

## Malcolm Turnbull backflips on banking royal commission after big four call for inquiry to restore public faith

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PM announces a royal commission into the banking sector (Photo - ABC News: Jed Cooper)

Malcolm Turnbull has announced a royal commission into the banking sector, after sustained pressure from within his own Government and an admission by Australia's big four banks that an inquiry is necessary to restore public faith in the financial system.

A letter to the Treasurer signed by the chairpersons and chief executives of ANZ, Commonwealth, NAB and Westpac and dated today argued that even though the sector had long campaigned against it, such a measure was now in the national interest.

"Our banks have consistently argued the view that further inquiries into the sector, including a royal commission, are unwarranted," the letter said.

"However, it is now in the national interest for the political uncertainty to end."

### Key points:

- PM says royal commission "only way" to restore public faith in banking sector
- Big four banks wrote to Treasurer saying even though sector had long been against royal commission, inquiry now "in the national interest"
- Move heads off Nationals' bid to force an inquiry through the Senate

Shortly after the letter was released, the Prime Minister announced the royal commission, saying that it was the only way to "give all Australians a greater degree of assurance" about the banking sector.

"Since the financial crisis, there have been examples of misconduct by financial institutions. Some of them extremely serious. And that's demanded a response from the institutions themselves and from government," Mr Turnbull said.

"The only way we can give all Australians a greater degree of assurance is a royal commission into misconduct into the financial services industry."

The Prime Minister described it as a "comprehensive inquiry" that would cover the nation's banks, wealth managers, superannuation providers and insurance companies.

The Government's announcement has headed off a move in the Senate where the junior Coalition partner, the Nationals, were prepared to combine with the Greens, Labor and other crossbenchers to force an inquiry to be held.

Mr Turnbull's announcement means the Government avoids the embarrassment of its own side of politics compelling it to hold an inquiry.

But it is politically embarrassing for Mr Turnbull to have been forced into walking away from his previous refusal to hold an inquiry.

[We asked if you thought a royal commission would help to "restore trust" in the big four banks.](#)  
[Read the comments below.](#)

## Was the PM dragged to the table?

Nationals senator Barry O'Sullivan had been working with other parties and was prepared to pass legislation for an inquiry that, until today, the Government has been strongly resisting.

But Senator O'Sullivan insisted the Prime Minister was not "dragged to the table" on a banking royal commission because of his private member's bill.

"I don't think that the Prime Minister had a change of heart. I think we've got a Prime Minister who has listened and had the capacity to make and support a decision and I think that's a positive thing," he said.

"He was making his own journey in relation to these matters.

"I am not going to go into deep comment about the historical aspects or the current aspects until I have had a chance to look at the details."

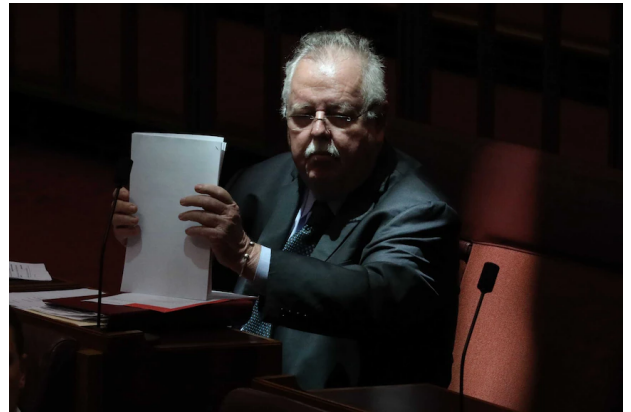
But George Christensen, one of the Nationals who vowed to support Senator O'Sullivan's bill, was not so convinced.

"I just don't understand why it took a number of National Party backbenchers to drag the Prime Minister kicking and screaming to this decision," he said.

"But we've got the decision, it's a good 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."



Barry O'Sullivan's bill pushed for a public inquiry, aiming to counter the Government's resistance to a royal commission. (ABC News: Jed Cooper)

## **'One of Turnbull's greatest failures of leadership'**

Mr Turnbull conceded there had been "a lot of changes in the political environment" but said the decision was one that came from the Cabinet.

The Federal Opposition has been pressuring the Government to hold a royal commission since April last year, when it announced that a Labor government would call one.

Labor has argued for more than 18 months that a royal commission would make the sector stronger.

Opposition Leader Bill Shorten said the timing of today's announcement was "one of Mr Turnbull's greatest failures of leadership".

"If Mr Turnbull had have listened to Labor, we would've had a royal commission and it would have been done by now, with its recommendations being implemented," Mr Shorten said.

"We are deeply concerned that even today, the Prime Minister said a royal commission was 'regrettable'.

**"Turnbull and his Government voted in the Parliament more than 20 times to protect the banks from a royal commission."**

The royal commission will have 12 months to complete its inquiries, with a final report expected to be delivered by February 1, 2019.

Mr Turnbull said it would investigate "how financial institutions had dealt with cases of misconduct in the past, and whether those examples expose issues in terms of the cultural and governance issues in terms of the regulation and supervision of the industry".

"This will not be an open-ended commission, it will not put capitalism on trial," he said.

Treasurer Scott Morrison emphasised the royal commission did not undermine the strength of Australian banks.

"Australia's banks are unquestionably strong, nothing that we have announced today changes this or gives any reason to question this, on the part of the Government," Mr Morrison said.

"This is an important message for markets and the international financial community, it does not question the robust nature of our prudential system."

Crossbench MP Bob Katter has already suggested social justice campaigner Tim Costello as a potential candidate to lead the royal commission.

The Government has not yet appointed anyone to the role but said it would be a "distinguished former or serving judicial officer".