

Malcolm Turnbull orders royal commission into banks and financial sector

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The Turnbull government has announced a royal commission into banks and the financial sector, presenting the backdown as “regrettable but necessary” to deal with mounting political pressure and uncertainty for the industry.

With Coalition partners in the Nationals in open revolt, [joining the Greens and Labor in the push to set up a banking commission of inquiry](#), cabinet decided on Thursday to head off what Malcolm Turnbull said was “a sense of inevitability” about an inquiry.

Labor said it was “unforgivable” that the government had fought for 18 months against [the opposition’s calls for a royal commission](#), and noted that the prime minister had [ruled out a royal commission just 48 hours ago](#).

The Greens leader, Richard Di Natale, said the Greens had been the first party to propose a royal commission “several years ago” and the idea had been consistently voted down by Labor, the Liberals and Nationals.

“What we saw was persistence from Senator Peter Whish-Wilson,” he said. “The [parliamentary commission of inquiry](#), a novel approach, was taken [by Peter] ... to this parliament and [then adopted by the National party](#), and clearly that’s what has ultimately resulted in this very important outcome.”

On Thursday Australia’s big four banks sent the treasurer, [Scott Morrison](#), a letter asking for a “properly constituted inquiry into the financial services sector” in a bid to end the constant “political uncertainty” for the sake of the national interest.

The banks asked for an inquiry with terms of reference “free of political influence” and with sufficient scope to address community concerns.

At a press conference in Canberra, Turnbull cited the banks’ call as the reason for the government’s decision, explaining that “speculation about an inquiry cannot go on”.

“It’s moving into dangerous territory where some of the proposals being put forward have the potential, seriously, to damage some of our most important institutions,” he said.

Turnbull contrasted the royal commission with the Labor-Greens-Nationals proposed parliamentary inquiry by saying only the government could establish an inquiry with “respected and capable commissioners” with “responsible and comprehensive” terms of reference.

When the big banks wrote him a letter, he folded the same day.

Labor statement

“This will not be an open-ended commission, it will not put capitalism on trial, as some people in the parliament prefer,” he said.

The \$75m royal commission will be headed by a distinguished former or serving judicial officer and will report by 1 February 2019.

Turnbull said it would be “comprehensive”, dealing with “banks, big and small, wealth managers, superannuation providers and insurance companies”.

His terms of reference make it clear that he wants the commission to consider the role of individual bank culture, including remuneration practices, and how it contributes to poor bank behaviour.

But his terms of reference make no mention of the role played by banking lobbyists in Australia, or how donations from banks and financial institutions influence major political parties at state or federal level.

He said the commission would not award compensation to customers in cases of wrongdoing but may recommend a compensation fund, to be considered by the government.

In a statement the Labor leader, Bill Shorten, the shadow treasurer, Chris Bowen, and the shadow financial services minister, Katy Gallagher, said the backdown was “one of Malcolm Turnbull’s greatest failures of leadership”, noting that the government had opposed Labor’s call for “601 days”.

“It says everything about Turnbull’s values and priorities that he only agreed to Labor’s royal commission when the banks told him he had to,” they said. “He ignored the pleas of families and small businesses, he rejected the words of whistleblowers.

“But when the big banks wrote him a letter, he folded the same day.”

Explaining his government’s previous opposition to a commission, Turnbull listed its numerous [bank accountability measures in the 2017 budget](#) and the decision to mandate that banks appear regularly before a parliamentary committee, arguing that these measures “would not have been possible” if a royal commission were under way.

“There would’ve been legitimate calls to delay any new measures until the findings of the inquiry were handed down,” he said.

Morrison argued that “action prior to this time [would not] have been in the national economic interest”.

Both said the royal commission was “regrettable but necessary”, with Morrison citing “politics doing damage to our banking and financial system” as the final straw for the backdown.

In the past week the National senators Barry O’Sullivan and John Williams and the Liberal [National party](#) MPs George Christensen and Llew O’Brien have all said they would help Labor and the Greens set up a commission of inquiry.

Christensen, who has repeatedly threatened to leave the [Coalition](#), said the decision to establish a royal commission was a great outcome, but he criticised Turnbull for taking so long to come around to the idea.

“Almost two-thirds of Liberal National party supporters, according to opinion polls, time and again, support a royal commission into the banking sector,” he said. “I just don’t understand why it took, you know, a number of National party backbenchers to drag the prime minister kicking and screaming to this decision.

“I’m hoping that this is going to be a thorough root and branch review of the banking sector, it’s going to weed out these systemic cases of misconduct, and perhaps criminal actions by big banks, and we’ll get some justice for the victims of banking misconduct.”

When Turnbull was asked why it had taken him so long to agree to a royal commission, and what role the Nationals played in that decision, Turnbull said the government had lost the votes of MPs Barnaby Joyce and John Alexander in the House of Representatives, who are fighting byelections. Joyce has also [foreshadowed that the Nationals may decide as a party to support a commission of inquiry](#).

Turnbull blamed the “nature of the political environment”, particularly the “sense of inevitability about an inquiry”.

Morrison credited their Liberal colleagues Warren Entsch and Ann Sudmalis for “patiently [working] with the government to try and get outcomes on those issues for those they represent”.