

ROYAL COMMISSION INTO MISCONDUCT IN THE BANKING, SUPERANNUATION AND FINANCIAL SERVICES INDUSTRY

MACQUARIE GROUP LIMITED (ACN 122 169 279)

SME LENDING REQUEST

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1. Introduction

1. In a letter dated 5 April 2018 the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (**Commission**) has requested that Macquarie Group Limited (**MGL**) provide a response to two questions:
 - (a) Whether Macquarie wishes to point out any features of its submission to the Commission dated 29 January 2018 (**Macquarie Submission**), or the further particulars to parts of that submission provided to the Commission on 13 February 2018 (**Particulars**) as relating to lending to small and medium-sized enterprises (**SMEs**).
 - (b) Whether Macquarie wishes to add anything to the Macquarie Submission and Particulars in relation to SME lending.
2. The letter from the Commission referred to the Parliamentary Joint Committee on Corporations and Financial Services on Impairment of Customer Loans (**PJC Report**) and the Small Business Loans Inquiry Report of the Australian Small Business and Family Enterprise Ombudsman (**Carnell Report**) and public submissions which raised issues in relation to certain aspects of business lending that are set out below.
3. Other documents are also relevant to this response:
 - (a) The Commission has issued to MGL a notice to produce documents relating to SME lending (**NP-135**). In a letter from Allens to the Commission dated 23 March 2018 and a reply from the Commission dated 27 March 2018 the response to that notice has been limited to two divisions of Macquarie Group that provide finance to SMEs in more than an incidental way.
 - (b) In an email dated 29 March 2018 the Commission requested that Macquarie provide written statements responding to specific matters set out in a document title 'rubric 3-5', which related to business lending. In response, on 13 April 2018, Macquarie provided two draft statements:

- (i) a draft statement of Grant Robson, Head of Sales (States) of the Business Banking division of the Banking and Financial Services (**BFS**) operating group (**Draft Robson Statement**); and
- (ii) a draft statement of Jonathan Moodie, Executive Director, Asset Finance – Australia Regional Head of the Corporate and Asset Finance operating group (**CAF**) (**Draft Moodie Statement**).

2. Features of the Macquarie Submission and Particulars

- 4. There are two features of the Macquarie Submission and Particulars that should be pointed out:
 - (a) information about the business and structure of Macquarie Group, which has implications for the form of SME lending undertaken by Macquarie Group; and
 - (b) particular incidents or parts of the Macquarie Submission and Particulars that relate to SME lending (responsible lending, standard form agreements and dealings with clients in financial distress).

2.1 Macquarie Group business and structure

- 5. The Macquarie Submission outlines features of Macquarie Group's business, including its corporate structure and governance (paragraphs 2, 3, 17 to 26 and Annexure 3) and its retail and SME, as compared to its institutional, facing businesses (paragraphs 15, 16 and Annexure 2).
- 6. As outlined in the Macquarie Submission and further explained in Macquarie's letter of 23 March 2018, there are two parts of Macquarie Group that provide finance to SMEs in a more than an incidental way:
 - (a) BFS provides banking (including lending) and wealth management services predominantly to retail and SME clients. Within that group, the Business Banking division provides banking services (including lending) to businesses and a significant proportion of its lending is to SMEs. Further information about Business Banking is in the Draft Robson Statement (paragraphs 14 to 35); and
 - (b) CAF's Asset Finance subgroup provides asset finance and asset management services. The Australian operations of the Asset Finance sub-group provide finance and rental services for particular classes of assets (principally motor vehicles and technology equipment). Those financial products are provided to SME clients by Macquarie Leasing Pty Ltd (**MLPL**) and Macquarie Equipment Rentals Pty Ltd (**MER**). There is one stream of Asset Finance that also provides more general business lending to 171 motor dealer group clients. Given the limited number of clients and narrow scope of this part of the business it will be set aside for the purposes of this response. Further information on motor vehicle dealer finance is in the Draft Moodie Statement.

7. Annexure 2 of the Macquarie Submission indicates the respective size of the BFS and CAF groups within the Macquarie Group as a whole. Annexure 1 of the Draft Robson statement together with Annexure A of the Draft Moodie Statement further show that, in 2018, SME lending by BFS, MLPL and MER together comprised about 15% of Macquarie Group's loan book (the balance being retail or institutional lending).
8. The different business focusses (retail and business banking and wealth management as compared to asset finance) inform the location of the two divisions within Macquarie Group's corporate structure. That, in turn, means that the Business Banking division and MLPL and MER have different people, policies, forms of documentation and practices which are outlined in the Draft Robson Statement and the Draft Moodie Statement.
9. Those differences in approach are also informed by the particular features of the SME lending undertaken by the two divisions:
 - (a) Business Banking:
 - (i) provides business banking services, including lending, principally to professional services firms in a select set of segments in the financial services (accounting, financial planning and insurance broking), property (real estate agencies, strata managers, architects etc), health (doctors, dentists, pharmacists) and legal professions. Only 7.1% of its lending is 'general' business lending including to SMEs;
 - (ii) places a heavy emphasis on relationship management with its clients across their various banking requirements, which in turn means that it principally lends in capital cities and select larger regional centres that have Macquarie offices. The focus on the overall relationship also informs its approach to business clients in financial distress;
 - (iii) will generally only consider lending where the total footings (deposits and loans) of the business client are over \$1 million; and
 - (iv) seeks to maintain a competitive advantage in dealing with those particular professional services segments by having detailed specialist industry knowledge that enables it to make more informed credit assessments than its competitors, enabling it to significantly reduce dependence on the pledging of property belonging to directors or business owners as security.
 - (b) MLPL and MER:
 - (i) focus on specialised asset finance, with:
 - (A) MLPL's business providing chattel mortgages, finance leases and other equipment finance for motor vehicles and other business assets; and
 - (B) MER's business primarily providing rental services for specific business equipment such as IT assets and photocopiers,

and neither business provides general finance or working capital facilities for SME businesses.

- (ii) generally provides one-off asset finance with an average size at origination of \$48,600 for MLPL and \$28,600 for MER;
- (iii) as specialised asset financiers, are in almost all cases comfortable only taking security over the asset being financed and do not as a policy take security over personal assets of borrowers or the directors of borrowers; and
- (iv) due to the depreciating nature of the assets financed and the fact that the loan is generally amortising over the useful life of the underlying asset, find that many of their customers will pay off their loan by the end of term and purchase a new asset rather than seeking further finance for the same asset.

10. There is not a part of Macquarie that provides generalist SME finance on any meaningful scale. Rather there are the specialised niche businesses identified above that form part of the diverse range of businesses referred to in paragraph 4 of the Macquarie Submission. While separate and specialised, those businesses are governed by Macquarie Group's overarching Risk Management Framework (in particular, the Credit function of the centralised Risk Management Group provides overall governance of credit decisions) and are subject to Macquarie Group's overall risk appetite (further information is in the document titled *Overview of Key Current Risk Management and Governance Policies and Procedures* provided, at the Commission's request, on 3 April 2018).

2.2 Parts of the Macquarie Submission and Particulars

11. Paragraphs 166 to 186 of the Macquarie Submission and Schedule 10 to the Particulars set out issues arising under the *National Consumer Credit Protection Act 2009* (Cth). Some of those incidents arose in the Business Banking Division of BFS and the CAF Operating Group but they were not in connection with incidents relating to SME lending (responsible lending, standard form agreements and dealings with clients in financial distress).
12. Paragraphs 242 and 243 of the Macquarie Submission identified customer complaints to Macquarie or to FOS as potential examples of conduct that may be considered to have fallen below community standards. The particular topics of complaints referred to in the submission included complaints relating to credit default issues and hardship cases. Some more details of complaints relating to SME lending are outlined below.

Business Banking

13. As at 1 January 2018 Business Banking has approximately 3,208 group customers (Draft Robson Statement, Annexure 1, Table 3, the concept of a 'group customer' is explained in paragraph 43 of the Draft Robson Statement). Since 1 January 2013 (being the period principally covered by rubric 3-5) Macquarie has received about 400 complaints in relation to the various banking services offered by Business Banking (including the DEFT payment system, residential mortgage lending, cash

accounts and the Macquarie Pacific Funding business described in paragraph 8(a) of the letter of 23 March 2018).

14. The complaints management system categorises complaints by the nature of the complaint. The current complaints management system has been in operation since July 2012. It records 23 complaints (from 16 group customers) that are in categories relating to 'alleged maladministration' (which would include complaints alleging that a loan was unsuitable), 'default process', 'financial hardship' or 'lending policy'.
 - (a) two of the complaints relate to alleged unsuitable lending (set out in paragraph 77 of the Draft Robson Statement and resolved as described there);
 - (b) 15 complaints (by nine group customers) relate to financial hardship and/or proposed enforcement action. The majority of these relate to client dissatisfaction with the amount of financial accommodation offered by Macquarie, for example, the client considering that a longer period of interest-only finance should be provided, or an extended period should be allowed to enable assets to be sold. Most of these complaints were lodged with the Financial Ombudsman Service and resolved by agreement. One client made two complaints in relation to the appointment of receivers and sale of personal property. FOS declined to hear the matter and the client did not otherwise pursue the complaint.
 - (c) the remaining six complaints related to lending application matters such as dissatisfaction that loan applications or guarantees had been declined and could be resolved by providing the client with further information or explanations. In one case a commitment fee amount was also refunded. Three of these complaints were lodged with FOS – one was resolved; one was closed as being outside FOS' terms of reference (and not further pursued); and the last was related to the FOS recommendation item mentioned above. The other three were resolved internally.
15. Other potentially relevant matters recorded in Macquarie's incident management system in connection with SME lending are below. These incidents were identified before 1 January 2013 and accordingly were not included in the Particulars, which related only to conduct identified after 1 January 2013:
 - (a) an incident identified in 2009 in which a property valuation obtained from a third-party valuer in 2005 was significantly higher than the actual value, resulting in approval of credit in excess of the appropriate amount. Macquarie subsequently commenced proceedings against the valuer;
 - (b) an incident identified in 2008 in which a branch approved a drawdown on a loan that, based on the initially advised income of the business, would have been an unsuitable amount of credit. Upon provision of updated income amounts from the client the amount of drawn down credit was assessed as being not unsuitable and therefore no remediation was required; and

- (c) an incident identified in 2011 where a business facility was approved without information to establish the suitability of the facility, however the client was in fact able to service the loan.

MLPL and MER

16. As at 31 March 2018, MLPL and MER had 166,536 and 14,160 business lending customers respectively (Draft Moodie Statement, Annexure A, Table 2). Since 1 January 2015, Macquarie's complaints management system recorded 679 complaints in relation to commercial hire purchase or chattel mortgage products.¹ These are the financial products primarily obtained by SMEs.
17. The complaints management system records complaints by the nature of the complaint. In the period from 1 January 2015, 29 complaints have related to 'maladministration', 217 have related to 'financial difficulty' and 75 have related to 'processes'. This coding is based on the customers description of their issue and does not reflect Macquarie's assessment of their complaint.
18. 'Financial difficulty' complaints concern requests by customers for assistance in making repayments where they are experiencing financial difficulty for various reasons. These requests are considered in accordance with MLPL's Financial Difficulty Assistance Policy for business customers (Draft Moodie Statement, paragraphs 142 and 100).
19. Of the 29 complaints of 'maladministration' recorded, 17 involved complaints as to the affordability of the product and two related to the assessment process undertaken. Of these complaints, there were only two where the resolution involved the waiver of outstanding debt. A summary of these two instances is as follows:
- (a) a client undertook a training course provided by a company named ISGM and obtained equipment finance from MLPL for a motor vehicle and trade tools for their new business. MLPL assessed the client's ability to pay on the basis of information as to the income of trainees who had successfully completed the training course. The client did not earn the expected income and fell into default. Financial hardship assistance was extended to the client. The motor vehicle was repossessed following the client's refusal to provide further documentation to support further hardship assistance. The outstanding debt was ultimately waived and the client retained the trade tools.
- (b) one complaint by the father of a customer regarding the purchase by his son of a luxury imported vehicle for business purposes. The complaint stated that the son was not able to make a sound financial decision because of mental issues affecting him at the time. In that instance, MLPL resolved the complaint by taking back the vehicle and waiving the shortfall.

¹ 1 January 2015 has been used as the start date for this analysis as the MLPL and MER businesses have historically used different complaints management systems and it was not practicable, in the time available, to collate data from earlier periods.

3. Other things that Macquarie wishes to add

20. The headings below identify matters relating to each of the specific issues identified in paragraphs (a) to (g) of the Commission's letter of 5 April 2018 that emerge, in particular from the Draft Robson Statement and the Draft Moodie Statement.

3.1 Use of personal assets to secure a loan to an SME

21. The PJC and Carnell Reports identify concerns that SMEs have vulnerability akin to a consumer in part because loans in the general SME lending market are frequently secured by personal assets, including the family home of the principals (eg PJC Report at 1.2 and 3.58 and Carnell Report at pages 23, 31 and 56).

22. There are two aspects of Business Banking's use of personal assets to secure SME lending that are relevant:

- (a) Business Banking takes a relatively low proportion of security over personal assets (paragraph 20 of the Draft Robson Statement). Only about 7% of the SME lending by Business Banking has the family home of the business owner as the only form of security for the loan:
 - (i) 59% of its business loans are secured only by the cashflow/goodwill of the relevant business (no personal assets are used as security). For business lending under \$20 million the figure is 63.4%;
 - (ii) 26% of its business loans are secured both by cashflow/goodwill and by property. For business lending under \$20 million the figure is 22.3% and of that 59.3% comprises cashflow/goodwill security, 20.4% residential property security (including investment properties) and 20.2% commercial property security; and
 - (iii) 15% of its business loans are solely secured by property. For business lending under \$20 million the figure is 14.3% and the properties used as security are 28% commercial property, 22% investment properties and 50% owner-occupied residential properties.
- (b) Since 1 January 2013 Business Banking has only exercised security rights over about five property assets, two of which were commercial properties that were voluntarily relinquished (Draft Robson Statement paragraph 161).

23. The Draft Moodie Statement identifies that MLPL and MER do not as a policy take security over personal assets (paragraphs 62 to 63 and 78 to 79). Their security is over the asset that is the subject of the finance.

24. Accordingly, the specialised types of SME lending undertaken by Macquarie are characterised by a low proportion of personal property security being taken and an even lower history of recourse to personal property security.

3.2 Placing loans into non-monetary default

25. There are four aspects of Business Banking's approach to placing loans into non-monetary default that are relevant:
- (a) The fact that a 'default event' (whether monetary or non-monetary) under the relevant finance agreement or loan offer has occurred is a necessary, but not a sufficient condition for a loan to be placed into default. That only occurs when a facility meets the Macquarie Group definition of 'default', which principally requires that the obligor be at least 90 days past due on a credit obligation and/or that Macquarie Group considers that the obligor is unlikely to pay its credit obligations in full without recourse to security (Draft Robson Statement paragraphs 111 to 113).
 - (b) Since 1 January 2013 there only 69 instances where a Business Banking client has been placed in default where Macquarie has not, in the time available to prepare the Draft Robson Statement, been able to identify a monetary default event in the preceding 90 days (Draft Robson Statement paragraphs 115 to 116 and Annexure 5).
 - (c) Macquarie's Asset Solutions Policy, as amended in November 2017, provides that, as a general rule, notices of demand for payment should not be issued on the strength of non-monetary defaults alone. As a matter of practice, for clients with a combined facility limit of under \$3 million Business Banking will only request repayment of a debt for a non-monetary default in cases of insolvency, fraud or other illegal activity or where the default is so material that it jeopardizes the immediate viability of the business (eg loss of licence to operate) (Draft Robson Statement Paragraph 137).
 - (d) Where a facility is placed in default, that does not trigger any automatic enforcement action. Such action is exceedingly rare. Since 1 January 2013 Business Banking has, in relation to defaults generally (whether monetary or non-monetary) appointed receivers on only about five occasions and, as noted in paragraph 22(b) has only had recourse to about five pieces of personal property (Draft Robson Statement paragraph 114).
26. The Draft Moodie Statement identifies that the practical reality of the low-value, high-volume nature of the MLPL and MER businesses is such that the first default that will come to the attention of MLPL or MER is likely to be a monetary default (paragraph 124) as the business is not able to regularly examine its customers businesses to identify non-monetary defaults. It further identifies that there would be few, if any, occasions upon which enforcement action was taken solely on the basis of a non-monetary default (paragraph 125).

27. There are further aspects of the drafting of events of default clauses that are relevant:
- (a) The Carnell Report (dated December 2016) recommended that contracts for SMEs be amended to provide a one page summary of events of default (Recommendation 6). The form of finance agreement used by Business Banking at that time had recently been amended to set out events of default in a table of about a page (Draft Robson Statement paragraph 91). The document suite had also recently been amended to be significantly shorter and written in plain English (Carnell Report recommendation 7). The MPLP and MER agreements had also already been amended to be in 'short form').
 - (b) The Carnell Report recommended that the appropriate form of non-monetary default clauses be the subject of industry consultation and that standards be articulated in an amended Code of Banking Practice (**COBP**), which should be approved by ASIC (Carnell Report section 3.1). Macquarie has actively contributed to industry consultations concerning proposed revisions to the COBP. It anticipates that a revised COBP will be approved by ASIC soon, however there remain significant areas, including the definition of 'small business' that are unresolved. Macquarie has undertaken significant work before the finalisation of the COBP to prepare to make any necessary changes. Once the COBP is finalised and approved by ASIC it will undertake the complex exercise of implementing the COBP (as applicable to its businesses), including obtaining approvals of any revised document suites, re-training relevant staff, amending internal policy requirements and making technical adjustments to document management systems (see paragraphs 95(b) and 101 to 108 of the Draft Robson Statement for an example of what that entails).
 - (c) Further, over the course of 2017 ASIC has engaged with the big four banks (and not Macquarie) to determine the appropriate form of events of default clauses for 'small business contracts' as defined in section 12BF(4) of the *Australian Securities and Investments Commission Act 2001* (Cth). It announced that it would publish detailed information about the changes so that other lenders to small business could consider whether changes to their contracts may be required (ASIC Media Release 17-278, 24 August 2017). That information was published on 15 March 2018 (Report 565) and is being considered by Macquarie.

3.3 Length or communication of notice given by a bank to repay a loan once the loan is placed in default

28. Generally, Business Banking gives clients a minimum of 30 days' notice to repay a loan once it is in default and may also provide longer tailored periods to, for example, allow a reasonable period to sell a business or business asset. Shorter periods are limited to situations such as insolvency, or suspected fraud or other illegal activity (Draft Robson Statement paragraphs 150 to 153).
29. MLPL and MER businesses will typically seek to contact a client in the days following a non-payment to ascertain the reason for the non-payment and agree arrangements for the arrears to be paid. Except in certain circumstances (including where financial difficulty is identified in accordance with the Financial Difficulty Assistance Policy), if payment of arrears has not been made within 14 days of

the contractual due date, a notice of default would be sent to the client at day 14 providing a further 14 days to make payment of the arrears. Notwithstanding this, Macquarie will continue to work with the client where the client is being cooperative, as it is the experience of those businesses that borrowers will often remedy one or two missed payments (Draft Moodie Statement, paragraph 123 to 214). As MLPL's and MER's security is limited to the asset being financed (which will be depreciating in value) it is also common for those businesses, in the first instance, to work with the borrower to keep them trading rather than calling in the loan (Draft Moodie Statement paragraph 141).

3.4 Refusal to roll-over loans including length or communication of notice

30. Business Banking's relationship management process and formal annual (or more frequent) client reviews mean that engagement with clients about the impending expiry of a loan facility will commence well in advance of the facility expiry date. Since December 2017 Business Banking has had a firm practice of providing a minimum of 90 days' notice (Draft Robson Statement paragraphs 171 to 176).

31. The effect of the earlier practice has been that decisions about rollovers have typically been made and communicated more than 90 days before the expiry of the facility. The number of loans that are not rolled over is relatively small in any event. For example, in the 2017 financial year, of the 384 facilities that were due to expire:

- (a) 87% were rolled over or restructured with Macquarie;
- (b) 12% were repaid in full, some of which were refinanced externally – of these, 7 clients (1.8%) were on Creditwatch at the time of exiting the MBL. Where Clients were not on Creditwatch at the time of exiting MBL, their facilities are likely to have been repaid over the life of the loan, and /or were the subject of competitive refinancing (that is, the decision to refinance was not a product of Macquarie refusing a roll-over); and
- (c) 1% (4 facilities) were not rolled over and remain expired and/or on Creditwatch.

32. MLPL and MER do not provide the sorts of finance that customers would expect to be 'rolled over'. Due to the depreciating nature of the assets, and the fact that the loan is often amortising over the life of those assets, in many cases the borrower will pay off the loan at the end of the term and will not seek to re-finance the existing loan (including by potentially selling the depreciated asset to pay off any remaining 'balloon payment') (Draft Moodie Statement paragraphs 148 to 149). Accordingly, issues of refusing to 'roll over' tend not to arise in relation to these businesses.

3.5 Use of unilateral variation clauses

33. There is a conditional variation right under section 9 of the current Finance Agreement (Tab 25 of Exhibit GR-01) where Business Banking may, upon 30 days written notice, change any term of the Finance Agreement (including to require additional Securities or increase the Margin) if a review establishes any adverse change in the client's circumstances, security or the bank's credit risk or any condition that the bank requires to be fulfilled after the initial drawdown date is not fulfilled within three months (or such other time as agreed in writing with the bank). Clause 19.1 of the Common

Terms and Conditions also provides that Macquarie may vary the agreement upon an event of default (Tab 26 of Exhibit GR-01). The Loan Offer Standard Terms and Conditions provide in clause 2 that Macquarie may change the agreement where there is a legitimate need to do so and provides for notification requirements (Tab 28 of Exhibit GR-01).

34. Since 1 January 2008, Business Banking has not identified any loans where the Finance Agreement unilateral variation right (and its equivalent provision under previous loan documents) has been used to vary a client's loan. For loans in default, there may be instances where Business Banking has agreed to vary terms after consultation with the client, usually to achieve a mutually satisfactory outcome. Use of this unilateral variation right occurs within the context of Business Banking's approach to dealing with customers in financial distress as referred to below, and usual practice is for these arrangements to be agreed by a deed of variation. The Loan Offer variation right (and its equivalent provision under previous loan documents) has only been used to vary a limited number of items such as those outlined in clauses 2.1(b) and (c) of the Loan Offer Standard Terms and Conditions.
35. As mentioned in paragraphs 27 Business Banking proposes to review these provisions in line with the new COBP, once finalised, and ASIC guidance.
36. MLPL and MER's current suite of standard contracts do not include unilateral variation clauses. Clauses allowing for unilateral variation were removed in around November 2016 as part of the update to MLPL and MER's standard contracts following the extension of the unfair contracts term legislation to small business lending by the *Legislation Amendment (Small Business and Unfair Contract Terms) Act 2015* (Cth) (as described in Draft Moodie Statement, paragraph 101 to 121). MLPL Finance Lease and MLPL Commercial Hire Purchase agreements entered into before those amendments² did include a clause that allowed MLPL to vary the standard terms and conditions (for example, for an increase in the costs of providing credit, changes in law or regulation or changes in system or product development). However, MLPL's right to do so was expressly subject to any contrary law and gave rise to a termination right on behalf of the customer if the changes adversely affected the customer. MLPL rarely relied upon the variation clause in practice and has not relied upon the clause in existing contracts since the amendments to the standard form contracts in November 2016.
37. MER's standard rental agreements include a clause that allows MER to increase charges under the agreement where certain specified expenses increase during the term. These clauses are effectively 'cost pass through' clauses that reflect that MER is the owner of the asset being rented. They are reasonably necessary to protect the legitimate interests of MER.

² See JLM-02, Tabs 2 and 8.

3.6 Dealings with customers in financial distress

38. MLPL and MER will generally only have taken security over the asset which is being financed. If the client is in default MLPL and MER will generally work with customers to ensure that they are able to continue to trade. From time to time this may involve restructuring the loan to allow the customer further time to pay. Financial hardship situations are addressed under the Financial Difficulty Assistance Policy (Draft Moodie Statement at paragraphs 141 to 143). MLPL and MER do not appoint receivers and do not as a policy take security over personal assets (Draft Moodie Statement at paragraphs 62 to 63, 78 to 79 and 145).
39. Business Banking has a range of processes for dealing with customers in financial distress. This includes an internal designation known as Creditwatch, managed by the Asset Solutions team, which is allocated to clients who present an increased credit risk. The Asset Solutions team will, along with the Relationship Manager and RMG Credit, manage and oversee clients on Creditwatch (and in particular to identify signs of financial distress). Clients on Creditwatch are assessed on an ongoing basis, which includes agreeing and implementing appropriate strategies with the client to work out the situation or to exit the facilities by refinance, voluntary sale or enforcing security (Draft Robson Statement at 127 to 131). The policies and procedures for dealing with clients after an event of default are outlined in paragraphs 135 to a38 of the Draft Robson Statement.
40. It is exceedingly rare for Business Banking to take enforcement action involving the appointment of receivers or the sale of personal assets (Paragraph 138 of the Draft Robson Statement) and, provided that the client is willing and able to engage with Macquarie and there is no suspicion of fraud or illegal activity, Business Banking will work with clients to restructure loans if they are in financial difficulty (Draft Robson Statement paragraph 149).

3.7 Arrangements with valuers, investigative accountants and receivers

41. In respect of Business Banking valuers for commercial and / or residential property are obtained through an independent valuation platform, Valex, which connects Macquarie Bank Limited (**MBL**), as lender to valuers. MBL will submit a request for a valuation and a range of valuers will provide quotes. Business Banking maintains a list of preferred valuers who provide quotes through the valuation system. Non panel valuers are permitted to be used subject to appropriate approval in accordance with the Property Valuation Policy and the Macquarie Security Policy. MBL provides valuation quotes to clients who determine which valuer to appoint. MBL will provide a copy of the valuation to the client if they elect to receive a copy under the relevant authority form or if they otherwise request a copy (Draft Robson 146 to 148).
42. Business Banking rarely appoints receivers. As identified above, it has done so on only five occasions since 1 January 2013 and, for four of those, no investigating accountant had been appointed. The other instance the receiver had been the investigating accountant. Since December 2017 it has had a policy that, in the event that an investigative accountant has been previously appointed, MBL will not, as a matter of practice, appoint the same practitioner as the receiver (Draft Robson 157 to 158).

43. Business Banking does not have any formal panel for receivers – it will seek to appoint the appropriate practitioner on the basis that that practitioner is known to be reputable and skilled.
44. Whilst MLPL and MER do engage valuers from time to time to assess the value of any security (generally, being the asset being financed), this is primarily for internal risk purposes. Valuers are not used to determine whether to place a loan into default on the basis of LVR (Draft Moodie Statement at 140). MLPL and MER do not appoint receivers (Draft Moodie Statement at 145).