



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

17 December 2021

Secretariat, Regional Banking Taskforce
Financial System Division
The Treasury

via email: regionalbanking@treasury.gov.au

Dear Sir/Madam

Regional Banking Taskforce issues paper

We welcome the opportunity to contribute to the Regional Banking Taskforce (the Taskforce) paper. Financial inclusion in the modern economy requires access to appropriate banking services so it is essential that a full range of banking facilities be available in rural and regional areas.

Our Office has a long history of supporting small businesses across a range of industries who have been denied financial services, or de-banked, which causes significant distress to these businesses and can encourage them to operate outside the regulated banking sector. Similarly, the loss of a local bank branch, may, for some small businesses, cause them to look for services outside the regulated financial system. As a result, branch closures increase small business administrative costs, the level of risk for business owners, and have a community wide economic impact caused by business patronage moving away, along with reduced community amenity, particularly if it is the last remaining bank in town.

Reliance on the internet for banking services

Approximately 80% of Australians access banking services online¹ with online services often seen as substitutes for many traditional branch services. Stakeholders advise, however, that some business operators are aware of their limited digital literacy, leading them to distrust services or be unable to protect themselves online, hampering their use of this innovation. Consequently, we recommend the Taskforce consider:

1. Opportunities to work with the Australian Banking Association (ABA) to amend the Branch Closure Protocol within the Banking Code of Practice (the Code) to indicate that customers affected by branch closure can move to any other bank with no cost penalties, including outside their own locality. This would reflect the current technologically connected landscape which customers are engaging in.
2. Whether increased or ongoing funding could be provided to continue and possibly expand programs such as the Regional Tech Hub to assist rural and regional small businesses to secure safe banking services.

¹ Banking customers co...~<https://www.ausbanking.org.au/banking-customers-continue-shift-to-digital/>

Banking services during NBN/RSP outage

NBN outages during disasters or due to infrastructure problems can render on-line banking services useless, creating a reliance on the use of cash for goods and services.² In the absence of a branch, this places extra demand on Bank@Post or private ATM services which may have limited service hours or insufficient cash for a surge in demand during disasters which can constrain trade. Where there is no local bank branch it is critical that there is speedy remediation of intermittent or lost internet services. This could be assisted by the establishment of temporary mobile towers which are available for use by all service providers until usual services are restored. More broadly, there needs to be systemic change around infrastructure sharing, and 'NBN to Retail Service Provider' service commitments. This should extend to steps that guard against SME customers being bounced between NBN, RSPs and application providers when network-dependent digital banking services are inoperable. We have long argued that access to banking services and vital communications services are equivalent to 'essential services' and greater focus is needed to setting and adhering to deliverable service standards and where these standards are not met to the detriment of SMEs, that some consequence and remediation steps apply. Mobile black spots must be attended to and it is critical to maintain the accessibility, affordability, and reliability of the internet in these rural and regional areas.

The Taskforce might find valuable guidance in the proposed Private Members' Bill devised by Julian Lesser MP and a number of members of the House of Representative publicised as the 'exposure draft' *Telecommunications Reform (Telstra, NBN and Other Providers) Bill 2021* which includes measures that seek to end the blame shifting and to support genuine service level commitments.

Bank staff as trusted source of advice

Stakeholders indicate that small businesses can find it difficult to source locally relevant, professional financial advice. Additionally, small businesses find conducting their business with the bank face to face easier than navigating call centres or online. Where a business has a good banking relationship, debt mediation discussions run more smoothly and are less likely to escalate. Conversely where there is no local banker, small businesses may have several facilities which are managed by different areas in their bank.

We note with interest the positive experience in the United Kingdom with a dedicated bank staff member remaining in the local community following bank closures, to provide higher level banking support around ongoing banking needs.³ Therefore consideration should be given to working with the ABA to amend the Branch Closure Protocol within the Code, to include a trained bank staff member remaining in the community on branch closure for a minimum period of 12 months. After this period, small business and family enterprise customers should be supported with ongoing access to a dedicated, trained small business banker to speak to face to face or via a technology solution.

Access to capital

Timely access to capital is crucial for optimum business performance. Loans can be difficult to obtain in the absence of local bank staff who understand the inherent business proposition and/or the value and risk of the area's residential and commercial assets which can otherwise be difficult to ascertain for loan security. We recommend the Regional Banking Taskforce work with the ABA to amend the Code, so that where a loan refusal is not because of applicant's particular servicing ability but other factors beyond the applicant's control including the absence of skilled business banking with regional enterprise expertise or a paucity of data around comparable property values, the applicant be fully

² Royal Commission into National Natural Disaster Arrangements, *Royal commission into National Natural Disaster Arrangements Report*, 2020

³ Trials of shared ban...~<https://www.bbc.com/news/business-58245844>

informed of the reason, and the reason is noted on their credit history so as not to negatively affect their credit rating.

Other sources of advice

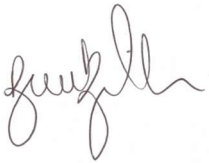
While there are Rural Financial Counsellors and Business Enterprise Centres with mentors available to support small business, there appears to be a disconnect between these resources and small business clients in rural and regional areas. The Taskforce may consider working with the ABA to amend the Branch Closure Protocol to include a clause that the exiting bank must provide information to customers about local sources of government and independent business and financial advice.

Added business stressors during disaster and pandemic recovery

We welcome the Taskforce's acknowledgement that branch closures add stress and inconvenience to small businesses in rearranging banking. This is concerning in rural and regional areas where small businesses are suffering the ongoing impacts of natural disasters and the pandemic. The combination is likely to increase demand for mental health services in these areas. We recommend the Taskforce consider the need for ongoing funding of the NewAccess for Small Business Owners program, as well as the Rural Financial Counselling service program. The Open Banking initiative is also important to ease opening and switching accounts, personal control of data and obtaining finance.

Thank you for the opportunity to comment. If you would like to discuss this matter further, please contact Ms Jan Walker on 02 5114 6131 or at jan.walker@asbfeo.gov.au

Yours sincerely



The Hon. Bruce Billson

Australian Small Business and Family Enterprise Ombudsman