

9 November 2018

Mr Alan Raine

A/G Committee Secretary

Senate Economics References Committee

Dear Mr Raine

Thank you for the opportunity to provide a submission to the Inquiry into credit and financial services targeted at Australians at risk of financial hardship.

The Finance Sector Union of Australia (FSU) represents the interests of workers in the banking, superannuation, insurance, mutuals, currency exchange and general finance sector.

In addressing the inquiry's Terms of Reference, the FSU submits that the general banking and finance sector has a high degree of regulation. As has been demonstrated throughout the Financial Services Royal Commission, regulation regimes are a separate issue to enforcement regimes.

However, it is important to recognise that the banking and finance sector has well established compliance and regulatory mechanisms overall. Despite these, the cultures within the banks have been profits before people. Time and again, the senior banks executives responsible for corporate culture have allowed behaviours to develop that are unacceptable. These toxic culture have been exacerbated by remuneration regimes which encourage behaviour that is not in the best interests of consumers.

The FSU submits that if poor behaviour can exist to the extent outlined by the Royal Commission in a highly regulated environment, then the capacity for poor behaviour and consumer outcomes in less regulated environments such as payday lenders, consumer lease providers, 'buy now, pay later' providers, short term credit providers, debt management firms, debt negotiators, credit repair agencies and personal budgeting services, is even greater.

These areas of activity are less regulated than the general finance sector. Their target consumers are those with an especial vulnerability. That is, they are financially stressed and in a position of even greater power asymmetry.

When the Royal Commission commenced, the Finance Sector Union created a portal through which members could tell of the poor culture and practices that existed in the industry. Around one thousand submissions were received. The FSU would be prepared to make available the portal submissions for the viewing of committee members only, should the committee desire.

In essence, two key themes emerged; bullying cultures...directed at achieving sales outcomes.

The following excerpts clearly demonstrate the nature of the toxic cultures that exist. Respondents were guaranteed anonymity. Each quote below is a separate respondent:

"... the pressure put on staff re sales is unbelievable, every morning and every night it's all about sales..."

"...all tellers must obtain 2 referrals per day, even when they aren't at work..."

“... they reward people with sales figures only...unrealistic targets increase every year...bankers are under extreme pressure to sell...”

“... after 15 years with this particular bank I find that the pressure of achieving targets never gets any easier...”

“... I was a customer service officer who always put my customers first and did not toe the banks policy of sell, sell, sell...As a result I was blackmailed and bullied...”

“... every day we are pushed to sell home and contents insurance to customers...”

“... we are given sales targets to meet or exceed if we want a bonus... the pressure put on us to sell causes anxiety to me personally...”

“... every day at work we are told to focus on three main areas; wealth, home loans and insurance. We are constantly asked how many we have. We are emailed constantly asking for number...”

“...I quit my job after 3 years... It was not at all based on having the customers best interest at heart...”

“... there is no customer service, just sell, sell, sell...”

“... I had to retire early because mentally I could not deal with the pressure of sell, sell, sell...”

“... bullying, entrenched greed, unrealistic sales targets...”

As indicated, there was around a thousand submissions from FSU members , largely consistent with the above comments. This pressure to put profit and sales ahead of the customers interests is occurring in a highly regulated environment.

It is clear that these pressures would be escalated very substantially in those markets where there is far less regulation.

The Financial Services Royal Commission has made it abundantly clear that too many banks simply see customers solely as a source of profit. It is inconceivable that pay day lenders and the like would behave more ethically than large banks, especially in the absence of compliance and regulatory regimes aimed at policing poor behaviour.

Once again, thank you for the opportunity to provide this submission.

Yours sincerely

The Hon Nathan Rees
National Assistant Secretary
Finance Sector Union of Australia