

Wednesday, 3 July 2024

Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600

By email: corporations.joint@aph.gov.au

Dear Committee Secretary,

Hume Bank welcomes the opportunity to submit comments to the Joint Committee Inquiry into the Financial Services Regulatory Framework in relation to Financial Abuse, referred by the Senate on 18 June 2024.

As a customer owned, purpose led bank, we believe that banking is not just a transaction, and that we have a role to play in actively working with our customers and the community to protect people against financial abuse.

About Hume Bank

Hume Bank has been part of the Albury-Wodonga region for more than 69 years and was founded as a Building Society in 1955 by residents, who were dissatisfied with the availability of credit for housing and wanted to help people in the community to purchase their own homes. Hume Building Society continued to grow over the decades and in 2014 was renamed as Hume Bank after seeking approval from its customers and the Australian Prudential Regulation Authority in 2013.

Hume Bank's future is focused on creating shared value for our customers and the community, building lasting customer loyalty and positioning us in the community to be sustainable and trustworthy.

After more than 69 years of operation, Hume Bank now has over \$2 billion in assets, the largest branch network in the region with 15 branches, employs almost 160 staff and meets the needs of more than 55,000 customers with an average tenure of over 14 years. As a steadfast partner in regional growth, Hume Bank continues to reinforce its role as more than just a financial service provider, but also as a pivotal part of the community's fabric, ensuring that regional Australians have the support they need to thrive.

With our deep community focus, Hume Bank welcomes the inquiry into financial abuse through financial services. We have provided responses below to the questions referred by the Senate.

Submission

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?

Hume Bank has actively considered issues of financial abuse. We take the time to know our customers and build loyalty and trust. Through physical and digital channels, this translates to conversations that play a significant role in identifying and responding to concerning activity or behaviour, as well as provide ongoing support and understanding to victim-survivors.

As a member of the Customer Owned Banking Association (COBA), Hume Bank complies with Customer Owned Code of Practice (COPCOP) items 26 and 27 to embed processes and safeguards for people experiencing vulnerability. To comply, Hume Bank has implemented a Vulnerable Customer Procedure to help guide our people on how to identify and support vulnerable persons. Additionally, Hume Bank has implemented dedicated training on issues of abuse and vulnerability, including financial abuse. We are proactive in addressing this issue and developed analytics capability to identify and address suspected instances.

Hume Bank has clarified our zero-tolerance policy by including clauses in our product disclosure statement (PDS) which defines financial abuse as unacceptable conduct and does not permit use of Hume Bank products for abuse purposes. Hume Bank is active in enforcing this clause.

We welcome the introduction of practical guidelines that inform how Hume Bank can respond to complex issues of abuse. In particular, the development of a resource to share with victim-survivors, detailing local channels through which members can access support, which would amplify our existing procedure.

Further, we support COBA's proposal for national, free and transparent searchable registers of guardian and trusteeship, including more transparent company registers. Opaque control structures serve to keep issues of financial abuse hidden. Hume Bank supports investment in transparency in data sources that enable live and automated checks of powers of attorney and financial administration, alongside our community-focused processes.

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

Hume Bank has not identified systemic instances of financial abuse. Through our people, policy and systems, we have identified and responded to isolated instances of suspected financial abuse. The measures in place, including the Vulnerable Customer Procedure and dedicated training programs, have contributed to the detection of these cases. Specifically:

- **Customer engagement.** Hume Bank is not just a financial institution; we are an integral part of the regional communities in which we serve. Our staff live and work within our communities and in our smaller communities we are the only bank and source of support and education.
- **Community support.** The Bank has joined together with organisations across Australia to participate in the Respect and Protect public awareness campaign. As part of this, our terms and conditions have been updated to protect our customers and the financial system from financial abuse. We have also dedicated funds designed to support service providers addressing these issues within our community via community grants.
- **Training and awareness.** The dedicated training on issues of financial abuse and vulnerability has equipped staff with the skills to identify signs of financial abuse. This proactive approach has led to an increase in the identification of potential abuse cases. We have demonstrated cases of supporting customers to gain financial independence and provided referral points for additional support because we are trained to identify risk factors.
- **Analytics capability.** Hume Bank's Analytics team plays a crucial role in detecting unusual or suspicious transactions that may indicate financial abuse. This technological solution allows for effective monitoring and alerts, leading to proactive interventions. In identified cases we have raised awareness directly, which has stopped the unacceptable technology-facilitated behaviours.
- **Zero-tolerance policy.** Our policy ensures that any misuse that is detected is promptly addressed. The enforcement of a zero-tolerance policy, as outlined in the PDS, provides a fair way for all members to understand upfront that action is taken where abuse is identified.
- **Procedural enforcement.** The Vulnerable Customer Procedure guides staff to follow a structured approach when dealing with suspected cases of financial abuse. This procedure includes steps for identification, response, and reporting, to reduce the risk of a case going unnoticed or unaddressed.

The extent of suspected financial abuse identified by these measures is noted with cases being flagged and addressed. The precise number of identified cases is not publicly disclosed, however, the measures and robust systems in place at Hume Bank ensure that such instances are monitored and acted upon.

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?

Online platforms have increased visibility of financial abuse and introduced new avenues for exploitation, such as misuse of payment reference fields and access to online accounts.

Hume Bank's strategy is to provide good access to customers with a mix of digital and non-digital channels. This includes a commitment to face-to-face banking across our home region along with well-trained Contact Centre and Retail Branch staff to provide support to customers. In the context of abuse of online services, we believe this strategy enables us to embed controls to better prevent misuse, including directing customers to speak with us. We believe the growth of online platforms must be accompanied by direct customer interaction to enable strong identification and safe channels to respond to instances of abuse.

Hume Bank recognises the leadership demonstrated by the Australian Transaction Reports and Analysis Centre (AUSTRAC) on the issue of financial abuse, through the issuance of the [AUSTRAC Financial Crime Guide on Payment Text Fields November 2021](#) (AUSTRAC Guide). The AUSTRAC Guide contains specific and practical indicators of abuse and analytical methods to address the issue. The guide has enabled Hume Bank to further identify potential cases more readily through online channels and is a valuable training source.

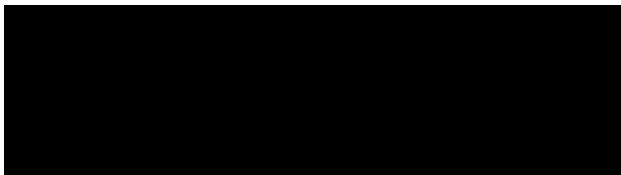
Key points in summary

Hume Bank supports the considerations and initiatives to combat financial abuse, which include:

- **Practical guidelines.** Developing comprehensive and practical regulatory guidelines to empower banks in preventing financial abuse. These guidelines would clarify the bank's role, and provide clear best practices for identifying, addressing, and reporting financial abuse, as well as supporting victim-survivors, empowering the financial services industry to be well equipped to achieve the desired outcomes.
- **National, free, and transparent searchable registers.** Implementing national, free, and transparent searchable registers of powers of attorney and company registers. These registers would enable financial institutions to perform live and automated checks, thereby increasing transparency and reducing the risk of financial abuse through opaque control structures.
- **Enhanced training programs.** Expanding training programs for bank staff on recognising and responding to financial abuse. Continuous education and training ensure that all employees remain vigilant and informed about the latest tactics used in financial abuse, as well as the best practices for supporting vulnerable customers.

- **Community collaboration.** Strengthening collaboration with local community organisations and support services. By building strong partnerships with community groups via our targeted grant program, Hume Bank can provide better support to victims of financial abuse and ensure that they have access to the local resources and assistance.
- **Technological innovations.** Investing in technological innovations that enhance the bank's ability to detect and prevent financial abuse. This includes developing and making available advanced analytics capabilities and AI-driven tools to monitor transactions and identify indicators in real-time.
- **Advocacy for policy changes.** Nationally coordinated government approach to enhance protections for vulnerable individuals. Hume Bank supports legislative efforts aimed at increasing penalties for financial abuse and improving the legal framework to better protect victims.

I welcome the opportunity to discuss this further.



Stephen Capello

Chief Executive Officer, Hume Bank

