Even the limited RC has revealed criminal conduct

Summary:
Aussie bank misconduct revealed by the light-touch Hayne inquiry is still so shocking that politicians, bankers and regulators will never be able to go back to the good old days of rampant fleecing and misbehavior. Great report from Reuters' Byron Kaye.

Article Information**Category:** Banking News
Bank Malpractice Type: Corruption
Unconscionable Conduct
Other Bad Banking Behaviour
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Source: Reuters
Date First Published: 29 Nov 2018

Posted ByPeter Brandson
22 Dec 2018 - 8:37am





Australian banks lick their wounds as misconduct inquiry concludes

SYDNEY (Reuters) - An inquiry that has exposed rampant greed and wrongdoing in Australia’s major banks and wealth managers wraps up this week ahead of a final report which could trigger sweeping reform of the financial sector of the world’s 12-largest economy.

Dismissed initially as a “populist whinge” by the ruling conservative party, the quasi-

judicial inquiry known as a Royal Commission has revealed branch-to-boardroom misconduct which will almost certainly trigger tougher regulation.

In 69 days of hearings, the inquiry heard shocking tales of **brazen rip-offs, callous mistreatment of customers and even taking money from the dead.** Its final hearings are scheduled for Friday.

In one hearing, commission lawyers played a recording of a life insurance salesman **cold-calling a man with Down Syndrome and convincing him to sign up for a policy he did not need or understand.** When the man's father tried to cancel the policy, the company refused until the father coached his son to ask for the cancellation himself.

In another, **a blind, partly deaf pensioner** described being led into a bank branch office and handed "pre-filled" documents to guarantee her daughter's pool business. When the business failed, **the bank went after the pensioner's house.**

The country's biggest-listed wealth manager, **AMP Ltd (AMP.AX), admitted to doctoring a supposedly independent report to a regulator about how it had charged thousands of clients fees without providing a service. Inquiry lawyers suggested such fraud amounted to a criminal act, and criminal charges could be among Commissioner Kenneth Hayne's final recommendations.**

"What happened to us I had always felt was immoral, but I had no idea that what they did was actually not legal," Ross Dillon, who testified to the inquiry that the proceeds of his **house sale had been misappropriated by his bank,** told Reuters.

Investors have wiped about A$40 billion ($29 billion) from the market value of Australia's four largest banks and AMP in the nine months since the inquiry began, and some analysts expect further falls in response to the inquiry's formal recommendations due by Feb. 1.

Reputational and financial costs are piling up, crimping margins at some of the world's most profitable banks.

The four major lenders - Commonwealth Bank of Australia (CBA.AX), Westpac Banking Corp (WBC.AX), Australia and New Zealand Banking Group Ltd (ANZ.AX) and National Australia Bank Ltd (NAB.AX) - and AMP have **promised to pay back a combined A$1.3 billion to wronged customers.**

Commonwealth Bank's CEO stood down during the inquiry, as did AMP's CEO, chairwoman and three directors. Commonwealth Bank has since fired 41 staff for misconduct and cut A$100 million in bonuses. Industry-wide, hundreds of staff have lost their jobs.

"There is going to be more cost go into the banks, and it's going to be profitless cost because it's going to go into compliance," said John Guadagnuolo, head of investment at Antares Capital.

"There's a culture problem, there's a recruitment problem, there's a remuneration problem, and I'm not sure that the banks themselves know how to address it."

MORE PAIN AHEAD

The public outrage will make it impossible for the government to ignore the commission's final recommendations, given that most polls show it losing an election expected in May.

Banks have pre-empted some recommendations by cracking down on loose consumer lending practices, chopping executive bonuses and exiting non-core businesses. Any statutory limits on bonuses would put Australia at the international vanguard of efforts to limit extravagant executive pay.

Australia's banks have also started to **unwind their once-fashionable "vertical integration" models, which were found by the inquiry to create conflicts of interest for financial advisers.**

Pension funds have started cancelling rolling fees known as trailing commissions - deducted from customers' accounts over many years regardless of any service being provided - in anticipation they will be outlawed.

Though **Britain has banned financial planners from taking trailing commissions sold since 2013, an outright ban in Australia would be stronger still.**

Australia's **regulators too are under pressure to get tough, having been exposed as timid and far too reluctant to take strong action against law-breakers.**

The Australian Securities and Investments Commission, the corporate watchdog, has already filed lawsuits against each of the "Big Four" banks and AMP this year, in a sign of its new-found muscle.

Reporting by Byron Kaye; Additional reporting by Paulina Duran and Colin Packham; Editing by Stephen Coates

BRN Comments

A beaut summary of the Banking Royal Commission from Byron and the Reuters crew. The only additional point that must be considered is that the Hayne inquiry has been handicapped from the start. Thus what has been identified is only the tip of the iceberg. See the pdf download below to find out why the RC needs to be longer & stronger. Also Hayne is a known supported of the system. He has deliberately suppressed information. Out of over 10,000 submissions less than thirty victims were publicly interviewed. Public pressure must build to force the inquiry to continue next year - preferably with two or three independent Commissioners.

File Attachments:	Attachment	Size
	10 Reasons Banks RC Needs to be turbocharged	265.73 KB

Websites For More Information: Source - Australian banks lick their wounds as misconduct inquiry concludes
https://www.reuters.com/article/us-australia-banks-idUSKCN1NY0DF

Source URL (modified on 24 Dec 2018 - 2:38pm):
https://www.bankreformnow.com.au/node/526

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