The Australian
Wednesday 29/11/2017
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'Narrow' banks inquiry 'needs broader terms'

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Opposition parties and lawyers are pushing to expand the terms of reference into a potential banking inquiry, with a commission of inquiry proposed by Nationals senator Barry O'Sullivan criticised as too narrow.

The move comes as lawyers raise concerns around the urgency for an inquiry, with laws allowing lenders to destroy documents after seven years set to jeopardise evidence for scandals that occurred during the tail end of the global financial crisis.

Labor and the Greens are continuing to push for a broader investigation than the Nationals' proposed commission, which is being seen as a show trial for farmers who have had foreclosure disputes with the banks.

Senator O'Sullivan has delayed the bill to accommodate colleagues in his own party who wish to provide input to expand the legislation.

The Greens plan to withhold support for debate on the O'Sullivan bill unless the terms of reference are improved, arguing for an inquiry to examine systemic issues in the financial sector, such as the "vertically integrated" structures of the banks, executive remuneration, political donations and the implicit government guarantee of the major lenders.

Labor has not engaged with Senator O'Sullivan in developing the terms of reference, and believes a royal commission is still the best policy option.

"Either the government splits and some government members vote for Labor's royal commission. Or at the next election, if Labor is successful, we'll just legislate for a royal commission," Bill Shorten said yesterday.

There is still the possibility Greens finance spokesman Peter Whish-Wilson will resurrect his commission of inquiry bill — which passed the upper house in June — for debate in the House of Representatives next week.

Meanwhile, Scott Morrison is hurriedly ironing out details with the four major banks to launch a new financial compensation scheme, revealed by *The Australian* last week.

The Treasurer is aiming to finalise the scheme for an announcement later this week, although the banks are understood to have reservations about the level of potential compensation.

Maurice Blackburn principal Josh Mennen said the longer a commission of inquiry or royal commission was delayed, the more chance evidence of wrongdoing would be destroyed by the banking sector.

"Banks only have to keep their records for seven years," Mr Mennen told *The Australian*.

"These inquiries need to go deep into the documents. Much of what a commission of inquiry should look at is the tinderbox that was set alight during the global financial crisis."

Senator Whish-Wilson said the O'Sullivan changes to the broader Greens bill failed to look at the systemic causes of misconduct.

"Unfortunately, what O'Sullivan has removed is a lot of the terms that addressed the causes of misconduct, rather than just the misconduct itself," he said.

Mr Mennen said it was essential any inquiry examined "systemic practices" at the banks. He said the O'Sullivan bill was drafted for the Nationals' constituency, weighted towards those in the farming businesses "and not so much your general consumer".

Mr Mennen said the cross-ownership "wealth model" of the major banks, where customers were sold superannuation and insurance owned by the parent bank, had devastating outcomes.

The portfolio manager at Regal Funds Management, Omkar Joshi, said an inquiry was unlikely to result in meaningful change to the banking system.

"My honest opinion is that an inquiry is entirely politically motivated so the wording isn't overly material given they are not actually doing the inquiry to resolve any obvious problem — they are rather searching to see if they can find something," he said.