



Our ref: R11/27381 Out-28139

25 September 2018

The Hon. Kenneth Hayne AC QC  
 Commissioner  
 Royal Commission into Misconduct in the Banking,  
 Superannuation and Financial Services Industry  
 PO Box 5446  
 KINGSTON ACT 2604

Dear Mr Hayne

**Re: Local Government NSW Public Submission to the Banking, Superannuation and Financial Services Industry Royal Commission - Resolutions of the 2017 Local Government NSW Annual Conference**

I write regarding priority policy issues raised by Local Government NSW member councils at our recent Annual Conference. The Conference attracted over 1,000 participants including councillors and senior council staff, of which nearly 500 were voting delegates. I seek your consideration of the following conference resolutions regarding the Banking and Insurance Industry which are of concern to the local government sector across NSW.

I also request consideration be given to extending the Royal Commission so all relevant matters can be heard and addressed.

**Resolution 22: Moree Plains Shire Council – Demolition of burnt-out houses (Insurance)**

*That Local Government NSW lobbies the insurance sector to change the manner in which insurance payouts are administered for burnt-out residential and commercial buildings in NSW to:*

- *ensure that payouts are not advanced to an owner of a property unless and until the burnt-out building has already been legally demolished and removed or,*
- *alternatively, such payout could be made to the owner of the property less the cost of demolition and removal, with the council receiving those funds with responsibility to ensure demolition and removal is carried out.*

At present there is no obligation on insurance companies to ensure that burnt-out residential and commercial buildings are cleaned up safely and legally as part of the insurance claim process. Rather claims are paid out directly to owners (where insurance exists) who in many cases do not do the right thing and fail to clean up the burnt-out residential and commercial buildings. These buildings, often riddled with asbestos and other hazardous materials, are then abandoned and left to the responsibility of local councils to clean up at ratepayer's expense. In rural and regional areas this is financially unsustainable as councils are unable to recover the full cost of clean-up.

Failure to clean up burnt out buildings places an unacceptable burden on councils and their communities. Where insurance exists, every effort should be made to ensure that claims on those insurance policies go directly to the clean-up where required.

LGNSW calls on the insurance industry and government to ensure burnt-out residential and commercial buildings in NSW are cleaned up as part of the insurance claims process where insurance exists.

#### **Resolution 24: Forbes Shire Council – Banking industry**

*That Local Government NSW:*

- *engages with the mainstream banking industry to establish appropriate protocols for effective dispute resolution in relation to loan portfolios; inclusive of initial loan approvals, renewals and terminations for NSW councils; and*
- *that LGNSW make a submission to the Royal Commission into banking, in consultation with local councils.*

Local government, which has a significant relationship with the mainstream banking industry, needs a constructive and respectful relationship with that industry in relation to any dispute resolution processes.

LGNSW firmly argues that there should be a thoroughly independent banking complaints system rather than the existing arrangement which is run by the bank, to help remove any risk or perception of bias. In addition to the banks' existing complaint systems, there must be an independent assessor available to councils and LGNSW suggests this assessor could be part of the Financial Ombudsman Service.

Thank you for the opportunity to provide a submission to the Banking, Superannuation and Financial Services Industry Royal Commission on the very important insurance and banking issues addressed above.

Yours sincerely

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**President**