



Bank Reform Now

Taking Real Action To Bring About Real Change In Banking

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Bank Reform Now (BRN) – Response

Re: Interim Report – Hayne Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

I am very pleased to provide my organisations thoughts on the Interim Report. First - a little background information.

1. BRN has been campaigning for five years to see a very simple formula put in place to change the culture that has been allowed to fester in the finance sector. When a crime is committed by a finance sector worker the penalties must be swift and appropriate. The aim of course is to discourage not just "misconduct" but more importantly - criminal activity. The guilty party must be jailed where appropriate, forfeit the proceeds of the crime and fully compensate the victim of the crimes and misconduct (with the help of the employing bank or other financial services provider - if required). Put them in jail – Take their assets – Compensate their victims – It's really very simple.

The interim report does not focus much on breaches of the criminal code. Your terms of reference were deliberately limited and the duration of your inquiry was deliberately inadequate. You have the power to ask for more power and more time. Our hope is that this – and other - presentations will convince you of the need to do so.

The recent Treasury review into reforms to strengthen penalties for corporate and financial sector misconduct was quite constructive regarding a more effective regimen of penalties but they wanted to remove imprisonment as a penalty for all strict and absolute liability offences. They did suggest an increase in the financial penalties in those situations - which is quite reasonable. Hopefully that does not open a loophole whereby a guilty party can avoid prison and just pay a fine by claiming there was no knowledge of the law or intent to break the law. "Ignorance of the law is no defence" we often hear in other spheres of the law. Bearing in mind some of the deception and unconscionable conduct we have been seeing from players in the banking system it would not be surprising if some wrongdoers would abuse the law to keep themselves from serving a jail sentence.

2. It is all well and good to consider new legislation with harsher financial and custodial penalties for wrongdoers - but we already have laws against the crimes and misconduct that we are all concerned about. We also currently have penalties for those crimes and misconduct.

The problem has always been the laws are not enforced and the penalties are not applied. In this regard we agree with Commissioner Hayne that more regulation may not be what is required.

The problem goes right down the line: politicians, regulators (ASIC in particular), judges and police. **They do not enforce the law.** Why would it be any different for any new laws? The Banking Royal Commission has come down particularly hard on ASIC – and with very good reason. The regulator has been facilitating finance sector criminality. For a host of reasons the regulator has been captured by the corporate sector and is just not doing the job required.

You could also say that the Financial Services Royal Commission (FSRC) has also been captured as some of the most shocking abuses have not been publicly aired.

It should not fall to activist groups such as BRN to hold wrongdoers in the finance sector to account – it is the job of our elected representatives, judges and courts. BRN has recently begun to publish Bank Victim Horror Stories >>

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These cases prove that what the FSRC has exposed so far is the tip of the iceberg. In addition – we have included in an earlier submission to your inquiry a press release of outrageous cases of predatory and unconscionable banking. These also prove the point – the banks do not fear the law or the regulators because up to now they have been allowed to get away with crimes like these. Any penalties applied are a fraction of the proceeds of the crime. Penalties are a quietly negotiated cost of doing business.

You must hold the finance sector to account. It is the only way we can get meaningful reforms put into place.

A main factor missing from the business model of the finance sector is **ethics**. To be blunt - if players in the industry are not serving the interests of the customer then the sector just exists to fleece the customer. The Royal Commission has clearly shown that is the case – even without going into the murky depths of what crimes are really being committed. What Commissioner Hayne has exposed is bread and butter banking. The true criminality has not been touched - mainly because that would involve investigating the legal profession, receivers, liquidators and a host of other accomplices in an industry that works against the people's and their country's interests.

Banking and insurance are really just simple utilities. They do not deserve to be taking the disproportionate share of the nation's wealth that they do now. The high flyers in the industry do not deserve the level of remuneration they have traditionally enjoyed. You could make a very good case that many functions such as insurance should be provided via alternative models - non-profit mutual funds for example. Same goes for Superannuation. The conflicts of interest are insurmountable. Providing a service such as insurance is not the same as selling different brands of potato chips or mobile phones.

In your inquiry the four major banks, as well as the second tier players, disclosed that they had identified a range of **misconduct and conduct falling short of community standards and expectations**.

The financial service providers demonstrated a disjointed, piecemeal approach to monitoring their compliance with applicable laws.

The banks appear to prefer admitting to “conduct that had fallen below community standards and expectations.” Misconduct and criminal breaches are terms that – for some reason – are eschewed.

Our perception is that – from a bank’s point of view – the client clearly exists to be fleeced to the greatest possible extent ... regardless of ethics, morality and law.

In October this year each of the big four bank CEOs were interrogated by MPs from the House Economics Committee. It really was wonderful to see politicians from both sides of the political spectrum working as one - laser focussed on holding the CEOs and banks accountable for crimes and misconduct. It is not just a matter of greed is God. It is true that certain types of people gravitate to the top in politics, business and law. Most people work to an agenda of self-interest. The problem is the system and what interests & powers it serves.

CBA’s CEO Matt Comyn admitted to the House of Representatives Economics Committee that CBA has failed legally, morally and ethically in the way the bank treated its customers. All the MPs dissected down to the key issues with surgical precision. This was no whitewash. MP Clare O’Neil let Mr Comyn know clearly that the measure of the bank’s success in rehabilitating its image is the progress it makes in compensating victims including legacy cases.

[REDACTED]

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[REDACTED]

Our fabulously wealthy Big Four bank CEO's are involved in control fraud (Google it ... along with fraud fighting hero Bill Black). The use of rigged computer algorithms to approve unconscionable loans sets people up for their assets to be harvested by crooked bankers. It is organised crime. It is systemic and systematic and it operates on a grand scale. Politicians and their regulators are very much aware of this. The Reserve Bank and APRA along with ASIC have traditionally made whimpering pleas asking bankers to behave. Just prior to retiring ASIC's head Greg Medcraft began to make some appropriate noises - too little and too late it was just a charade. **The politicians, regulators and bankers involved in this racket must be held accountable.**

Giving 30 year interest free loans to asset rich income poor - and often elderly people, is predatory. **Loan application forms are routinely fudged to approve unaffordable loans.** This feeds directly into increasing demand in a heating property market.

Bankers giving out "cheap" low interest loans entice more people into believing they can afford unreasonably high priced housing. Low interest or interest only loans are a predatory banking tactic. We have a subprime / low doc problem which has fed into producing the Aussie property bubble. **We are only a couple of interest rate rises away from seeing massive numbers of defaults.** The perceived low cost of getting into the market turbocharges the demand side of the equation.

Proposals to raise interest rates to decrease demand and bring down prices - will actually trigger the crash that would harm the incomes of governments and other that profit from the bubble. Banks manage to profit regardless of the cycle. Mainly because of the nature of credit creation, criminally unfair contracts and the ability to churn repossessed properties. However there is a limit - and **we are not far away from the next phase of the global financial meltdown.** The Aussie banks did not sail through the 2008 crisis. **The US Federal Reserve pumped billions into NAB and Westpac. This was deliberately hushed up. We only need one of the predatory international banks to go under or a new push toward war to see trouble come to the Aussie finance system again. Both scenarios are on the cards right now.**

The other element to consider is moral hazard. "Too big to fail" banks abuse their perceived importance and get government guarantees and bail out / bail in protections. This means they can engage in all manner of predatory, unconscionable and criminal activities knowing that if it all goes pear shaped the "system" will rescue them. This enables them to steal from taxpayers, bank deposit holders and superannuation savings accounts.

Private banking interests have managed to gain control of the money supply. There is a lot more to this issue but the key point is that **bankers want all of us in debt. They want our government in debt. They want our children and grandchildren in debt.**

Corrupt politicians have allowed this racket to proceed for over a hundred years. It's responsible for the boom bust economic cycle and much of the conflict and war we have endured.

As far as home ownership goes we need to realise that the bank loan and contract involved in the loan is fraudulent. The money that the bank "lends" to you did not exist until your signature on a promissory note and the bank's computer brought it into being. The bank is charging you interest for 20 or 30 years and wants the capital back that you in effect loaned to them. **Do you think this sort of monetary system favours the banks while enslaving you and impoverishing the world?** Have a look at the world debt calculators and think about whether it will ever be paid back.

Our nation's wealth is not money - it is the people and the resources of their country. A system has been created to subjugate the people and steal their time and wealth. When politicians, judges and courts maintain and support the system – just like Commissioner Hayne has stated he does - up to now most people thought that was a benign, perhaps even a virtuous statement.

Right now many more people know exactly what these "system supporters" mean. Many are also starting to realise that with some clever structural reforms we could have the same or better standard of living with half the amount of paid employment. That's how much we are being fleeced from cradle to grave.

Why are judges often finding in favour of a bank where the evidence clearly supports the bank victim? *"To find in favour of you my poor bank victim would threaten the system."* Commissioner Hayne understands this very well. It is one of the reasons our call for an extended Royal Commission includes several independent Commissioners to join or replace him (if one year was all he signed up for). Perhaps Rowena Orr could step up.

To be blunt once more - the legal system protects the system from the people – whereas it should function to protect the people against the system and others that seek to harm them in some way. A system that allows families such as the Biritzs, Troianis and Andrews' to be stripped of all their hard earned assets is not worth protecting is it Commissioner Hayne? Anything goes in such a system – phony judgements, collusion, corruption – bankers, lawyers, judges all protecting the system and their privileged place in it. This is turbocharged greed. What a country we could have once the parasites that feed on it are dethroned.

Our freedom, peace and prosperity have been stolen by the system.

Questions posed

Commissioner Hayne and his team chose to pose questions for discussion in the Interim Report. We were hoping make some suggestions in response to them. Unfortunately the time allowed for responding to the interim report made it difficult. Of course the banks, industry groups and other players in the system will be able to answer all the questions. They have the staff and resources to play along.

Many of the questions posed were well thought out and relevant but too many important questions were nowhere to be seen.

You seem to have ignored key issues. You know these are critical and if the terms made it difficult or impossible to look into these issues you still can ask for more power and more time to investigate:

- Culpability of lawyers, valuers, receivers.
- Complicity of the judiciary
- The facilitative role of financial deregulation
- The structural asymmetry of lender/borrower that allows a lender to default at will

This clause was used to enable the asset stripping of ██████████ whose case you have been sent. ██████████ enabled the liquidators ██████████ and the lawyers to feast on everything this woman and her husband worked a lifetime to achieve. This is criminal and Mr Hayne knows it. As mentioned above - perhaps once compensation payments begin to flow, to victims like ██████████ all the banks could claw back ill-gotten proceeds of crime from firms such as lawyers and liquidators. This would not be that hard to organise and it would help share the financial pain perpetrators of unconscionable conduct will be facing over the next few years.

Banks often rely on the letter of the law - ie it was "legal" for them to treat customers in a harsh, brutal, cruel and predatory manner. The argument carries very little weight with most thoughtful people. Much of what happened in Germany in the 30s and 40s was "legal." Just because something is "legal" does not mean it is OK. Plenty of activities and behaviours in our society are legal but they still can be very harmful.

How is it that courts are allowed to get away with destroying transcripts and evidence?

How is it that judges with a vested interest and / or a conflict of interest are allowed to sit on cases involving their own bank or a bank they have worked for in the past?

How is it possible that bank CEOs and Directors are never held to account for the serious breaches that occur on their watch? Financial and custodial penalties are warranted in certain cases. If the system was functioning properly you would also expect

to see an offending bank's license to operate at risk. This is how you change a culture of greed. The penalties must far outweigh the proceeds of the crimes and misconduct simple.

Perhaps it is time to stop serving the system and look after the people and their country. Most of us would appreciate the peace, prosperity and freedom that could very easily be ours with a dose of structural reform. Maybe the Royal Commission could facilitate this.

Thank you for your time,

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