

BANKING FOR PEOPLE, NOT FOR CORPORATE PROFIT

End the rorts by bringing banking back to basics

Banks hold a privileged position in our society. Having a license to be the custodian of other people's money is something that comes with great responsibility. But the banks have shown that they are not responsible. Government needs to step in. The Greens have a plan to reform the banking system so that it operates in the best interests of people, not for corporate profits.

THE GREENS WILL:

- Establish a People's Bank to drive competition in basic banking services
- Reduce the power of the banks by separating retail banking, investment banking and wealth management
- Replace a weak and compromised ASIC with the ACCC to fight for the rights of banking customers
- Recoup the costs of banking stability through a bank levy and committed liquidity facility



A PEOPLE'S BANK

Australia's banking system is a rort. Three decades of deregulation and privatisation has not left consumers any better off. Instead, the big four banks continue to dominate and are gouging super profits out of ordinary Australians.¹ This has to stop.

Banking is an essential service and people should be able to access it at a fair price. The Greens will put an end to the rent-seeking by establishing a People's Bank to provide basic banking at cost price.

This will force the big banks to actually compete and refocus on productive lending to small and medium sized businesses, ending their lazy, speculative investment in land which has driven up house prices.

Through the People's Bank², Australians will be able to establish accounts directly with the Reserve Bank for day-to-day banking products, including:

- Savings accounts pegged to the RBA cash rate, with debit cards linked to these accounts
- Term deposits pegged to the Commonwealth bond rate
- Mortgage tracker accounts up to 60% of the value of a property, up to a maximum of \$500,000, and pegged to the RBA cash rate.



BREAK-UP THE BANKS AND PUT THE ACCC IN CHARGE

The Royal Commission uncovered a shocking degree of rot in Australian banks. Much of this was the result of a business model where conventional savings and loans banks are also the owners of superannuation, insurance and wealth management arms. Regulations that were meant to prevent conflicts of interest did not work and banks pushed in-house products onto unsuspecting customers, whether they wanted them or not.

The regulators have not been up to the job either, having conflicted responsibilities themselves³ and being too close to industry.

It's time to bring banking back to basics. The Greens will break-up the banks so that they can no longer cross-sell their own products. Ownership would be restricted so that an institution is either a bank, a superannuation fund, an insurance company, or a provider of other financial products. The Greens will also put the ACCC back in charge of regulating simple and essential financial products. The ACCC would be given a clear mandate to protect consumers and ensure competition, while other regulators would oversee market integrity and financial system stability.

A LEVEL PLAYING FIELD

For decades the big four banks - Westpac, NAB, ANZ and CBA - have written the rules to suit themselves and protect their market share. Government and regulators have both failed to give other players in the market a fair run. It's time to level the playing field to ensure that regional banks, credit unions and co-ops are able to offer competitive services.

The Greens will:

- Increase the major bank levy to cover the benefit they get for being too-big-to-fail.
- Prevent the banks from writing their own rules on how much capital the banks have to hold.
- Make it easier for credit unions and customer owned banks to raise equity.

¹ See: Productivity Commission, Competition in the Australian Financial System, Inquiry Report.

² Read more about our People's Bank here: <https://greens.org.au/sites/greens.org.au/files/People%27s%20Bank%202018%20Announcement%20FINALv2.pdf>

³ ASIC is responsible for consumer protection, market integrity and financial system impacts.

CAPPING EXECUTIVE PAY AND OVERHAULING BOARDS

While the banks have been breaking the law and ripping off customers, dead or alive, their executives have been raking in ridiculous salaries. The Royal Commission has debunked the myth that these ridiculous salaries encourage the most competent managers. To the contrary, sky-high executive pay is a big part of the problem. Multi-million dollar managers with share bonuses are more focused on profit than they are on service. The Greens will put a cap on executive pay for banks at 10 times the national average weekly earnings for base salary, and at a further 5 times the average earnings for bonuses.

The Greens also want to give workers and customers a voice at the board. Bank boards are a club. If we had different voices sitting around the table then many of the issues that the Royal Commission is uncovering may have not have been so bad. Worker and customer representation is a common feature of board rooms in many parts of Europe. We need that here.

BETTER CONSUMER PROTECTIONS

The Greens will introduce a number of other measures to crack down on some of the most predatory financial practices and to help vulnerable consumers, including:

- Ensuring all aspects of consumer credit are regulated under the National Credit Code, including payday lending, consumer leases, and debt management providers.
- Capping rates for consumer credit at 10% for establishment fees and 2% for monthly fees.
- Banning the charging of fees on accounts, including default or late fees, that are above the direct costs incurred by a bank.
- Providing \$100m for funding for financial counsellors and legal assistance.