

SUBMISSION ON POLICY ISSUES IDENTIFIED IN THE INTERIM REPORT

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Submission for: My Self

Name of other person, business or organisation:

Do you agree to your submission being published: Yes

Do you agree to your full name being published: Yes

Your submission:

Dear Commissioner Hayne,

I write to you from a perspective of having been in competitive business with extensive experience of dealing with banks for over 40 years. As well as being a Bachelor of Commerce (Economics), I have been a Director of numerous companies (some as Chairman, some as CEO), including publicly listed companies.

Firstly, thank you for your fine work in exposing our big banks, and some others, with regard to a number of their improper practices.

No doubt you are aware that our big banks are only used to a 'master-servant' relationship with, in particular, the majority of their customers. The Royal Commission will now be used by these banks for blame in instituting even harsher rules on their customers. They will demand more security, more penalties, more guarantees etc for the same business.

The banks will say the Royal Commission believes the banks have been too 'soft' on their customers in their lending practices. In the vast majority of cases, the opposite is true. But the banks will want a huge number of their customers to know that the Royal Commission has forced them to use stricter lending practices with their customers. While some high-flying property deals may have needed stricter lending practices, it is not relevant to hundreds of thousands of their customers.

It appears that there does need to be a level playing field for borrowing customers. It is to be hoped that the big banks will be asked to provide, in future, a public lending criteria in black and white for their customers and others to see. Such criteria could then be subject to examination by experts. Customers might then get a better view of real competition between the banks. In the meantime, the 'fear factor' will be used to suit the banks, to the possible detriment of tens of thousands of Australians.

Moreover, it seems the banks are already implementing their 2018-19 version of the old-fashioned 'credit squeeze'. They are going to make everyone pay for their public humiliation!

It's hard to imagine our leaders in Canberra, perhaps just six months from a Federal election, wanting a credit squeeze. Just watch our banking leaders quickly blaming the Royal Commission... quite dishonestly! With some banking executives trying to avoid jail time, this could be their way of perhaps offering some changes for the Coalition Govt. Perhaps a case of creating a problem then planning to resolve it to cleanse past misdemeanours?

Your Royal Commission has made it clear that ASIC has been weak in taking action in the past. These banking executives will get no sympathy for their 'greed' from you. However, the Opposition, so close to gaining power, is unlikely to object to a credit squeeze. This is the sort of 'return of serve' the banks come up with; hardly a dignified response to serious matters. As banks, more than any other industry, have the biggest effect on 25 million Australians, their behaviour is crucial to 25 million Australians.

It would seem that a good short term response would be to re-examine the ownership and issuing of banking licences, and those at the helm of such licences. Perhaps dishonesty is reason enough to 'show cause'? But clearly, enough has happened already to bring banking licences into play. After all, borrowers have to satisfy lenders of their suitability to borrow. If a borrower was shown to be dishonest, would the lender want to lend?

The big banks are too used to the 'master-servant' relationship, too used to not being accountable. The banks cannot pretend any asset markets are currently overheated or inflationary. There is no excuse for a credit squeeze. In fact, quite

the contrary. Already, the recent lending contraction will impact in the New Year. All asset markets have been in decline for some time now. Wages remain flat. It means a credit squeeze now will almost certainly lead to a recession. Even though, with surging immigration in recent years, the 'R' word is rarely used, the banks actions could bring it back into play.

In short, the banks have severely reduced their recent lending even though the Western world's liquidity is strong, with historically low interest rates. With regard to the banks impairment provision, they normally regard a 'clean book' is at about 3% provision of their loan book. It is currently at no more than half that. These low rates are historical lows. Clearly, their loan books are squeaky clean.

Is the Federal Govt aware of the already implemented credit squeeze? They need to be! Its first dire impacts are likely to be felt in the autumn of 2019. Unless you and/or the Federal Govt have an 'extremely frank' discussion (privately) with bank leaders before the end of this month, life for most Australians, and the Federal Govt, will likely take a turn for the worse. And the big banks likely response? "APRA continues to crawl all over us" and "The Commissioner told us to focus on responsible lending". This mischievous twisting of words is in contrast to the impairment provision against their loan book being at an all-time low. As their loan book is squeaky clean, clearly their lending has been 'too' responsible.

The banks also know no one has ever dared speak to them on the basis of a level playing field. Only you and the Federal Govt can do that.

Finally, it was pleasing to see our Treasurer publicly raise the issue of currency exchange not being fairly administered by the banks. Even more pleasing that it was raised by such a prominent figure as our Treasurer. Surely this is one area that the banks can improve for customers in the short term.

Once again, thank you for your fine work to date. We all look forward to your final report in February 2019.

Yours sincerely,

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