

Submission in response to interim report – Department of the Prime Minister and Cabinet

The Department of the Prime Minister and Cabinet (PM&C) welcomes the opportunity to make a short submission in response to the interim report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the Royal Commission). This submission responds to questions raised in relation to banks' engagement with Aboriginal and Torres Strait Islander people.

Do financial services entities have in place appropriate policies and procedures to assist Aboriginal and Torres Strait Islander people:

- **to overcome obstacles associated with the geographical remoteness?**
- **to address the cultural barriers to engagement that some face?**
- **to address the linguistic barriers to engagement that some face?**
- **to address the obstacles posed for some by their level of financial literacy?**

The Aboriginal and Torres Strait Islander community is as diverse as the broader Australian population. As the Royal Commission notes, not all Aboriginal and Torres Strait Islander people face the barriers considered during the hearings and discussed in the interim report.

While noting this, Aboriginal and Torres Strait Islander people remain overrepresented in groups with the lowest financial literacy and are among the most financially excluded in the country. As noted in the PM&C background paper prepared for the Royal Commission, these barriers are compounded in remote Australia, where access to essential financial infrastructure and fit-for-purpose banking and financial advice is limited.¹

PM&C supports comments made by other entities including ASIC for financial service providers to be more proactive in working with Aboriginal and Torres Strait Islander people. One of the key changes would be greater engagement between financial services entities and Aboriginal and Torres Strait Islander people in regional and remote communities, to assist in overcoming barriers to access.

We note that the new Banking Code of Practice includes obligations for its members to ensure that banking services are provided in an inclusive and accessible way.² In particular, clauses 35-37 set out obligations about providing banking services to Indigenous and remote customers. This includes a commitment to provide cultural awareness training to staff who regularly assist customers in remote Indigenous communities.

Are banks' identification requirements appropriate for Aboriginal and Torres Strait Islander customers? If they are, are those policies sufficiently understood and applied by staff?

As noted in the background paper, AUSTRAC has developed guidance for banks and other entities on flexible identification approaches for Aboriginal and Torres Strait Islander people. The guidance allows such entities to verify identity using alternative means such as a photographic reference or referee statement.

The evidence presented to the Royal Commission suggests that banks could do more to adopt appropriate processes that help Aboriginal and Torres Strait Islander people to overcome the issues they face in proving their identity.

¹ Background Paper 21: Aboriginal and Torres Strait Islander consumers' interactions with financial services, Department of the Prime Minister and Cabinet, p1.

² https://www.ausbanking.org.au/images/uploads/Banking_Code_of_Practice_2019_web.pdf

Banks should ensure staff are trained on the AUSTRAC guidance, with additional training and monitoring in branches that are more likely to provide banking services to Aboriginal and Torres Strait Islander people, including in regional and remote areas.

Should more banks have a telephone service staffed by employees with specific training in assisting Indigenous consumers?

The provision of an appropriate telephone service to assist Indigenous customers would help to address some of issues faced in relation to access to service.

As noted above, banks which are subject to the Banking Code of Practice are obligated to provide banking services in an inclusive and accessible way. However, more banks should have a telephone service staffed by employees with specific training in assisting Indigenous consumers.

A dedicated telephone service is just one factor in Indigenous consumers obtaining effective banking services, particularly in remote areas. Other elements of an effective service include adequate branch or ATM services (including with fee-free options) within remote and regional communities.

Do banks take sufficient steps to promote the availability of fee-free accounts to eligible customers?

The evidence presented to the Royal Commission suggests that banks can do more to promote awareness of basic, low or no fee accounts, and train staff to recognise customers or potential customers that may qualify for such an account. Chapter 16 of the new Banking Code of Practice place obligations on member banks to raise awareness of such accounts.

If a customer seeking to open a basic bank account has no substantial income other than Centrelink benefits, should a bank ever try to sell the customer another form of account?

Banks should engage ethically and responsibly with consumers, especially those on low incomes. As above, banks should do more to promote basic, low or no fee accounts, and train staff to recognise customers or potential customers that may qualify for such an account (and are obliged to do so under the Banking Code of Practice).