NAB Is A Corrupt Organisation - It Also Runs A Bank On The Side

Summary:
NAB profits from predatory and unconscionable business practices. Governments know all about it yet refuse to take action. Evan Jones explains the racket.

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The Australian Banking Sector - Predatory & Untouchable

Australian banking sector is dominated by corrupt organisations that also run banks on the side,

supported by a craven, supplicant media and political establishment. The bane of bad banks, Dr Evan Jones, reports.

In January 2013, I began an article with the words:

'The National Australia Bank is a corrupt organisation. It also runs a bank on the side. But running a bank is an essential vehicle for the former – possessing a banking license gives one carte blanche to engage in corrupt practices.'

The statement remains as defensible as ever. The NAB has currently been exposed as running a corrupt "wealth management" division.

The NAB has concurrently been exposed, through its British Clydesdale subsidiary, as imposing on small business (SME) and farmer borrowers unconscionably constructed loan facilities. The facilities, long-term fixed interest rate, were marketed as protecting borrowers against potential rate increases. But the costs and risks of the lender's hedge (or claimed hedge), ill-explained, were to be borne by the borrower.

With the GFC, official market interest rates plummeted to near zero. The borrowers were on the wrong side of the interest rate "swap" and the "break costs" to the borrower sky-rocketed (caveat emptor said the bank). At the same time, operating conditions became more difficult for business. Clydesdale (along with other banks that had flogged a comparable faulty product) has since engaged in widespread foreclosure and customer asset appropriation.

The NAB has been engaging in unconscionable or fraudulent practices against its SME/farmer customers since at least the mid-1980s. If the NAB is the most consistent malpractitioner, the CBA joins it at the top of the list with intermittent large-scale scams — from the 1980s foreign currency loan imbroglio, to underpinning the Storm Financial managed investment scam and directing the unconscionable foreclosure of hundreds of BankWest customers after its purchase of BankWest from HBOS in late 2008.

However, no bank has a clean record. The second tier has seen what is possible and is mimicking its elders.

Recently, we have been witness to reportage of "incidents", variously described by bank spokespersons as misadventures, rotten apples, etc. The carnage amongst victimised recipients of "financial planning" advice and unscrupulously constructed "investment portfolios" is now a regular feature of media reporting.

The domain of SMEs/farmers is less well reported, not least because of the complexity of the stories that taxes even the most interrogative of journalists and limited space on allocated media slots.

> CBA's kickback scandal raises new questions about banking culture. http://t.co/ndB5LQuTtw
> — Sandra Sully (@Sandra_Sully) March 18, 2015

Fairfax journalist Elizabeth Knight recently commented (with respect to the CBA kickback scandal involving senior IT personnel) that:

'The larger question that will be asked around this latest banking scandal is the culture of this industry that seems to attract more than its fair share of poor behaviour.'

Quite, to put it mildly and belatedly. The 2004 APRA report on the NAB's 2003 trading desk scandal highlighted the NAB's dysfunctional culture. With a change of CEO and Board chairman the NAB promised change, but it continued with business as usual. The APRA report has been taken down from the NAB's website.

The proximate cause of the scale of investment advisee and SME/farmer casualties is the asymmetry of the bank lender/adviser-customer relationship.

In the former case, the asymmetry is leveraged on the ignorance, naiveté and susceptibility of the would-be retail investor.

In the latter case, the asymmetry is centred on a medium to long-term relationship forged on loan facilities (perennially not fit for purpose) that give the lender near total discretion over the terms of the relationship.

In both cases, the asymmetry is enhanced by the fact that customers come to a bank expecting professionalism (competence and ethical standards, as per visit to a doctor) but are confronted by personnel of a quite different character. The loosening of standards began as early as the late 1960s, continuing during the 1970s.

The root cause of the problem is the uncritical deregulation and privatisation of the financial sector, coupled with a parlous maladministration of the merger provisions of competition law.

Comprehensive deregulation and privatisation were legitimised by the 1981 Campbell Report. Sole emphasis was laid upon the evolving dysfunctionality of the then regulatory structure. Suffused by ideological catechisms, the Campbell Report neglected entirely the history of the finance sector in Australia, leave alone those overseas, which history pointed indubitably to the necessity for a detailed re-regulation of this pivotal sector appropriate to the prevailing environment.

> We definitely need to continue supporting IA! Where MSM fails IA investigates! @davrosz https://t.co/w7sUdGAgBl
> — Lorraine Hyde (@HydecomLorraine) March 26, 2015

Exposure of corrupt practices during the 1980s led to the diversionary 1991 Martin Inquiry which ultimately legitimised ‘self-regulation’ by the banks in the form of a banking ombudsman and a code of banking practice. The Code has been strategically neutered and the Financial Ombudsman is, with minor pro-victim deliberations, generally in bed with its bank financiers.

So how does it now work in the neglected SME/farmer domain?

A bank will, at its discretion, default a borrower. It calls on a coterie of partners in the enterprise, all corrupted on the drip of bank largesse. Enter the panelled law firms, the valuers, the receivers, selected real estate agents.

All customer assets (including the family home) will have been taken as security, possibly also family assets via guarantees. The defaulted borrower will face litigation penniless. The bank will seek summary judgement for appropriation of customer assets, denying a hearing for borrower counter-claims.

The defaulted customer will face a court not sympathetic to her/his claims, courtesy of an impoverished legal culture rooted in the law of contract, and a judiciary imbued with calculated ignorance and/or complicity with bank lender interests.

It is not improbable that the bank will sell borrower assets under value, manufacture a residual borrower debt, pursue the borrower to bankruptcy and thus ensure that the borrower is denied access to the courts for any counter-claim. The bank will then claim the manufactured bad debt write-off as a tax deduction.

Meanwhile the relevant regulators (especially ASIC) and bureaucracy (especially the federal Treasury) are missing in action. And the political class, save for a handful of uninfluential exceptions, maintain a cowardly silence.

After thirty years of this scam in operation, there is in the hinterland a despair and a fury that is widespread and deep.

The law of the jungle prevails, legitimised by the authorities. It is long overdue that the relevant regulators, bureaucrats and our elected representatives confronted this crisis and earned their pay in

reining in this predatory sector.

CBA, ASIC and the political class: Partners in crime http://t.co/BzUl1pit80 @IndependentAus The best piece you will read on this,anywhere
— Geezlouise (@Turlow1) July 7, 2014

POSTSCRIPT: MEDIA AND MPS STUDIOUSLY IGNORE BANKING MALPRACTICE

An earlier version of the above article was written and sent to The Age. Melbourne's premier daily, that paper is headquartered in the Docklands in proximity to the NAB's headquarters.

There was no reply from the opinion page editor. Conventional courtesies don't apply for some topics. It was as I predicted.

In 2009, I penned a piece that complemented a (rare) critical editorial in the Sydney Morning Herald, and sent it off to that august newspaper. No reply. I then sent it to The Age, and thence to The Australian as a test. Ditto. No point even bothering with the Fin Review (which, in a less bigoted era, used to publish me). The article was eventually put on line here.

Whatever nasty things about banks that Fairfax and Murdoch allow in their business pages, they will not tolerate critical opinion on this subject on their opinion pages. Fairfax even censors critical comments on bank-related articles. The print media is thus part of the problem.

The Canberra Times has been an exception. Courtesy of an independent editor, my first article on bank malpractice in Australia was published in November 2001. Courtesy of that editor's longevity in the post, my ten-year revisiting of the same subject was published in November 2011.

In that article I noted:

'This [adverse] environment [that tolerates widespread bank malpractice] has been facilitated by comprehensive indifference to bank practices by borrower representative bodies, regulatory authorities and political parties.'

Canberra being the nation's capital, one might have expected that the odd relevant regulator, bureaucrat or member of Parliament might stir from their indifference. Not a murmur.

The current article above concludes with a plea to the authorities:

'It is long overdue that the relevant regulators, bureaucrats and our elected representatives confronted the crisis and earned their pay in reining in this predatory sector.'

Banks: still the untouchables http://t.co/BFzwF9Laiz via @canberratimes
— Dave Donovan (@davrosz) March 31, 2015

Similarly, my 2011 article, just cited, concludes with:

'It is long overdue that those in political authority confronted that bank malpractice is systemic, and that they acquire some moral fibre in addressing this continuing scandal.'

Long overdue indeed. Which repetition points ineluctably to such sentiments being motherhood statements, wishful thinking, rubbish. No matter how cogent one's analysis of some structural disorder in society and so on, there is the felt imperative to offset such pessimistic ramblings on an upbeat note. Ergo – something should be done about it, and pronto!

Thus can even those rationally given to pessimism be left, if momentarily, in a state of repose. More, and more unjustly, the ruse attempts to sell the readership on that heart-warming solution just around the corner.

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It is dishonesty and the upbeat sentiments are a lie.

In my November 2009 article, I concluded with:

'Hell will freeze over before either major Party initiates a serious inquiry into the power and culture of the banking establishment.'

Ah, the truth for once. No wonder no self-serving member of the mainstream media would publish that article.

In the Australian banking sector, the rot is profound. As a collaborator notes, the banking sector pursues profit at all costs, by legal or illegal means. The only thing that constrains this sector in that pursuit is its incompetence.

> The corruption within the banking sector has been facilitated by and, in turn, entrenches widespread corruption in the entire economy and polity. Each bank victim experiences the depth of corruption in their own particular way but, typically, they cannot find a sympathetic ear anywhere.

And remember that the financial predator has left the victim penniless and helpless, additionally devastated by confronting the reality of how this country actually functions and the divergence of that reality from the myths encapsulated in what is curiously called ‘the rule of law’.

If you imagined that this state of affairs might receive some exposure in the university syllabus, repository of wisdom for the next generation of professionals, you would be wrong. This state of affairs is not covered, least of all in banking law classes. It is invisible. Anybody who claims then that this deep and widespread state of corruption exists cannot be taken seriously. And they aren’t.

Given that the authorities have legitimated the law of the jungle, is it not possible that the odd bank victim, and/or their supporters, might take the rules of the game to heart? I have heard of one bank victim, grievously taken to the cleaners first by a major bank and subsequently by a corrupt Appeal Court judgement in favour of the bank, who (with previous aviation experience, and in war-time) had contemplated, in desperation, flying a plane into said bank headquarters. A partial settlement for the victim’s loss, belatedly and pragmatically arranged, returned that unsavoury spectacle to the realm of fantasy. This victim lost 14 years of his life between being sold a poisonous facility and the receipt of the partial settlement.

When the sheriff, accompanied by security thugs, with blackguard receivers in tow, arrives unheralded at the farm gate to change the locks on a property that has been in the family for generations, is a violent reaction from the soon-to-be dispossessed not an possibility?

A minor hope on the horizon? Labor Senator Sam Dastyari is now chairman of the Senate Economics Committee. That same Committee has only recently produced reports that were generally to comprehensively gutless in their avoidance of the systemic character of the problem before them. To wit, the Inquiry into the Post-GFC Banking Sector, November 2012, and the Inquiry into the Performance of ASIC, June 2014.

Dastyari is making the right noises. He has even, remarkably, traveled to the UK to dig deeper in the scandal surrounding the NAB’s Clydesdale subsidiary.

> More woes for National Australia Bank as Senator Sam Dastyari enlists British help http://t.co/X1iy2OWWxn via @theage
> — Adele Ferguson (@adele_ferguson) March 23, 2015

This is a promising development. But note that Dastyari is in Opposition. Parliamentarians perennially make loud noises when in Opposition but return to silence or even support for the odious

status quo when in government.

Many victims have been calling for a Royal Commission into the banking sector. The call has received the support of National Party Senator John Williams, albeit with his own Party colleagues in hiding. Relevant Ministers amongst Williams' Coalition partners (Joe Hockey, Arthur Sinodinos, Matthias Cormann, Josh Frydenberg) have been resolutely opposed to any action that would mitigate bank power. Labor in office has proved equally abject.

As noted, Hell will freeze over … has Dastyari read the script? We will know for sure very quickly indeed.

Websites For More Information: The Australian Banking Sector - Predatory & Untouchable
https://independentaustralia.net/business/business-display/the-australian-banking-sector-predatory-and-untouchable,7539

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