

Australian politicians hold sham hearings on banks' "unethical behaviour"

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In an attempt to head off seething popular hostility to the predatory practices of Australia's banks, a parliamentary committee this week held three-hour question-and-answer sessions with each of the CEOs of the country's big four banks.

Over the past decade, and especially since the 2008 global financial breakdown, tens of thousands of working class people, retirees, small business owners and family farmers have been ruined by the banks.

Report after report has appeared of people losing their homes, life savings, livelihoods or farms as a result of ruthless foreclosures, exorbitant interest rates, misleading financial advice and denials of insurance claims.

Banks have rigged interest rates, engaged in insider trading, charged excessive fees, forged documents and denied insurance payments to terminally ill people or the families of those who died. In one publicised case, CommInsure, the insurance arm of the Commonwealth Bank of Australia (CBA), defied a coroner's verdict and falsely declared that a woman had committed suicide in order to repudiate her life insurance policy.

By refusing to fully pass on interest rate cuts made by the Reserve Bank of Australia (RBA) since 2011, the banks have gouged millions of dollars more from people paying off mortgages. According to the Australian Broadcasting Corporation's "interest rate calculator," someone who borrowed a \$300,000 loan from the CBA in 2011 over 30 years, has paid \$5,213 in extra interest repayments over five years.

All this has occurred while the banks have been supervised by an array of official agencies—including the RBA, the Australian Prudential Regulation Authority and the Australian Securities and Investments Commission—exposing the fraud of "regulating" the finance houses.

Having scarcely survived the July 2 election, Prime Minister Malcolm Turnbull's fragile government convened the House of Representatives economics committee hearings to counter populist calls by the Labor Party, the Greens, Pauline Hanson's One Nation and the Nick Xenophon Team for a royal commission inquiry into the banks.

But the opening day of the proceedings demonstrated the lie of the claim that any parliamentary inquiry—or royal commission—could or would take any action to even dent the

super-profits of the banks, which are among the most rapacious in the world.

After offering a ritualistic apology to his bank's victims, CBA chief executive Ian Narev, was blunt. He warned the politicians it was "very dangerous" to try to regulate bank profitability. "Our profits are at a level that enable us to keep the confidence of global funders, who play a critical role in our ability to consistently extend credit," he insisted.

In other words, any interference with bank profits would threaten the ability of the banks to attract investors and borrow on the world financial markets, on which the "big four"—the CBA, Westpac, National Australia Bank (NAB) and Australia New Zealand (ANZ)—depend for about half their funding.

Narev also defended his personal \$12.3 million pay packet, refused to reveal how much profit the CBA makes on home mortgages, and declined to rule out asking for government assistance again if faced with another global crash.

The message was not lost on the assembled politicians. Whether they represented the Liberal-National government, Labor or the Greens, the questions from the 10 committee members played straight into the hands of the banks.

Committee chairman David Coleman, a Liberal MP, asked Narev whether the CBA would accept bank account number portability, to permit customers to more easily switch banks. As if on cue, Narev said the CBA encouraged anything that lifted competition.

Deputy chairman and Labor MP Matt Thistlethwaite queried incentives paid to CBA staff to promote the bank's financial products, such as credit cards and superannuation schemes. Narev said the bank would drop the practice if an official inquiry recommended it.

Greens MP Adam Bandt asked what the *Australian Financial Review* called a "useful" question about the government guarantees of Australia's banks. The Greens have proposed a 0.2 percent levy on bank assets in return for the government's support, which boosts the big four's profits by about \$4 billion a year, via lower interest rates in the global money markets.

The Greens' proposal, which is in line with International Monetary Fund (IMF) recommendations, is one of numerous efforts being made to channel public anger back behind the continued propping up of the corporate-controlled financial

system.

In the lead-up to the hearings, Thistlethwaite spoke of forcing the banks to “clean up” their “unethical behaviour” and make customers’ interests their “priority.” Bandt said the problem was a “pretty aggressive culture within the banks” and that the committee hearings gave them an “opportunity to throw open their doors.”

This is cynical myth-making. As Narev made plain, the purpose of all the banks’ activities is to keep amassing mega-profits, in order to satisfy the appetites of the global financial aristocracy. That is the “culture” that drives the “behaviour” of the banks, necessarily at the expense of their customers.

While the parliamentary charade was underway, Treasurer Scott Morrison was in New York spruiking the importance of a “strong, credible, profitable banking system” to Wall Street investors and global credit ratings agencies, which have threatened to strip away Australia’s AAA borrowing rating.

As Morrison boasted, Australian banks are currently the most profitable in the world. This week, an Australia Institute report concluded that their profits constitute 2.9 percent of the country’s gross domestic product, the highest level internationally. It estimated their combined annual pre-tax profits at more than \$46 billion.

The overwhelming majority of those profits, however, come from mortgage and credit card lending to heavily debt-laden households, primarily driven by an unsustainable property bubble in major cities, which has pushed home ownership out of reach for millions of young people.

Nowhere else in the world are banks as heavily exposed to residential property. In August 2016, official data showed the big four banks held 83 percent of the home loan market, as well as 53 percent of life insurance premiums, and 57.3 percent of retail investment funds.

This week, the IMF warned that soaring global debt was exposing the world economy to another crisis. It specifically noted that Australian households were borrowing at a “fast pace.” The country’s household debt ratio—debt to income—of more than 180 percent is among the highest in the developed world.

With the collapse of its mining boom, and the destruction of its manufacturing base, Australian capitalism as a whole increasingly depends on the parasitic activities of the banks. Despite recent share price falls, the “big four” make up about a third of the value of the country’s stock exchange.

Perhaps the biggest fraud of all at this week’s hearings was Narev’s declaration that bank profits were good for everyone because “nearly 80 percent of CBA is owned directly or indirectly by Australian families... They’re not Australia’s elite; they are Australians from all walks of life.”

In reality, the banks are controlled by interlocking financial conglomerates, dominated by the wealthiest international investors. The same four entities—HSBC Custody Nominees (Australia), JP Morgan Nominees Australia, National

Nominees and Citicorp Nominees—are the top four shareholders in each of the four big banks.

HSBC Custody Nominees alone owns 16.91 percent of Westpac, 16.83 percent of NAB, 18.48 percent of ANZ and 14.80 percent of CBA. This concentration of ownership has intensified since the Hawke and Keating Labor governments privatised the CBA during the 1990s.

It is practically impossible to track down the identities of the underlying shareholders through the various financial structures. This process is part of the broader domination of finance capital over global capitalism. A 2011 Swiss study found that 147 companies—overwhelmingly the giant banks and investment funds headquartered in the US, Western Europe and Japan—controlled 40 percent of the world’s corporate wealth.

This web makes a mockery of any claim that bank practices can be improved by fostering “greater competition.” The banks are also a sharp expression of the mounting social inequality enforced by successive governments. While the big four’s CEOs took home a combined \$30 million over the past year, the banks’ tellers were paid about \$50,000 each.

Even those wages depended on the tellers meeting weekly targets for referring customers to particular bank products. NAB boss Andrew Thorburn flatly told the committee that banks needed to have “hungry” staff in order to be “competitive,” like all businesses.

This exploitation and profiteering can be answered only by placing the entire financial sector and every other key industry under public ownership, democratically controlled by the working class. That requires nothing less than a socialist revolution to reorganise economic life completely to meet the needs of all, not satisfy the profit requirements of a tiny few.



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