

Policy Commencement Date:
Policy Owner: General Manager, Credit Risk

Australian Consumer Responsible Lending Policy

Policy owner: General Manager, Credit Risk

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1. Purpose

Westpac's vision is to be one of the world's greatest service companies helping our customers to prosper and grow. The Westpac Code of Conduct requires us to 'Do the Right Thing by our Customers'. This Policy articulates the way in which we meet our commitment to our customers and comply with the relevant legislative and regulatory requirements when providing credit or credit assistance.

2. Governance

This Australian Consumer Responsible Lending Policy is owned by the General Manager, Credit Risk.

This Policy together with the Responsible Lending Policy Manual (RL Manual), will be reviewed and approved annually by the policy owner with support and sign off from the Chief Compliance Officer. The review will address:

- The appropriateness of the inquiry, verification and unsuitability assessment requirements set out in this Policy
- The appropriateness of any benchmarks used in the verification of the financial situation of customers
- Our approach to responsible lending, considering our understanding of good industry practice, guidance provided by ASIC in RG209 and other publications, relevant court judgments and what are reasonable steps having regard to Westpac Group's resources and systems

3. Application

This Policy is applicable and must be considered carefully when:

Providing credit

- Entering into new consumer credit contracts
- Increasing credit limits under existing consumer credit contracts
- Making an unconditional representation to a consumer regarding their ability to borrow

Providing credit assistance

- Suggesting a consumer apply for or remain in a particular credit contract with a particular credit provider
- Suggesting a consumer apply for an increase in the credit limit of a particular existing consumer credit contract with a particular credit provider
- Assisting a consumer to apply for a particular credit contract with a particular credit provider
- Assisting a consumer to apply for an increase in the credit limit of a particular existing credit contract with a particular credit provider

Where proposed variations to a consumer credit contract are so extensive that they effectively constitute “striking a new bargain” between us and the customer, we will document the variations as a new contract and in doing so will comply with this Policy.

Exclusions

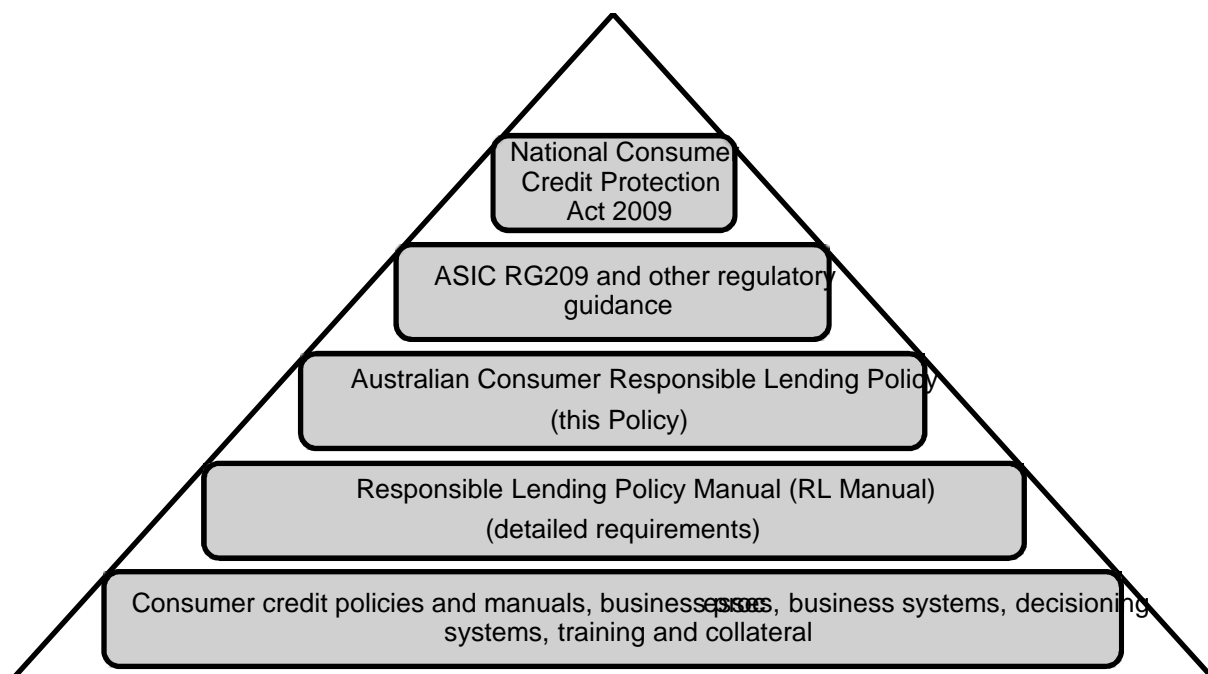
This Policy does not deal with the Westpac Group’s responsible lending related disclosure obligations in relation to:

- Credit guides
- Quotes for credit assistance
- Credit proposal documents
- Key fact sheets

The National Consumer Credit Protection Act 2009 (NCCP Act) also imposes responsible lending obligations in relation to consumer leases. This Policy does not deal with responsible lending obligations in relation to consumer leases, the only consumer leases provided by the Westpac Group are novated leases which are not covered by the NCCP Act. This Policy does not deal with the Westpac Group’s obligations under the Code of Banking Practice, Privacy (Credit Reporting) Code 2014, other applicable legislation or other Westpac Group policies.

4. Policy framework

This Policy articulates our approach to managing responsible lending, it is an integrated component of both our Credit Risk and Compliance Risk Management Frameworks. It is supported by the RL Manual, credit policies and manuals, business processes, business systems, decisioning systems, training and collateral.



This policy framework addresses legislative requirements in the NCCP Act and the regulatory guidance provided by the Australian Securities and Investment Commission (ASIC) in RG209 – Credit licensing: Responsible lending conduct and other ASIC guidance issued from time to time.

This Policy applies to all Australian consumer credit products offered by the Group.

5. Roles and responsibilities

The key roles and responsibilities with respect to responsible lending are:

Westpac Group Credit Risk Committee (CREDCO)	Support the annual review of this Policy and the RL Manual, for the approval of the General Manager, Credit Risk
General Manager, Credit Risk	Annual review of this Policy and the RL Manual
Chief Compliance Officer	Supporting the annual review of this Policy and the RL Manual, for the approval of the General Manager, Credit Risk taking in the context of our understanding of good industry practice, guidance provided by ASIC in RG209 and other publications, relevant court judgments and what are reasonable steps having regard to Westpac Group's resources and systems Review responsible lending obligations on an ongoing basis and engage with Credit Risk with respect to impacts of changes and appropriate policy amendments Sign off on compliance related policy amendments
Head of Retail Credit Portfolio Management	Ensure the credit risk framework, credit risk policies, credit origination systems or decision engine, models and scorecards comply with this Policy and the RL Manual
General Manager, Product Management	Ensure product design, product systems and processes and ongoing product services comply with this Policy and the RL Manual
General Managers, Distribution	Ensure sales and advice of consumer credit products complies with this policy, including that staff are appropriately trained Production of written unsuitability assessments (where applicable)
General Manager, Group Operations	Manage collections and hardships and produce written unsuitability assessments (where applicable)
Head of Credit Assurance	Provide independent assessment of the adherence to this Policy, and the RL Manual and related obligations
General Manager, Group Audit	Independently evaluate and opine on the adequacy and effectiveness of both 1st and 2nd Line management approaches and track remediation progress, with the aim of providing the Board, and senior executives, with comfort that the Group's end-to-end risk identification, management and controls are adequate and operating effectively

6. Responsible Lending Obligations

We make inquiries about the **customer's requirement and objectives** in relation to the credit contract or limit increase

The purpose of these inquiries is to ascertain:

- The types of credit products which may be suitable
- Whether a single credit contract or multiple credit contracts for different purposes may be suitable
- The credit amount, credit term and other product terms and features which may be suitable

To the extent appropriate, we will make particular inquiries about:

- The purpose for which the credit is sought
- The credit amount or credit limit increase that the customer is seeking
- The timeframe for which the credit is sought
- The customer's requirements and objectives in relation to potential product features and any associated costs and risks
- Whether an asset will be provided as security
- Whether the consumer requires any additional expenses such as premiums for insurance related to the credit to be included in the amount financed
- Whether the customer is aware of the additional cost of these expenses being financed

Additional inquiries regarding the customer's requirements and objectives may be required in particular circumstances, such as:

- Refinances and debt consolidations in relation to existing debts
- Interest only loans
- Lines of credit / non-amortising loans
- Mixed purpose loans
- Loans with balloon or bullet repayments or no repayment or structured repayment periods
- Low doc home loans

We make reasonable **inquiries regarding our customer's current financial situation**

To the extent relevant to the customer's ability to meet their financial obligations under the credit contract, we do this by:

- Asking questions to understand a customer's financial situation
- Making inquiries about a customer's employment and income
- Making inquiries about a customer's fixed and living expenses and providing guidance on the types of expenses to declare so that customers do not understate their expenses
- Asking customers about potential changes to their financial situation
- Making inquiries about a customer's household and personal circumstances which may be relevant to their fixed and living expenses
- Where appropriate, asking about the customer's plan for retirement

We make **further inquiries about the customer's situation** in the following circumstances:

- If it becomes apparent that the information provided by the customer is materially inconsistent with other information we obtain or anything that suggests their financial situation is materially worse than stated in the application
- The information provided by the customer regarding their household or personal circumstances suggests we need additional information to properly understand their financial situation

- The customer provides the name of their current employer in the application and the name is different to the employer name which appears in the documentation or records considered for the purposes of verifying the customer's income
- A credit report discloses a default, judgment or bankruptcy which could affect the customer's ability to make repayments

We verify our customer's financial situation

To the extent relevant to the customer's ability to meet their financial obligations under the credit contract, we do this by:

- Utilising documentation and third party sources to verify the financial situation information provided by the customer
- If reasonably practicable, accessing the records from the customer's existing credit contracts and transactional accounts with the Westpac Group and confirming they are consistent with the fixed expenses information provided by the customer
- Where appropriate given the credit requested, requesting copies of the most recent transactional statements or listings for each of the customer's existing credit contracts and transactional accounts, where the Westpac Group staff or systems assessing the application do not already have access to records from the existing credit contracts
- Obtaining a credit report from a credit reporting body (exceptions apply)
- Where appropriate, verifying assets (including their value) where the customer is proposing to wholly or partially meet their financial obligations under the credit contract through savings or the proceeds from the sale of assets
- Benchmarking the customer's living expenses against an appropriate index

We make an assessment as to whether the **credit contract or limit increase is not unsuitable** for the consumer

We do this by:

- Considering the ability of each customer to comply with their financial obligations under the relevant credit contract without substantial hardship
- Considering whether the credit contract will meet the customer's stated requirements and objectives
- Determining whether, having regard to each customer's financial situation and requirements and objectives, the credit contract is not unsuitable for the customer

We provide copies of **written suitability assessments** to customers when requested

If requested, we must provide a copy of our assessment that the relevant credit contract or credit limit increase was not unsuitable for a customer to whom we have provided credit on or after 1 January 2011 or to whom we provided credit assistance on or after 1 July 2010.

The copy of our assessment provided to the customer must be in a form approved by Legal and Compliance, but must be concise and easy for the consumer to understand and include a summary of the information taken into account in making our assessment, including to the extent relevant summaries of:

- The information provided by the customer on their requirements and objectives
- The information on the customer's financial situation taken into account in assessing their ability to meet their financial obligations under the credit contract
- The steps taken to verify the customer's financial situation

We maintain detailed, accurate and accessible **records**

These records must include:

- The information taken into account by us in assessing credit contracts and credit limit increases as being not unsuitable
- Information provided to us by the customer on application forms and during the credit assessment process (exceptions apply)
- Details of discussions regarding possible reductions in the customer's living expenses including:
 - the date on which the discussions occurred
 - the means by which the discussions were conducted
 - the living expenses of the customer we included in our serviceability assessment calculations as a result of those discussions
- Details of conversations about a customer's requirements and objectives and their understanding of the credit contract
- If we make further inquiries:
 - the date on which the further inquiries were made
 - the means by which the further inquiries were made
 - the additional inquiries made
 - the information provided by the customer in response to the further inquiries

We attempt to only use information from intermediaries who operate in a reasonable and prudent manner

We do this by:

- Putting processes in place to ensure the reliability of the information collected by third parties and to discourage inappropriate practices
- Completing assurance and due diligence activities (these may include completing re-verification spot checks)

- Ensuring intermediaries make inquiries and undertake verification in line with this Policy and the RL Manual, and keep records of their inquiries and documentation so that they can transfer or make available those records to Westpac

We ensure compliant outcomes

We do this by:

- Ensuring our people are trained and able to carry out their roles
- Maintaining the functional independence of credit approval from line sales and relationship management
- Carefully and continually monitoring our credit assessment processes including submission quality and appropriate use of credit approval authorities
- Monitoring to ensure a high standard of conduct and compliance by our personnel, and
- Monitoring the internal review function to assess the adequacy and effectiveness of the credit risk function

Note: Refer to [Annexure A](#) for information about our responsible lending obligations in relation to reverse mortgages.

7. Consequences of non-compliance

Non-compliance with this Policy or the RL Manual could potentially lead to serious consequences for Westpac, including civil and criminal penalties, injunctions, customer loss and reputation damage. Breaches of this Policy or the RL Manual will be taken seriously by the Group. All employees are responsible for understanding how this Policy and the RL Manual apply to their role. A breach of this Policy or the RL Manual may, in some circumstances, result in consequence management up to and including dismissal.

Westpac recognises that non-compliance with this Policy or the RL Manual may also place customers at a heightened level of risk of hardship. Where non-compliance is identified a formal assessment will be undertaken to determine whether a customer remediation program is necessary.

8. Responsible lending – key supporting policies

Key supporting policies:

Document	Description	Area Responsible
Credit Policies		
Responsible Lending Policy Manual	The purpose of the Responsible Lending Policy Manual is to provide a detailed description of the Westpac Group's responsible lending obligations applied to different consumer products, transactions and scenarios.	Credit Risk
Consumer Credit Policy Manual	The purpose of the Consumer Credit Policy Manual is to document Westpac's policies covering the sale, promotion, approval and management of consumer credit products.	Credit Risk
Other Supporting Frameworks and Principles		

Note: Where new supporting framework and principle documents are developed, references should be added as part of the annual review process for this Policy.

9. Document Change History

Version	Author	Approval	Date	Changes
1	Margherita Roser	David Malcolm	April 2016	Policycreation
1.1	Margherita Roser	David Malcolm	May 2016	Update paragraph 2 & 5
1.2	Glenn Phillips Margherita Roser			Annual review resulting in minor changes

Annexure A – Reverse Mortgages

Reverse mortgages must be offered in a responsible manner

We do this by:

- Making sufficient inquiries regarding the customer's income to determine whether other credit products may be suitable for the customer
- Estimating the ongoing rates, maintenance costs and insurance expenses that may be applicable to the property subject to the mortgage and making inquiries to the customer regarding how they intend to pay the charges, and recording the customer's response
- Making reasonable inquiries in order to prepare equity projections regarding the value of the dwelling that is or may become a reverse mortgaged property and then providing the equity projections to the customer
- Explaining the consumer's indebtedness, over time, in relation to the reverse mortgage
- Making reasonable inquiries regarding the customer's requirements and objectives including in connection with their possible future needs
- Taking steps to ensure the customer understand the structure and features of the reverse mortgage

In the case of reverse mortgages our written suitability assessment will include summaries of:

- Information provided by the customer on their requirements and objectives
- The customer's ongoing expenses in relation to the security property
- The funds available to them to meet their ongoing expenses in relation to the security property
- The steps we took to confirm the value of the security property