

Federal Labor's response to the Banking Royal Commission update

March 2019

On Monday 4 February the [final report](#) of the Royal Commission Misconduct in the Banking, Superannuation and Financial Services Industry was released, uncovering unconscionable, corrupt and potentially criminal behaviour in the banking and financial services sector.

Leader of the Opposition, Bill Shorten, Shadow Treasurer, Chris Bowen, and Shadow Minister for Financial Services, Clare O'Neil responded to Commissioner Hayne's final report, accepting in-principle all 76 recommendations.

Labor has committed to abolish trail commissions from lenders to mortgage brokers and aggregators on new loans from 1 July 2020 as well as banning volume-based commissions and 'soft dollar' payments being offered to brokers by lenders.

In addition to in-principle support for the recommendations, Labor has committed to:

- Crack down on corporate crime by increasing jail terms and financial penalties;
- Protect and reward whistleblowers through a Whistleblower Protection Authority and a Whistleblower Rewards Scheme; and
- Fund a dedicated special prosecutor to bring corporate criminals to justice.

The *Fairer Bolder Stronger* plan is available [here](#).

Labor has since announced detail of a suite of reforms focussed on ensuring fairness in the banking sector, beyond the Hayne recommendations.

Compensation scheme

On Friday 22 February Mr Shorten committed a future Labor Government to Australia's most comprehensive compensation scheme for victims of banking misconduct. The scheme will be overseen by a board comprising independent experts, industry and consumer representatives, with an independent chair.

Compensation caps

Labor will double the compensation cap for small businesses and quadruple the compensation cap for consumers with credit-related disputes. Consumers and small businesses will be eligible for up to \$2 million in compensation – up from \$500,000 for consumers and \$1 million for small businesses.

Compensation for non-financial loss

The Australian Financial Complaints Authority (AFCA) cap of \$5,000 will be increased to up to \$2 million for consumers and small businesses.

Eligibility limit

The value of consumer claims that ACFA can consider will be increased from \$1 million to \$2 million.



A Retrospective Compensation Scheme

Consumers and small businesses will be able to claim for actions back to 1 January 2008 with a two-year window to claim.

Banking Fairness Fund

On Monday 25 February Labor announced a plan for a \$640 million fund to support Australians experiencing financial difficulty. The policy addresses Commissioner Hayne's comments about the importance of financial counselling and consumer community legal centre assistance in ensuring fairness in financial services.

Labor's Banking Fairness Fund will raise \$160 million per year from Australia's largest banking institutions to double the number of financial counsellors across Australia from 500 to 1000 over four years.

Farmers compensation scheme

On Sunday 3 March Federal Labor announced its plan for a scheme aimed at protecting Australian farmers facing financial difficulty due to natural disaster and drought.

Default interest

Labor will review the treatment of distressed loans, by reviewing cases where default interest has been charged by banks to farms in the previous five years. The Retrospective Compensation Scheme will consider the fairness of each case, with further steps available to determine whether compensation should be awarded.

Farm foreclosures

Labor will introduce a new regulatory process for banks to seek a pre-approval for farm foreclosures, preventing foreclosure until banks receive clearance from the regulator. This is aimed at bringing banks in line with community expectations.

Compensation cap

Labor will double the Australian Financial Complaints Authority's current compensation caps for farmers from \$2 million to \$4 million. Farmers will also be able to access up to \$4 million for non-financial loss in recognition of the strain that misconduct has placed on lives, significantly increasing the current cap of \$5,000.

Further information

For more information, please contact your Hawker Britton consultant Simon Banks on +61 419 638 587.

Further Hawker Britton Occasional Papers on the activities of the Federal Opposition are available [here](#).