



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

6 April 2023

Senator the Hon Matthew Canavan

Chair

Senate Standing Committee on Rural and Regional Affairs and Transport

PO Box 6100

Parliament House

CANBERRA ACT 2600

via email: rrat.sen@aph.gov.au

Dear Chair,

Ongoing bank closures in regional Australia

We welcome the opportunity to comment on the inquiry into bank closures in regional Australia (the inquiry).

The challenge of maintaining access to in-person financial services in regional Australia has been present for the past 25 years. This longstanding problem has been compounded in recent years, with banks closing 97 branches and removing 382 automated teller machines (ATMs) in regional Australia during the 2021-22 financial year.¹

As bigger banks with a longer-term historical presence in regional Australia withdraw ATMs and physical branches from regional communities, we are concerned that:

- small business banking relationships are lost
- access to cash and deposit services are diminished
- bank customers must commute to higher order centres for service or engage with metropolitan based bankers, who may not understand the regional small business customers' investment potential or operational challenges.

In 2022, 30% of Australian small businesses were based in a regional area. How a bank builds and fosters banker relationships, through regional bank branch staff, impacts local small businesses ability to invest in their capacity to create regional jobs, and local liveability and prosperity.²

2021 Regional Banking Taskforce

At least 92 bank branch closures have been made final or slated since the Regional Banking Taskforce's (the taskforce) final report was released on 30 September 2022.³

Several of the taskforce's recommendations with significant relevance to this inquiry are not due to be implemented until later in 2023. As such, we support the Senate Standing Committee on

¹ Australian Prudential Regulatory Authority (APRA) *Authorised deposit-taking institutions' points of presence statistics*, APRA statistical publications, 19 October 2022.

² Australian Small Business and Family Enterprise Ombudsman (ASBFEO), *Small Business Data Portal: Location of Australia's small businesses - regional and metro areas*, February 2023.

³ Nine Entertainment, *Karl blasts big banks as regional closures soar*, 13 February 2023.



Rural and Regional Affairs and Transport committee's (the committee) request for banks to postpone any further regional branch closures, until the committee has presented their inquiry report to the Australian Government (by 1 December 2023).

Further, we acknowledge that not all banks are withdrawing in-person banking services. Several customer-owned banks continue opening new branches in regional communities, including locations where larger bank branches have recently, or have been announced will close.⁴

Considering this context, we provide the following comments and recommendations for the committee's consideration.

- 1. We acknowledge the Australian Banking Association (ABA) is updating the Bank Closure Protocol as per recommendation 31 from the 2021 Independent Review of the Banking Code of Practice Final Report (the review) and urge the ABA to encourage exemplary conduct above compliance across its whole membership.** ASBFEO is constructively contributing to the ABA's branch closure protocol review consultations and has proposed a number of improvements to better address small and family business considerations. These include the need for individualised support for small business customers, a genuine opportunity for stakeholders to influence the Bank Closure Impact Assessment process and conclusions, the adequacy and durability of proposed alternative access arrangements, a deeper consideration of what is 'local' in a non-urban context and the need to maintain local market expertise to support the full suite of small business banking requirements.
- 2. Where a bank has decided to close a branch, it should be required to support the retention and convenient availability of small business and agribusiness bankers (with local market knowledge) in the community so that existing banking relationships, and small businesses seeking finance are supported and given fair treatment.** A bank's decision to offer finance, any attached conditions of lending, risk-based interest rates, maximum loan amounts and security requirements should not be influenced by applicant's locality or the absence of a small business or agribusiness banker.

Stakeholders have presented examples of banks refusing to lend or reducing the lending capacity of customers in regional areas where there are minimal or no other recently approved loans. This can adversely affect both business and mortgage lending and carries a flow-on affect to regional liveability, economic viability, population growth, and the viability and sustainability of regional bank branches.

- 3. The Australian Government should insist on adequate Australia Post Office (APO) performance standards, and sustainable franchise and licensee commission structures for viable small business local and community post offices (LPO and CPOs) to provide Bank@Post services that better support small businesses to access cash and deposits.** We agree that APO performance standards should evolve as innovation in digital communication methods creates a natural decline in the number of letters being sent by businesses and government. Further, many regional, rural and remote Australian communities already experience a lesser frequency of letter delivery, such as every second business day.

However, there is a risk that changing performance standards for LPOs and CPOs without due regard to their commercial conditions or infrastructure constraints may reduce their financial

⁴ ABC, *Hume Bank to open branch in small farming community of Holbrook as NAB closes its doors*, 8 February 2023; 2EC, *New Bank to Open in Bombala*, 17 March 2023



viability. This may in turn result in shortened trading hours for small businesses seeking access to Bank@Post services, or in the worst-case scenario, induce the closure of LPOs and CPOs. Ensuring ongoing access to Bank@Post services is especially important for regional communities that have limited or no access to commercial bank branches.

- 4. Banks need to adequately consider and manage the risk of local APO franchises closing and leaving regional communities without banking services.** APO licensees can decide to terminate their franchise agreement, or sell or wind-up their business, presenting a risk to regional financial servicing in the instance that an APO is the sole banking service provider via Bank@Post services.

Given banks, via the protocol, often rely upon APO to provide alternative in-person banking services, bank closure processes should ensure they consider the possibility that the local APO service will not be in place forever, and the consequences that may have on small business access to cash and deposit services.

- 5. Fees charged by banks for the use of Bank@Post should match fees charged in branch.** Banks pay Australia Post to offer Bank@Post services on their behalf under circumstances where they have withdrawn their own in-branch services. As such, customers should not be charged for transacting at Bank@Post, or Bank@Post transactions should not attract fees to recover the cost of Australia Post providing Bank@Post services.
- 6. The Australian Government should consider the need for ongoing funding of the Rural Financial Counselling service (RFCS), and ongoing funding for, and potential re-scoping of, the RFCS Regional Small Business Support Program (RSBSP).** Branch closures add stress and inconvenience to small businesses in rearranging banking. This is concerning in rural and regional areas where small businesses are suffering the ongoing impacts of natural disasters and the pandemic. The combination is likely to increase demand for mental health services in these areas.

The RSBSP provides free financial counselling services to small regional businesses impacted by drought, the 2019-2020 bushfires, or COVID-19.⁵ Funding for the RSBSP is due to cease on 31 March 2023, with approved service providers able to use any underspends to support small businesses until 30 June 2023.⁶

Whilst we acknowledge and support the work of the Small Business Debt Helpline funded through Financial Counselling Australia, this does not provide the follow-up or targeted business advice. Indeed, the Small Business Debt Helpline is currently referring callers to the RFCS because it can provide this additional support.

The Ombudsman's submission to the 2021 Regional Banking Taskforce is attached for the Committee's reference.

If you would like to discuss this matter further, please contact Sarah Blyton, on (02) 5114 6128 or via email at Sarah.Blyton@asbfeo.gov.au.

⁵ National Emergency Management Agency (NEMA), *Regional Small Business Support Program*, accessed 29 March 2023.

⁶ NEMA, *Regional Small Business Support Program*, accessed 29 March 2023.



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Yours sincerely

A handwritten signature in black ink, appearing to read 'Bruce Billson', written in a cursive style.

The Hon Bruce Billson

Australian Small Business and Family Enterprise Ombudsman