



[Online Share Trading](#)

Will we see a Royal Commission into banking services



JUSTINE DAVIES

· 13 April 2016

What is the chance of a Bank Royal Commission? It depends on the next federal election.

The Greens want one, Labor has said it will hold one if elected at the next federal election, the Liberals have said that we don't need one. The chance of a Banking Royal Commission in the near future would seem to depend on the outcome of the next federal election.

When the Senate resumes the week commencing 18 April the Greens have announced that they will again move a motion calling for the establishment of a Royal Commission into the Financial Sector. The Greens last moved this motion on the 24 June 2015 at which time it was opposed by the Labor Party and the Coalition Government.

On a recent ABC radio interview Minister for Trade and Investment, Steven Ciobo was asked whether there is justification for a Banking Royal Commission, to which he gave a firm 'no'.

"We have had so many inquiries into the banking sector over the last 20 years, there are volumes and volumes and volumes of reports, inquiries, recommendations that sit there on shelves gathering dust," he said.

"Australia's banking system and the regulation as well by the Reserve Bank of Australia, serve the Australian nation exceptionally well. I mean, we just came through the global financial crisis, our banking sector was more strong, more stable than pretty much any other banking system around the world and I don't think I'm over stating it too much by saying that. The fact is that our banking system services the Australian people and the Australian public very well."

The Shadow Minister for Financial Services and Superannuation, Jim Chalmers, begged to disagree. Speaking on ABC television, he said that a Royal Commission into the finance sector is the right way to go, the right way ahead for this country right now because too many times, too many instances of people being let down, have come to light.

“There has been a series of allegations, a series of reports, as you know, about customers not being treated as they should in the financial services industry in Australia. We do have other processes under way including ASIC and others, but it’s very clear to us that those processes are insufficient to get to the bottom of some of these issues,” he said.

“This is really about one of the most important sectors in the Australian economy, and even more important than that, the way that Australians are treated within that part of the economy. I think it should be above politics. We want to work with all the parties. We want to get this done because it’s such an important thing.”

Banking Royal Commission – Industry response

Some of the industry bodies that have responded to the suggestion for the Royal Commission include:

Business Council of Australia (BCA) – Unwarranted and risky

Establishing a Royal Commission into financial services when there is already robust regulatory oversight in place risks undermining confidence at a critical time in the economic cycle, and could have a serious impact on investment and growth, said BCA Chief Executive Jennifer Westacott.

“Australia’s banking regulation system is world-leading and the sector has been subjected to a number of reviews, most recently the Financial System Inquiry whose recommendations are yet to take full effect,” said Ms Westacott.

“While the culture in some parts of the industry needs to be improved, we should be extraordinarily cautious about overstating the nature or extent of poor conduct in a way that implies systemic failure across the sector.

“We have some of the strongest banks in the world, an asset which cushioned Australia from the worst effects of the GFC.

“Rather than the unwarranted distraction of a Royal Commission, Australia’s highly empowered banking regulators should be left to get on with their job.”

Financial Services Council (FSC) – Unnecessary

Financial Services Council CEO, Sally Loane has rejected calls by Opposition Leader, Bill Shorten, for a Royal Commission into financial services calling it an unnecessary and inefficient use of time and resources.

“The financial services industry, which covers a vast range of businesses, including superannuation funds, life insurance and advice, is highly regulated and has been subject to enormous scrutiny over the years, including by the recent Financial System Inquiry,” Ms Loane said.

The financial services industry has been subject to no less than 14 separate reviews into the superannuation, financial advice and life insurance sectors over a recent period of time. Some of these have led to legislation, increased regulation and better consumer protections and outcomes. ”

“Where poor practices have been identified the financial services industry has led reviews to understand where consumers were affected and put legislation in place to permanently address shortcomings.”

Holt Norman Ashman Baker Action Group (HNAB-AG) – Call applauded

Holt Norman Ashman Baker Action Group (HNAB-AG), representing victims of banking misconduct, has applauded the call for a Banking Royal Commission.

“The Abbott government sought to weaken FOFA laws. The Turnbull government says ASIC are well resourced despite its pleas for more resources and powers and the patent, endless, demoralizing, failures victims experience through the regulators,” said HNAB-AG spokesperson, Naomi Halpern.

“A new regulatory body is required to ensure financial integrity: one that is properly funded, trained and empowered to assess cases, decide on penalties and award restitution and compensation. It must include a restorative justice-style program involving the offenders, the most senior executives, as well as legal and parliamentary representatives.”

Australian Bankers’ Association (ABA) – A waste of taxpayer funds

The Australian banking industry believes a royal commission into financial services is unnecessary and a waste of taxpayer funds, Australian Bankers’ Association CEO Steven Münchenberg said.

“Banks do accept that in the past they have not always lived up to their own standards, let alone those of their customers,” Mr Münchenberg said. Mr Münchenberg said the ALP’s proposal would have international ramifications for Australia.

“That is why we have seen new regulation introduced for banks. That is why we have had a number of inquiries, before Parliament and others. The issues the Australian Labor Party is talking about have already been examined.

“The outcomes of those inquiries are either being implemented or, like the former Government’s Future of Financial Advice reforms, are still taking full effect. These measures respond to instances that occurred in the past and should be given a chance to take full effect before another inquiry is contemplated,” he said.

“As an industry, we recognise that banks need to show leadership in addressing very real concerns about culture and conduct. Banks will continue to work with government and regulators to address any legitimate concerns with inappropriate behaviour or misconduct.”

Australian Council of Trade Unions (ACTU) – Welcomes the call

The ACTU welcomes Labor’s commitment to a Royal Commission into the Australian banking and financial services industry and calls on the Prime Minister to restore faith in this critically important sector.

“The Australian banking and financial sector has lurched from scandal to scandal, eroding public confidence in what should be the foundation of all economic activity in this country,” said ACTU Secretary Dave Oliver.

“There is mounting evidence of systemic corruption, poor governance and a lack of accountability in the banking and financial services industry and a Royal Commission would get to the bottom of those issues and renew trust in this vital sector.”

“The banking sector touches the lives of all Australians, and should be above reproach.”

“Recently it has failed to live up to this standard and the Federal Government must step in to restore trust and end the misconduct.”

Industry Super Australia (ISA) – Royal Commission is justified

Industry Super Australia believes the call for a Royal Commission into Australia’s vertically integrated banks is justified.

Industry Super Australia is increasingly concerned that the lack of community trust and confidence in the scandal-prone banks could infect public confidence in their lines of business in compulsory super.

A Royal Commission will have to consider how broadly and deeply unethical conduct exists in their vertically integrated businesses including their involvement in managing hundreds of billions of compulsory super savings on behalf of millions of Australians.

A Royal Commission may well have to investigate if it is appropriate for banks to have a role in a mandatory savings system given the significant public interest involved.

Given compulsory super is a central piece of Australia's long term economic and social policy, on balance, the answer may be to structurally separate banks and super.

So will we see a banking Royal Commission? The answer, it would seem, will depend on the next election outcome.

Image: iStock | Nils Versemann

Share this article



Online Share Trading Comparison

Try our Online Share Trading comparison tool to instantly compare Canstar expert rated options.

Compare

No contact details required ☺

Related

Listcorp helping investors access the information they need



LISTCORP