.
- 598 complaints have closed in favour of financial firm.
- 111 complaints have closed at ‘other’ stage.

4. How many staff are now eligible for bonus payments above 50% of the base rate? How much have total bonus payments for this cohort increased over the past three years?

NAB response: NAB has announced its intention to increase the maximum variable remuneration for mortgage lenders from 50% of base pay to 80% from 1 October 2024. This will apply to approximately 170 employees (within the Personal Bank division or approximately 0.4% of NAB’s total employees). For the previous three years, the maximum variable remuneration has been unchanged at 50% of base pay for this cohort.

¹ See [AFCA Rules and Guidelines | Australian Financial Complaints Authority](#)

From Mr Jerome Laxale MP

- 1. You co-own Australian Payments Plus (APP). Please describe your co-ownership arrangements in detail, including any history you can provide.**

NAB response: Australian Payments Plus (AP+) has 25 shareholders, including the four major banks. Regardless of the size of its shareholding, each shareholder of AP+ has only one vote in a general meeting of the company.

The Board of AP+ has 13 Directors, composed of four independent Directors (including the Chair), four Directors representing each of the four major banks, two Directors representing other ADI shareholders and three Directors drawn from non-ADI shareholders (such as retailers and other payment processors). Each Director has one vote, thus NAB has only 1 out of the 13 votes on the AP+ Board.

- 2. Does your bank fund APP? If so, how.**

NAB response: Banks and payment processors who are members of the different schemes that Australian Payments Plus (AP+) operates pay for various services (primarily wholesale transaction costs) that are supplied to the market by AP+. NAB is a member of AP+ schemes NPP, EFTPOS, BPAY and ConnectID.

Wholesale scheme fees for NPP are published on AP+ [website](#).

- 3. Do you add a margin on fees charged by APP for the use of their scheme? If so, what is it? Please outline per APP product (BPAY, EFTPOS, Osko, etc).**

NAB response: The fees charged by AP+ feed into wholesale (input) costs associated with providing payment services to customers, both payers and payees. Where fees are charged to customers for use of products that include payments on AP+, or other payment clearing and settlement frameworks, those fees may seek to cover scheme costs and others costs and risks associated with processing transactions and supporting payment products.

- 4. As advised by the Committee, NAB need not respond.**

- 5. As advised by the Committee, NAB need not respond.**

6. In a blended rate environment, does the merchant get the net benefit of LCR, or does it go to you?

NAB response: Since November 2020, NAB's 'Simple Pricing' structure has maintained a flat, blended rate of 1.15% for all Visa, Mastercard and EFTPOS transactions.

At present, activating LCR results in the lowest cost for the merchant when assessing the card mix of the cohort of NAB customers who are eligible for Simple Pricing. The card mix is reflective of all the different cards a merchant accepts. If LCR was not activated and was not considered as part of Simple Pricing, the overall rate that NAB would need to offer merchants would be higher.

7. Why have you not enabled LCR for all merchants?

NAB response: Over the last 12 months, NAB has made significant progress in proactively activating LCR for merchants. On 1 July 2024, NAB moved to an opt-out approach where LCR is activated as the default offer to merchant customers.

There are several reasons why LCR may not be activated on a merchant account, which include merchant choice. These include:

- A merchant has elected to not activate LCR
- Activating LCR would have an adverse impact on a merchant's overall financial position (driven by pricing and/or card mix)
- LCR capability is not available on the relevant merchant product (noting that for 'card present – NAB owned', the functionality is available for 100% of all products; for 'card not present', functionality is currently available for 15% of all products. NAB is continuing to roll out capability across our online products).

8. Do you have commercial arrangements that would financially have an impact on you, should you enable LCR for all merchants? If so, please outline them.

NAB response: NAB has commercial arrangements in place with scheme partners, which are commercial in confidence. NAB continues to actively promote LCR to our business customers and on 1 July 2024, moved to an 'opt-out' approach where LCR is activated as a default.

9. Do you have a minimum transaction volume or dollar value agreements with the major card providers? If so, what are they?

NAB response: NAB has commercial card issuing relationships with three schemes, Visa, Mastercard and EFTPOS. The specifics of each agreement are commercial-in-confidence, however NAB can confirm each agreement contains either transaction volume or spend targets, or both.

10. Are you incentivised to issue more Visa/Mastercard products or put more turnover through these schemes? If so, how?

NAB response: Under each of NAB's card issuing agreements with Visa, Mastercard and EFTPOS, NAB has the potential to receive rebates on fees paid. The schemes require that these rebates are invested by NAB into development and improvement of the products we offer customers.

11. Do Visa/Mastercard debit transactions count towards minimum turnover/volume arrangements?

NAB response: Yes, Visa and Mastercard debit transactions count towards transaction volume and spend targets.

12. Would 100% LCR enabled for merchants reduce revenue to your company?

NAB response: Activating LCR may not always result in the lowest cost for a merchant and this can change over time based on changes to interchange and scheme fees. NAB monitors this on a regular basis as part of our Simple Pricing offering.

Generally, the activation of LCR requires a review of pricing as the card mix changes. The card mix is one of the key elements in determining the pricing for a merchant.

13. Would 100% LCR enabled for merchants reduce your volume with international card providers?

NAB response: Yes.

However, as noted above, activating LCR may not always result in the lowest cost for a merchant. This can change over time as both interchange and scheme fees change frequently.

14. What would a reduction in volume with international card providers cost your organisation?

NAB response: It is not possible to place a specific value on this due to the number of variables involved. These variables include:

- The variety of pricing structures and arrangements that are available to merchant customers;
- The card mix that is in circulation in the economy at a point in time; and

- The choice of a consumer as to which network their payment is routed through (i.e. where a consumer pays with a multi-network debit card).

15. What is your cost of use of EFTPOS debit on a \$100 transaction?

NAB response: The cost is varied. The cost of use to process a transaction via EFTPOS varies based on the type of transaction, including whether it is a 'card-present' transaction. The key components that make up the cost are interchange, scheme fees and necessary product processing costs. Interchange fees are publicly available on the EFTPOS website, available [here](#). Scheme fees are part of NAB's agreement with EFTPOS and are commercial-in-confidence.

16. On that same transaction, what do you charge customers?

NAB response: Merchants are charged either on a blended percentage rate or on an amount per transaction rate. Given the wide variation between each individual customer and the pricing model they have chosen, it is not practical to provide the Committee with a specific percentage or monetary amount charged to customers.

17. You co-own APP. Is the cost of a \$100 EFTPOS transaction to APP, the same as the cost of a \$1000 EFTPOS transaction to APP?

NAB response: Scheme members of EFTPOS do not have visibility of the costs incurred by AP+ (the operator of the EFTPOS scheme) to process a transaction on EFTPOS. This is also the case where an authorised deposit-taking institution (ADI) or payment processor is a member of an international card scheme.

Further, EFTPOS competes directly with the international card schemes and the AP+ scheme fees charged to AP+ members are strictly commercial-in-confidence for AP+. The Reserve Bank of Australia (RBA) may have some high-level insights on the scheme fees being charged by the different card networks.

AP+ publishes the EFTPOS interchange fees on its website, linked [here](#).

18. Do you have an incentive for issuing/volume for EFTPOS debit? If so, what are they?

NAB response: In each of NAB's card issuing agreements with Visa, Mastercard and EFTPOS, NAB has the potential to receive rebates on fees paid. The schemes require that these rebates are invested by NAB into development and improvement of the products we offer customers.

19. Evidence was given in the Committee hearings that EFTPOS doesn't issue chargebacks. Is this accurate?

NAB response: EFTPOS itself does not issue chargebacks, it administers the chargebacks framework and process for transactions made through the EFTPOS network. The issuance of a chargeback is a matter between the acquiring and issuing banks, governed by the EFTPOS chargebacks framework and rules.

20. As co-owner of APP, can you please provide me with APP's latest audited annual report and financial statements?

NAB response: AP+ have provided us with a copy of their FY23 audited accounts, which are the most recent set of audited accounts available. Please see attached copy of these documents.

Response to Questions on Notice – National Australia Bank (30 August)

Bank@Post

CHAIR: What's happening to your volume of transactions at Australia Post?

Mr Irvine: They're increasing.

CHAIR: At what rough annual rate?

Mr Irvine: Let me see if I have that.

CHAIR: I can put that on notice—and then a regional-rural-metro breakdown would be interesting.

Mr Dooley: Over the year ended September 2023, there were about 2.8 million transactions through Bank@Post—NAB transactions. We expect that for this year to exceed that number and potentially reach about three million...

CHAIR: If we could get the numbers and the growth rate for the last four years, that would be great.

Mr Irvine: We can provide that.

NAB response: NAB has partnered with Australia Post since 2009 on its Bank@Post offering, which is the most comprehensive of any major bank.

As part of NAB's current 10-year contract – in place since 2021 – both organisations committed to working together in good faith to increase Bank@Post transaction volumes. It forms part of NAB's contractual agreement to promote and drive greater transaction volume to Bank@Post. NAB is on track to meet 3 million Bank@Post transactions in 2024, consistent with that agreement.

NAB has provided detail of the requested volume, but requests that this information be treated as commercial in confidence as it relates to the contractual arrangement between NAB and Australia Post.

Branches

CHAIR: On the issue of some branches having low throughput, low traffic or low numbers of clients coming through, some banks, as I understand it, have explored the possibility of branches remaining but having perhaps reduced opening hours and then going to back-office functions for part of the day. Are those kinds of options part of the review?

Mr Irvine: Yes. Do you know how many, Shaun, would have that type of operation?

Mr Dooley: I'm not sure how many would actually have that type of arrangement, but we have those processes in place where we'll have compressed hours. The branch will be open for a certain number of hours in the day and then the staff will take on other duties and activities supporting customers in the afternoon. We could certainly get that information.

NAB response: As at 1 October 2024, 70 (or 16 per cent) of NAB's 439 branches operate on shortened opening hours and are open for in-person banking between 9:30am-12:30pm. At the majority of these 70 branches, colleagues work from the branch in the afternoon and serve customers via other channels, including telephone support and messaging.

Scam losses

Mr Dooley: I think one of the challenges in estimating total losses around scams is that not all of them are reported. There are a number of scams that will actually occur across the community that don't involve the financial system as well.

CHAIR: Do you have an estimate or even a kind of a lower bound? We see reported the fact that aggregate scam activity has come down 13 per cent so we're obviously at an aggregate level trying to estimate how much loss there is.

Mr Irvine: We think we are stopping the majority of scams before they hit customer losses. The numbers that I've talked about are based on reported numbers. Shaun is quite right to say we don't know what's unreported.

Mr Dooley: In terms of what we do understand, last year it was about \$180 million worth of scam losses to our customers.

CHAIR: NAB?

Mr Dooley: NAB, yes. This year, the scam losses are down but they're still unacceptably high.

CHAIR: I thought it might be more than that. The numbers I've seen for aggregate losses were well over a billion.

Mr Irvine: For NAB.

CHAIR: No, for the sector. If you're roughly a bit over 20 per cent—anyway, I can come back with questions on notice.

Mr Irvine: Our scam losses are down in excess of the overall industry, which is heartening, but we know we have more to do.

CHAIR: It's obviously good that some are being stopped before. It would be good to get a sense of the rough quanta.

NAB response: As Mr Dooley stated, NAB customers reported a total of \$180 million in scam losses in 2023.

Dispute Resolution

CHAIR: I'll just follow up with a couple of questions, probably on notice, on some of the questions on dispute resolution Ms Lawrence raised. With the AFCA data—and I will ask this of all the banks—can we get the proportion of your disputes resolved in favour of the applicant, and at each stage? So I mean at the point of where there is negotiation between AFCA and the two parties, but also at the determination stage.

Mr Irvine: We'll take that on notice.

NAB response: Please see response to written question on notice number three from Dr Daniel Mulino MP.

Payments

Mr LAXALE: Are there any ongoing costs for the banks to keep APP running? Do you pay a fee every year? Is it a membership thing, or are they self-funded?

Mr Dooley: I'm not aware of the amount of fee that we pay. We could probably that on notice and come back to you on it. All of the banks are investing significantly in the payments infrastructure alongside AusPay and the other payment rails.

Mr LAXALE: It's through APP or separately?

Mr Irvine: Sometimes it's about building additional capability. At the moment, while we have NPP rails today, we've been spending tens of millions of dollars as a bank on enabling PayTo, which is an enhancement to the NPP capability. The banks are constantly spending money on payment infrastructure to ensure that it doesn't decay, that it continues to be futureproof, and that it also optimises scams, fraud and cyber safety. While the infrastructure may be built, you can't stand still. You're constantly adding enhancements to ensure that these capabilities are robust. They also require data and infrastructure. Data and infrastructure cost money to maintain and keep up-to-date.

Mr LAXALE: There's no doubt that there are costs to maintaining a non-digital payment system and a digital payment system. I want more of an understanding of that digital payment system.

Mr Irvine: We will come back to the committee. If there are annual costs that we would pay to AP Plus, we'll share that.

NAB response: Please see response to written question on notice number two from Jerome Laxale MP.

Complaints

CHAIR: I'll just follow up with a couple of questions, probably on notice, on some of the questions on dispute resolution Ms Lawrence raised. With the AFCA data—and I will ask this of all the banks—can we get the proportion of your disputes resolved in favour of the applicant, and at each stage? So I mean at the point of where there is negotiation between AFCA and the two parties, but also at the determination stage.

Mr Irvine: We'll take that on notice.

CHAIR: I'd also like to get a sense of whether that win-loss rate varies across types of dispute. I am also interested in whether there is any trend in the number of formal legal disputes involving the bank and customers.

Mr Irvine: The legal cases that we're dealing with have fallen precipitously, actually, for our bank anyway, over the last five years.

CHAIR: So it would be good to get some trend lines in that. Also, I'm pretty sure the answer to this is yes, but I want to clarify: is NAB committed to being a model litigant?

Mr Dooley: Yes.

Mr Irvine: Yes.

CHAIR: Okay. It would just be good to have that confirmed.

NAB response: Please see response to written question on notice number three from Dr Daniel Mulino MP.