

# Hear+Beyond

## Accelerating Australian Business

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### SEASON 1, EPISODE 3 TRANSCRIPT

## Anna Bligh on banking's road to redemption in Australia

**HOST: Rae Johnston, Multi Award-Winning Australian Journalist**

**GUEST: Anna Bligh, CEO of Australian Banking Association**

**Rae:** Hi, and welcome to Hear+Beyond, a podcast brought to you by Accenture. This series is a must listen if, like me, you're curious about the future of Australian business beyond a pandemic. I'm Rae Johnston, and I'm here to ask the hard questions on the topics that really matter. I'll be joined by prominent business leaders who share their thinking around how Australia can accelerate business from here and beyond.

**Voice Over:** Hear+Beyond. Accelerating Australian business.

**Rae:** In this episode, I'm joined by Anna Bligh, the CEO of the Australian Banking Association, and former Premier of Queensland, which was a role she held until March 2012. We're going to explore the role of banking in Australia's post-pandemic recovery, and we'll look at just what it'll take to succeed. Hi Anna, welcome to Hear+Beyond, thanks for joining me.

**Anna:** My pleasure.

**Rae:** Now, what is the banking sector's role in Australia's post-pandemic recovery?

**Anna:** Well, I think, Rae, that it's multifaceted, and firstly its primary role is to do everything it can to support not only the customers of individual banks, but to support the Australian economy as, hopefully, together we pull our way out of. If I go to customers first, COVID has left a trail of economic chaos and devastation behind it, and there are still many, many Australians who work in particular sectors of the economy, or live in particular parts of the country, whose income or revenue for their small business has been decimated, and decimated by COVID, not because the market doesn't want their products, or that they've had some failing in their business model, simply because COVID meant that, for all of our safety, governments had to shut them down. And it's going to take some time for them to get back on their feet, and banks are very conscious that it's not going to be fixed in one month, it's not going to be done by Christmas.

For many of these customers it's another 12 months and potentially well into 2022. And by support, I mean either restructuring their loans, offering them an extension of the deferral of their repayments, helping them work through their financial situation in the best way possible. We're not going to get out of this economic situation unless we do have those businesses who can grow, who can expand, who can employ more people, who can change their business model and become a bigger company, unless they have access to credit. So ensuring the appropriate flow, and effective and efficient flow of credit into the economy, is going to be a very critical part of all of this.

**Anna:** And for those two things to come together, banks are going to need to take different degrees of risk, they're going to have to think about risk differently. Normally if a business said, "Look, I've had no income for six months and I can't make my payments, and I don't know when I'm going to get income again," that's a pretty simple equation for a bank, and probably for the business. But here the challenge is to look through COVID and say, "Well, you were doing well before COVID, then you got shut down, and how long together can we expect it's going to take you to build back to normal?" And they've never done it before, so it's going to take a lot of care and thought and forbearance and empathy, I think.

**Rae:** Yeah, so it is in the bank's best interest to be a bit more flexible and a bit more lenient with customers then.

**Anna:** There's no doubt that, in this instance, the best interests of customers, and the interest of the bank is actually completely aligned. It is not in the interest of a bank to watch that business just fall over. The best thing for the bank is, that business thrives, that business pays off the credit that they're owed, that business has a chance to grow and expand and take on more credit and build. That's actually how banks make money. And it's not in the interest of banks to rush out and start foreclosing on their customers, particularly when we've got the scale of an event that we've got here. Where does that leave banks? It leaves them holding a whole lot of property, that's not their skillset, to manage vacant properties in a property market that's still finding its feet post COVID. If they start selling all of that into that market, they'll potentially bring prices down, that impacts on their other customers.

There is a complete alignment here. The best interest of the bank is getting those customers back on their feet as quickly and reasonably as they can. Hopefully we can minimise the damage that COVID has brought to far too many people. So, there's some very big lessons that banks, I think, took from the Royal Commission, and they've certainly come into the COVID experience, not only with a lot of financial firepower, because they'd been building up capital buffers for nearly 10 years, since the GFC is one of the lessons from that event, they had that financial firepower to act as a shock absorber so that households didn't have to absorb the shock and small business didn't have to absorb it.

But it's one thing having the financial firepower, you've got to be prepared to use it. And on the other side of that equation, they came into COVID looking through the lens of a Royal Commission into conduct, and as I said, really sat down at the beginning of this year and spoke openly and explicitly about, what does the country need us to do? What would the community expect us to do? And I think that's been a very important lens to look at this whole event through.

**Rae:** So, the banks have taken those lessons on board, learnt from the Royal Commission. It's not just ticking a box, they truly care?

**Anna:** Look, big change doesn't happen overnight. And I think what was really important immediately post the Royal Commission was that banks accepted responsibility for the things that they'd done wrong, and that the leadership of Australia's banks took on the responsibility to fix it. But ultimately at the end of the day, Australians will judge by your actions, not by your words. Words are important, and it was important to hear those leaders say, "We got it wrong, we take responsibility for that, and now our job is to fix it and put in place the right culture." But as I said, the words have to be matched by actions.

**Rae:** In response to the COVID-19 pandemic, competing banks have been willing to work together. Tell us more about that, and how does it work, and what is the goal?

**Anna:** I think many people often look at Australia's banks and see them as pretty much the same all just with a different colour on the door. But in fact, they're fiercely competitive in a very competitive, particularly mortgage market, and not all banks do small business lending, some banks have a much bigger footprint in the large institutional corporate end of town. So, they're not all the same, but where they do have similar products, they're fierce competitors. It's not always easy for them to come around the table and decide to cooperate, and that's generally a good thing. I think, the public, we need them to be competing, because the more they compete, the better price, the better product we'll get. But making the right call about when you need to put down the competitive instinct and act together and in concert and cooperate in the public interest. I feel very proud of Australia.

People talk about Team Australia, but I think it was real. It was the government, but it was lots of organisations. If you think about how our big supermarket chains all cooperated to make sure we had enough food and enough toilet paper, and how banks stepped in to do what they could. Our success as a country in battling this, I think, has been the product of the combination of all of those things. So, banks always help their customers when there's a natural disaster. Obviously, we had an exception with the bush fires this year, but most natural disasters happen in one location. You have a flood in a place like Townsville, or you have bush fires in Tasmania, and those events generally are managed, each individual bank goes out and talks about what they will do for their affected customers. And because the event is a relatively manageable, and often the way they offer to help their customers is something they see very much as attached to their brand and their values.

And so you'll have one bank saying, "If you're a customer of this colour bank, you're entitled to this, this, and this." And another bank will say, "Yes, well you get all that plus something." And given the size of the COVID event, it was really obvious, very quickly, for me and for bank leaders, the sight of hundreds of thousands of Australians lining for kilometres outside Centrelink offices, really brought home instantly to everybody that this event was going to be on a scale that we had never encountered before. And at the same time, if you remember back to March, we were all desperately drinking from a fire hydrant of information. What was COVID? What do we have to do? Do we send our kids to school? Do we have to go to work? How do we protect ourselves? Do I need a test? And trying to absorb all of that. If all 15 banks in Australia who offer big retail products to the community all went out with a different proposition, it would have been terrible.

We knew instantly we needed one message, one package of support, and that people needed to know, they needed the comfort, that it didn't matter who they had chosen to bank with, they were going to be looked after in the same way.

**Rae:** And it did provide comfort?

**Anna:** Oh, no doubt. I was the person largely charged with going out and telling people what they are entitled to, and seriously, if I had to give 15 messages, I couldn't have done it. But at the height of COVID, they were 900,000 Australians who deferred their loan repayments, it's almost a million people. Most of those, about 550,000, were mortgages, the rest of it was largely small businesses, and then a smaller amount with personal credit, such as credit cards and personal loans. If those people had not had the opportunity to just take a breather, people who overnight went from working 40-hour weeks to four hours. And for most people, if you've got a mortgage, it's the single biggest outgoing from your family budget every month, and for small businesses who had to just shut their doors, it was a lifeline and it gave real breathing space. Because those small businesses, early on they didn't know, am I open, am I closed?

**Anna:** We still have about 300,000 Australians whose loans have been deferred, and the last one of those deferrals won't reach their six-month expiry date until next March. So, there's still a lot of work and support.

**Rae:** How can we make sure that banking is both accessible and affordable for everyone?

**Anna:** Well, there's many components of those two words. So, let me start with accessible. The face of banking is changing. We've had eight new banking licenses granted in Australia in the last two years. They're the first new banking licenses since the mid-1980s, and every one of those new banks are all online banks. They don't have any branches, and they never will have. You are carrying your bank around in your pocket with your mobile phone. But we also have very large banks who do have very substantial branch footprints and big call centres. Over last two to three years, we've seen about 40% drop-off in people wanting over-the-counter face-to-face interactions with their banks, and we've certainly seen, during COVID, a rapid acceleration of that trend. Now banks do need to, they need to have a physical presence where it's needed, and many of them are doing that through contracts with Australia Post as well as maintaining a very big branch network across the country.

But for many, many, many Australians, having access to internet banking, having access to banking apps, has made it a hundred times more accessible. You don't have to be able to get to the bank between nine and five. If you live in remote parts of Australia, you don't have to drive 150 kilometres to get to town to do your banking. You can do it at 11 o'clock at night in your pyjamas, sitting watching late night TV, you can be paying bills, you can be sending money to one of your children. And that's a big shift in accessibility. But managing the transition is one that has to be done carefully, and of course not all of that technology is accessible by everybody. There are many people who, for many reasons, find it difficult. Touch screen technology, for example, which people like me love, a number of banks are working at the moment on a product that will allow people who are vision impaired to use touch screen technology.

It's not accessible to everybody. But similarly, people with other physical disabilities didn't find branch banking very accessible, which probably goes to your next one about affordability. The thing in any industry which drives price down is competition. And so every time a bank, whether it's an existing one or a new one, finds a different and better way for their customers to access their services and products, everybody else is looking over the fence and thinking, "Well, how do I do that?" And that's a good thing for all of us. We see innovation, we see now small businesses, so cafes, restaurants, people can bring the payment terminal to your table, you can tap it, done. That's unimaginable, even five, six years ago. So, the industry is going through a very significant disruption, and some of that is being led by customers. They are demanding more functionality on their app, they want real-time payments, and that's what people are starting to offer them.

And it's pretty intense competition out there, there's lots of FinTech's in this space. And as I said, I think ultimately that will lead to vastly different ways of people accessing their product. The other thing on affordability, of course, is banks source their money from a range, the money they lend you comes from a combination of other people's deposits, it comes from money they borrow, money that is invested in them by international investors. So, the price of money matters to affordability, and of course, you've seen during COVID, the Reserve Bank of Australia considerably dropped the cash rate, and that's allowed banks to offer unprecedented affordability. We've never seen interest rates this low. We've now got some players in the market offering fixed loan rates with a one in front of it, like 1%. if you can afford credit, now's a good time to get it.

**Rae:** Can you tell me about the new banking code and what it means for everyday Australians?

**Anna:** The Australian banking industry has had a code of practice since the early 1990s, but a couple of years ago, they thought, it had grown a bit higgledy-piggledy as these things do. They get amended and amended, and it was very legalistic. But essentially an industry code of practice is a rule book for how banks will interact with their customers, and it outlines the rights and entitlements of customers to fair, honest, and ethical treatment. So, the new code represents a complete rewrite from the ground up. Written in plain English, which sounds like a simple thing, but I can tell you, trying to navigate that, it's not. But it's very important. If customers don't understand what their rights are, they can't enforce them. So, a lot of effort went into some very intense work on a plain English version of the code, and it sets out a range of rights for customers and responsibilities for banks, and where those responsibilities or those rights are breached, it gives customers the ability to enforce that.

They can make a complaint to the bank, if it's not fixed to their satisfaction there, there is a new complaints body set up by the Commonwealth Government called the Australian Financial Complaints Authority. It's free, it's accessible to anybody from anywhere, and it uses that banking code of practice to resolve disputes. It looks at that code and says, "Well bank, you said you would do X, it appears here that you didn't do X, we need to address this." And two big changes in the new code is, for the first time ever, a dedicated chapter for small businesses. Mum and dad businesses, sole traders, they need to be treated more like individual retail customers. They're not big corporations that can get legal advice and accounting advice, they are, like me, a pretty unsophisticated customer when it comes to structuring contracts, et cetera. And secondly, for the first time it has a significant section on customers who are experiencing a vulnerability.

And there are some people who have a vulnerability that lasts a lifetime, someone who might have an intellectual impairment or disability. Others of us can become vulnerable tomorrow. You can have a car accident, you can have a relationship breakdown, you can lose your job, be made redundant. Those experiences immediately make people financially vulnerable, and this specifies that banks have an obligation to take extra care, to be able to demonstrate what extra care they took, and to ensure that that vulnerability doesn't expose you to unnecessary financial difficulties.

**Rae:** Do you see the work that you're doing as setting the tone for other industries, and what can other sectors learn from what banking is doing?

**Anna:** I don't know that I would claim that banks are setting the tone. I think there's been really strong leadership from individual leaders of banks in the last 12 months to two years on the big issues around cultural change and their role in the Australian community, and a lot of strong leadership right across the industry as a whole. You had an earlier question, one of the things that's been particularly powerful is the willingness of banks to align and cooperate on the things that it's appropriate for them to do that, and I do think there's probably some lessons there for other parts of corporate Australia, that when you do come together on the right things, there's a lot of resources in banks, there's a lot of capability. There's a lot of firepower. And if you harness that collectively, and point it at the right direction, you can make something really important happen.

And I think that we saw that this year, but I do think banks are only one part of corporate Australia, and some of the trust issues that they've experienced have been very much about their own behaviour and their own conduct. But some of it, I think, has also rubbed off. I think there is a growing mistrust in the Australian community about corporations generally, and banks get touched with that as well. So I think there is such an important role for the private sector, it's the largest employer in the country. It employs more people than the public sector does, creates jobs, creates wealth, creates opportunity. Getting it right really matters and ensuring that it continues to enjoy the trust and respect of the community is, I think, going to be even more important over the next decade.



**Anna:** We've seen the most significant transfer of power from the hands of institutions into the hands of consumers, probably in human history, over the last couple of decades, and that power's never going back. So, everybody, including banks, has to get really used to empowered consumers who have high expectations, will articulate them, and will vote with their feet.

**Rae:** When you're focusing on helping to shape a resilient and responsible banking industry, what industries do you look to for inspiration? Who's doing it right?

**Anna:** Good question. I don't think anyone would claim to be getting it all right all of the time, that's sort of not how it works. But as I said, early on in the crisis, for example, I watched the food distribution industry, for our supermarket chains and logistics chains to work and be able to supply, they also needed to work really quickly with local governments who would otherwise have very strict rules about what time of the day you can make deliveries. And if they'd stuck to all those rules, we'd all be in a much worse position. Recognising very quickly, these are times that have to be thought about in a different way, and being able to pivot 360 degrees sometimes, and do it in cooperation between the public and private sectors.

Getting councils to quickly change their rules, and state governments and federal governments to lift some of the restrictions, to make common sense things happen in a different environment. So I always admire, when corporate Australia and governments are able to put their best foot forward and work together, that's when I think you get really good outcomes, and I always admire it when both sides can do that, because it doesn't always work.

**Rae:** Well thank you, Anna, so much for joining me here today. It's been wonderful to hear your insights and your thoughts on what the future may hold.

**Anna:** My pleasure. Thanks Rae.

**Rae:** You can find out more about this episode in the show notes and find out more about the series at [accenture.com/heardandbeyond](https://www.accenture.com/heardandbeyond). Don't miss the next episode of Hear+Beyond where I'll be joined by Michael Miller from News Corp.

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