Banking & Finance Consumers Support Association (Inc)

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Select Committee on Lending to Primary Production Customers
Department of the Senate
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To the Committee Secretariat
To read the steady stream of submissions from Bankers, to this Inquiry, one would view them to be well rehearsed advertisements and extolling the virtues of bank products.
The steady stream of consumer complaints from the Farming Community tell a vastly different story.

a) The lending, and foreclosure and default practices, including constructive and non-monetary default processes;

In speaking with Farmers from all states in Australia, it is obvious the banking approval process that leads to bad outcomes in lending is prevalent in both the domestic loans market and that of small business loans for agricultural purposes. I teach members to demand documents, examine their own evidence and explain to me any hidden fraudulent details on mortgage loan applications: such as exaggerated income projections, inflationary asset values, creative re-valuations and fake Loan to Value Ratios. These are basic "norms" found on most documents relating to farming loans.

Deregulation of Banks has caused the Institutions to take short cuts on policy and place profit before people, enhancing outcomes for the Banks rather than consideration of the effects on customers and our nation. BFCSA Members have discovered as standard industry practice - the approval of large quantities of unaffordable, unsustainable and unverified mortgage loans, leading directly to excessive and avoidable debt for the borrower.

Our Farmer BFCSA Members have reported similar fraudulent lending practices and even greater losses, leading to eventual loss of farms, homes, livelihoods through-out Australia. These people are not just victims of poor banking advice. They were preyed upon by an aggressive and easily identifiable Banking Cartel.

Farms need money to operate. Primary Producers face floods, drought, fires, pests and diseases and commodity price collapses, they should not have to bear the enormous costs associated with predatory lending. The Government needs to get a grip on what Banks are doing to intentionally send farmers "to the wall," by overloading farmers with debt in a predatory manner. We have been witnessing a wholesale LAND GRAB.

A key element of fraud is intention to deceive and there has been a groundswell of evidence in all states: Banks using fraudulent methods to trick farmers and others into unaffordable 30-year INTEREST ONLY mortgage loans.

The internal computerised Loan App Tracker massages the data. The fraudulent mathematical data on the Loan Applications are created by an internal computerised calculator designed to exaggerate incomes, lower actual running costs and living expenses, inflate valuations and then inflate the LVR. The NSR is set by executives. Mortgages are then approved by a computer creating robotic loan approvals.

BFCSA can competently suggest lenders are deliberately devaluing properties to gain advantage, as witnessed in the Bankwest/CBA debacle. The Australian Parliament, via 22 Inquiries to date, and regulators have been suitably informed of the updates in collective practices since 2001.

MORE DEBT When a debt is reduced by half, Farmers are again approached by Banks to take on more debt. Banks are happy keeping borrowers mired in debt becoming a lifetime slave to the debt. Instruments used to increase debt are: Top Ups, Buffers, split loans, refinancing and LOCs, to avoid having the loan become a statistic on the default register. Credit Cards are offered without application and with 'limits' of $25,000 - $100,000. Even the cards are securitised debt. Not all borrowers are aware of this. Primary Producers had P & I loans to start with but have suggested they are moved on to riskier products.

In speaking with sellers, we understand 'ramping' is common practice by banks to beef up the volume on bank profits. When the equity in the property has reached its potential limit, the bank lawyers move in. Bankers have become a formidable team of wealth management sharks.

CARTEL: There appears to be very little competition between the 16 Major Banks and Lenders. As a group, they have adopted similar business strategies, loan processing, marketing concepts and operating models. This similarity leads to unified practices between the major banks. Since de-regulation, bankers have become ruthless predators and, primary producers have become easy prey. Industry trust and confidence has been eroded.

Many of the mortgages are INTEREST ONLY Loans, specifically geared to default within four to five years. All processing steps are identical to suggest a Banking Cartel is at play. APRA suggest only 40% of loans are IO's. We suggest that percentage is much higher.

b) The roles of other service providers to, and agents of, financial institutions, including valuers and insolvency practitioners, and the impact of these services;

Through our own collective research, involving over 2000 cases, we can clearly identify the changes in banking behaviour. The Banks employ "Sellers" 55% of whom are bank managers and officers and 45% are bank broker agents. All are trained by the Lender members of the Cartel. The Cartel controls all aspects of complaint handling via the Code of Compliance Monitoring Committee Association. The CCMCA controls the "Monitors."

When evictions from Farms occur after the equity has disappeared, we hear further complaints relating to horrendous invoices for fees coming from receiver/managers and insolvency people. Farmers constantly report, that Managers have not taken care of properties after evictions. Valuations are then downgraded once more.

Valuers are supposed to be chosen from a panel of valuers, yet we see the same "friendlies" time and again. **The impact** on consumers financial well-being, via the Banker Control of the entire system from manufacture of loan product to marketing, selling, over-servicing and complaint handling, leads to bias and corruption of the institution. The results have been a widespread alteration of facts and personal data without the knowledge or consent of the consumer.

Farmers report time and again their specific details written on the applications are only viewed as a three-page document, yet a further hidden eight pages of financial data are added to the application prior to approval but without the customer's knowledge of such deception. These deceptions are then falsely blamed on the Seller. Bankers have set up the situation for everyone to be blamed except the "engineers."

Borrowers are prevented from filling in their own forms.

Bank staff are required to "pump up the volume" to add to directors' fees. Bankers pretend they adhere to the Banking Code of Conduct, but in practice they do not. Loan to Value Ratios are constantly misrepresenting the truth of the debt levels. Everything about the mortgage loan process whether for domestic use or agricultural use, entraps the borrower into a false sense of security. The documents we have uncovered bear witness to this challenge as fact. None of the above is in the best interests of the consumers.

Primary Producers suffer the same feelings, the shame, the devastation, coupled with higher amounts of debt. Customers risk impoverishment, driven to despair, lose their homes, marriages, farms or businesses or commit suicide. We are aware of sellers who have attempted, or committed suicide. Primary Producers are hard-working decent people who deserve much acclaim and must be protected from predatory Bankers.

Unaffordable loans are common place. There are so many good farmers, earning modest incomes if any at all and have failed to understand the difference that de-regulation of banking made to the behaviour of bankers. They held a false belief that bankers would be honest, fair and trustworthy, as the primary producers maintain their own standards and values and rate honesty at the top of the list.

Since de-regulation, bankers have become ruthless predators and primary producers have become easy victims of prey. Bank archives contain decades of evidence that many farmers will be unable to service or repay debt during times of calamity, and producers will then be reliant on government intervention. Farmers complain that debts can increase by 60% in tough times. Banks take advantage over the customer by **adding compound interest at penalty rates** to farm debts despite receiving government subsidies to give the farmers assistance with debt management. Farmers report that Farm Debt Mediation sessions are less than ideal with unfair assessments re asset values.

REGULATORS. The duty of the Regulators is specifically to report systemic issues to Treasury and the Parliament and now we are being warned by economists and researchers of a potential for catastrophic failure of the economy. Our property market has been the target market of bankers and, in terms of market collapse due to property bubbles, farms are in that sphere. How does one seriously believe DEBT assists the prosperity of the nation and its people?

We can see the failure of the Major Banks to explain to Parliament, the number/percentage of sub-prime loans sloshing around in the system, due to a wide spread lowering of lending standards in Australia.

Our nation depends upon on our primary producers as a Food Bowl and an export industry. By neglecting the banking issue, the Government is failing the nation by specifically neglecting the plight of primary producers.

Five disturbing factors emerge:

a. The Pain is the same for Borrowers – Farmers or Domestic
b. The Banks win huge profits from these fraudulent loans
c. The Borrowers lose so much more. Suffering is immense. Recovery is painful.
d. The Sellers are left without the ongoing business and deceived regarding earnings. Bank Driven campaigns blame everyone except Bankers.
e. In a de-regulated market, the regulators are acting as if librarians.
f. Our Nation suffers by farmers being taken from their land and sold to overseas interests.

c) The appropriateness of internal complaints handling and dispute management procedures within financial institutions;

Complaint Handling has led to the existence of the Bankers Control Fraud in Australia. For White Collar Crime to flourish, criminologists know the devil is in the Control of the Complaint Handling Services. An obvious and exposed example in the 1990's being the solicitor mortgage scandal and complaints against the 127 law firms were being filtered through the Law Societies in each state. Self-interested industry Controllers cut the pay-outs down to only one third of those complaining. Actual amounts of disgraceful compensation approvals, translated into low-ball offers. The worst offenders, were "nominated" as "experts" to be installed on the adjudication panels. History Repeats.

In the Banking sector, Bankers control the Consumer Complaint Handling System through a variety of self-perpetuating initiatives. FOS will not consider Farmer complaints as the loss factor is set at a limit of $500,000. Since losses are usually much higher, as are the mortgage loans, that system is hopelessly flawed and serves only to increase the criminality of mortgage lending. Farmers are told to "seek legal advice," knowing the banks have maximised debt for the targeted primary producer.

The idea for Bankers to be totally in control is abhorrent: "to bleed them dry." By use of such harsh measures, banks are in fact in control of the entire process from which there is no escape for the borrower, despite the oft reported criminal aspects of fraud and looting. We cannot tolerate industries who commit widespread crimes and then treat white collar crime as a "computer error" or mere "maladministration in lending."

When Governments are busy covering up those crimes, they are in fact, condoning these nefarious practices and permitting the same activity to continue. They are condemning consumer borrowers to the "consumer graveyard."

d) The appropriateness of loan contract terms to the primary production industries, including loan-to-value ratios and provision of reasonable written notice.

We constantly see examples of inappropriate Loan Contracts, irresponsible lending practices containing numerous breaches of the Code of Conduct.

The Six Minute Contract: One feature we see regularly: Farmers have been asked to come into the "nearest" bank to sign the contract. This is a requirement of "face to face meeting." Farmers have reported these meetings, post application and approval, as being a universal "six minutes" or less. Yellow stickers are placed on the document pages requiring signature. No-one is given a chance to read the contract or indeed to ask questions. Banks state their staff are unqualified and untrained to give legal advice re contractual terms and pitfalls and risks. Six minute meetings mean: "we are in a hurry for next appointment." Speedy signing techniques have become "standard industry practice." A copy document is sent out later. By then it is too late to read or complain.

Borrowers being unable to read the contract, have no understanding of legal issues, a situation that gives the bank a direct advantage over the customer, and is not in the best interests of the consumer.

We have seen young teenage farmers being given huge loans, with parental guarantees. Farms have been in the family for generations and had no debt. Families trust the banker's recommendations, unaware it is QUOTA DRIVEN. This trust is being eroded by these predatory and bad advice activities. Farmers have discovered manipulated data by the exact same process. The fraud is easily identifiable by those fully informed, *after* the discovery three years later. The same techniques apply. Mortgage products have been engineered as entrapment. Essentially, the Banks have become asset-stripping machines.

the massive amount of available evidence, banks have managed to erode fairness, honesty and the trust of their customers. De-regulation as a feature of Banking Policy is good for the banks: it's a disaster for Primary Producers. Bank honesty has declined since deregulation.

CONCLUSION:

Consumer Protection has been abandoned. It makes for good common sense to hold a Royal Commission into the entire Banking, Insurance and Financial Advice and Services Industry. BFCSA has often detailed the constant failure of regulators to warn the public of the basic ‘control fraud’ in banking. As is common, Bankers blame the Farmers. On

Our banking system needs to be brought back under full regulatory control. Failure to address our DEBT issues, directly caused by bad banking behaviour, can have detrimental effects on our economy. We need a Publicly owned banking system that is fully accountable to Government.

Primary Producers are the suppliers of our food chain. By protecting the growers, we are protecting our food sources. I would have thought common sense would come into the discussion on how to best protect a major asset: our Primary Producers.

Yours sincerely
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