

Video transcript

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The Banking Royal Commission and small business – Part One

Kate: It's been a big couple of days with the release of Commissioner Hayne's report into the Banking and Financial sector. There are lots of small businesses out there that've been badly affected by the big banks and other financial institutions so this has been an important piece of work for many small businesses and consumers in Australia.

Unfortunately, Commissioner Haynes didn't focus all that heavily on the small business sector and the final report really shows that. There's not a lot in it for small businesses but there are some good bits. One of the recommendations is for the Banking Code of Practice to be extended to make the definition for small business of all loans up to \$5 million to be businesses with less than 100 employees. At the moment, the Banking Code only covers small businesses where the aggregate loan is less than \$3 million. So this extension will mean that the banking code of conduct will cover another 10-20,000 small businesses. That's a big step in the right direction and we've been pressuring the ABA to do for a long time.

Haynes has also recommended that the banking code should be legally enforceable. Although the current code is approved by ASIC, they can't legally enforce it. Moving to a legally enforced code is a step in the right direction.

One of the things that he doesn't focus on, that we're disappointed with, is the changes that need to happen in the banking code to give the code real teeth, because Commissioner Haynes has said that the banking code of conduct is the basic document that small businesses need to rely on for justice, for fairness. The banking code has to be good, it has to have teeth, has to support small businesses. At the moment, even the new code has a whole load of 'get out of jail free' clauses for the banks. It says things like small businesses will be given 30 days to pay back a loan if they're in default and then the next paragraph says but if, in our reasonable opinion, eg the banks reasonable opinion, a shorter period of time is more appropriate then there will be a shorter period of time. Or no time at all! There's regular clauses in the banking code that do exactly that – say something that's good and appropriate, but then gives the banks a way out.

We don't think that's reasonable. We've gone back to the ABA with line and verse of all the changes we believe need to happen to ensure small businesses are appropriately protected. At this point in time, we haven't had a response from the ABA but they have indicated they'll respond after the Banking Royal Commission came down. We'll be pushing the ABA heavily to ensure the new code that comes in to effect on 30 June 2019 reflects exactly what Commissioner Haynes said, which was that it's a document that gave small businesses the capacity to access real justice and fairness.