



Suncorp Group Limited  
ABN 66 145 290 124

Mr Simon Daley  
Solicitor Assisting the Royal Commission  
Via email: FSRCsolicitor@royal.commission.gov.au

18 May 2018

Dear Mr Daley,

**Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry - Supplementary Submission**

I refer to your letter dated 11 May 2018 (**11 May Letter**). I also refer to the response provided on behalf of Suncorp Group Limited, Suncorp-Metway Limited, Suncorp Life & Superannuation and Suncorp Portfolio Services Limited and their associated entities ("**Suncorp**") dated 29 January 2018 (**January Response**). Unless otherwise indicated, capitalised terms in this letter have the same meaning as those in the January Response.

The 11 May Letter asks whether there is any feature of Suncorp's January Response that Suncorp wishes to point to as relating to agribusiness lending and whether there is anything that Suncorp wishes to add to its responses specifically in relation to agribusiness lending.

Paragraph 1.4 "**Record keeping of customer instructions**" of the January Response relates to agribusiness lending customers. The conduct referred to in paragraph 1.4 concerned allegations made against a relationship manager who transferred funds totalling \$318,696 (to other accounts of the

customers and their advisors and to satisfy debts owed by the customers to third parties) from their Suncorp bank account without their approval. In correction of information in the January Response, Suncorp has identified documents expressly granting authority for transfers totalling \$42,247 and that the customers were aware of the transfers of a further \$225,231 (rather than \$192,062). No evidence of client approval or knowledge could be located for transfers totalling \$51,218 (rather than \$84,387). The customers filed both FOS complaints and civil proceedings. Following mediation, a settlement arrangement has been entered into and both parties are in compliance with their obligations under that arrangement.

Paragraph 1.18(d) "**Other Relevant Conduct by Banking Employees**" of the January Response refers to unrelated, non-systemic incidents of Relevant Conduct which occurred by reason of employees failing to follow Suncorp's policies and procedures including conflicts of interests. In this regard, Suncorp is aware of a North Queensland-based banker who had personal livestock agent dealings with a Suncorp customer for whom they processed loan applications and transactions. The customer filed a FOS complaint (which was closed) and there are civil proceedings on foot. As to whether this matter is indicative of cultural practices relating to agribusiness lending, see the final paragraph of this letter. Suncorp does not believe that this incident resulted from any other practices including risk management, recruitment or remuneration.

Both of the customers referred to above provided written submissions to the Select Committee on Lending to Primary Production Customers.

In addition to the above, Suncorp would like to provide comments on the issues concerning agribusiness lending identified at sub-paragraphs (b), (g) and (i) of the 11 May Letter and raise one additional issue in this respect.

**(b) The use of personal assets (including the assets of family members of the borrower) to secure a loan to an agribusiness customer**

Suncorp's preferred course of action is to hold security only over assets that are owned by the borrower. There are, however, examples where third party security is either offered or requested. One such example is the intergenerational transfer of farms which is an important feature of the agribusiness industry. In the absence of such security, granted on mutually acceptable terms, lenders may be otherwise unable to lend to those seeking to continue the family livelihood. Suncorp regards the taking of third party

security as a relatively higher risk activity from a lender's perspective and we believe the Code of Banking Practice provides adequate protection to a security provider who supports third party borrowing. In this respect, there is one agribusiness customer for which (subsequent to the January Response) Suncorp has formed a view that a third party guarantee was not accepted in accordance with the Code of Banking Practice. Suncorp cannot and will not enforce that guarantee.

**(g) Dealings with agribusiness customers in financial distress**

Suncorp has approximately 2,700 agribusiness customers at the present time. Less than half a percent of Suncorp's agribusiness customers are currently more than 90 days past due, which is the regulatory standard for reporting defaults. Where our agribusiness customers experience financial difficulties, Suncorp seeks to work with them to try to find a way to overcome those difficulties and will only move to formal enforcement action as a last resort. In this respect, Suncorp made no new insolvency appointments to agribusiness customers in FY2016, three in FY2017 and none in FY2018 to date, notwithstanding Suncorp being disproportionately exposed to agribusiness regions that have been impacted by harsh climatic and export policy related issues in recent years.

**(i) The reach and efficacy of external resolution schemes available to agribusiness customers**

Suncorp consistently engages in farm debt mediation (**FDM**) and has long been a strong supporter of this form of dispute resolution. In FY2016, FY2017 and FY2018 to date, Suncorp has been involved in 14 FDMs. FDM is an effective regime to support agribusiness customers who are experiencing financial difficulty and to give them the best chance to achieve viability or to achieve the most constructive alternative outcome. Mediation laws and regulations that are uniform, or at least closely aligned across jurisdictions, would be sensible given farmers may have holdings across states and most banks lend across Australia. Suncorp considers that the NSW model is effective and efficient.

**Additional issue not raised in paragraphs (a) to (i) of the 11 May Letter**

In Suncorp's view, the issues raised in paragraphs (a) to (i) of the 11 May Letter do not speak to a distinct issue that arises in agribusiness lending,

that is typified by the two agribusiness lending matters Suncorp referred to above. Farming communities are by nature remote (often with limited access to technology and unreliable internet access) and agribusiness customers have an expectation that their bankers should be “easy to deal with” and active participants in the community. The expectations of the farming community can be at tension with how banking is required to be conducted in the Australian community. This tension can on occasion lead to either agribusiness lenders not meeting their obligations to customers or individual bankers’ not meeting their obligations to their institutions. A way of ameliorating that tension would be a better understanding among the agribusiness community, and their proponents, as to the regulatory requirements that agribusiness lenders must operate within.

Yours sincerely



**David Carter**

Chief Executive Officer, Banking & Wealth  
Suncorp Group