Official report whitewashes financial crimes by Australia’s biggest bank

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Yet another Australian government inquiry has allowed a major bank or finance house go scot-free after systematically defrauding or fleecing millions of customers, primarily working people, retirees and small business operators.

An Australian Prudential Regulation Authority (APRA) report this week into multiple financial crimes committed by the Commonwealth Bank of Australia (CBA), the country’s largest bank, recommends no punishment whatsoever.

Instead the bank agreed to a worthless “enforceable undertaking” to conduct vague “remedial action.” This essentially means it can carry on with the rapacious activities that drove its profit to near $10 billion last year.

The CBA will be required to keep an extra $1 billion in its capital reserve, which is an insignificant portion of its $64 billion in capital. If APRA later rules that the bank fails to implement any of its “undertakings,” the CBA might face fines of up to $210 million—about 2 percent of its annual profit.

The Liberal-National Coalition government commissioned the APRA report last August in a desperate attempt to prevent a wider inquiry after CBA had committed a litany of abuses for at least a decade.

These included mis-selling margin loans to customers to invest in financial products recommended by Storm Financial, which collapsed (2008); misconduct by financial advisers in Commonwealth Financial Planning, part of CBA’s wealth business (2010–11); fees for no service in financial advice (2012 to 2015); use of outdated definitions of heart attacks to deny insurance claims against CommInsure (2016); and misleading selling of credit card insurance (2013 to 2018).

On top of that, in seeking profits at any cost, CBA broke anti-money laundering legislation more than 53,000 times.

Media commentators and politicians described the APRA report as “scathing.” In reality, it is a whitewash. Its 35 recommendations—all readily accepted by the CBA—feature such vague and meaningless proposals as asking senior executives to become more “self-reflective” and to encourage staff members to ask “should we?” not “can we?” in interactions with customers.

This outcome provides an idea of what to expect from the government’s current royal commission into the finance industry. Despite the shocking revelations and evidence of outright criminality emerging daily from the inquiry’s public hearings, there is no possibility of any action being taken that will affect the super-profits extracted by the financial elite.

The government convened both the APRA inquiry and the royal commission in an attempt to head off seething popular hostility, not just toward the banks and other financial giants, but also the political establishment. Successive Coalition and Labor governments have enabled the financial criminality and protected its perpetrators.

Just a day after signing its agreement with the corporate regulator, the Australian Securities and Investments Commission (ASIC), the CBA was forced to admit—only after a media leak—that it had not told nearly 12 million customers for two years that in 2016 it lost electronic data tapes containing their names, addresses, account numbers and transaction records since 2000. The bank said it had not wanted to “unnecessarily alarm” them. Corporate regulators also kept the CBA customers in the dark about this massive privacy breach.

Like the CBA, all big banks and finance firms have happily accepted “enforceable undertakings” for the past 15 years, without the slightest impact on their predatory practices.

In 2006, ASIC signed such “undertakings” with AMP, the country’s largest non-bank investment company, after it gouged its clients by deliberately overcharging them.

Over the past two weeks, royal commission testimony has shown that AMP continued to levy fees for no services, provided misleading financial advice that caused terrible losses and lied to corporate regulators at least 20 times.

In December 2016, ASIC signed another undertaking with the CBA and another “big four” bank, the National Australia Bank (NAB), over their involvement in rigging the foreign exchange market for five years until 2013. No executives were fined or held to account.

Just a fortnight ago, ASIC signed one more such agreement with the CBA over the theft of $118 million from its customers by deliberately charging for financial planning services it had no intention of delivering.

The official protection of financial criminals stands in stark contrast to the vicious treatment of working class people and youth accused of petty offences or breaching welfare rules.

In February 2000, a 15-year-old orphaned Aboriginal boy, “Johnno” Warramarrba, was found hanged in a northern Australian juvenile detention centre cell after being imprisoned for 28 days for allegedly stealing property, such as pens and paint, worth less than $90 on Groote Eylandt, an isolated island in the Gulf of Carpentaria.

Since 2015, crippling fines, including eight-week penalties, have been imposed on more than half a million people accused of failing to meet requirements for “work for the dole” or Newstart jobless payments, which are set at a sub-poverty level of about $40 a day.

The APRA report attributes the CBA’s criminality to “complacency” produced by its profitability, not to the drive for ever-greater profits itself. Yet the report reveals that the bank operates on the basis of extensive bonus payments, both short-term and long-term, tied to “shareholder value”—that is, to boosting profits and the CBA’s share price.

Outgoing CEO Ian Narev and senior executives received $7 million in short-term bonuses alone in the three years before 2016-17, as well as multi-million dollar salaries. Narev, who quit last month after six years at the bank’s top, was paid $12.3 million in 2016, of which nearly $10 million consisted of bonuses.

Narev’s replacement, Matt Comyn, headed the CBA’s retail banking operations for five years. For public relations purposes, he said this week he would forgo short-term bonuses of $2.2 million this year. That would still leave him with a salary of that amount, plus up to $4 million in long-term bonuses.

Turnbull government ministers, who vehemently opposed a royal commission for two years, labelled the APRA report a “wake-up call” for all company board members. In a bid to divert the public anger toward a few scapegoats, Treasurer Scott Morrison said he expected more CBA board members to resign.

Most telling of all was the response of the Labor Party, which cynically adopted the demand for a royal commission in 2016 as a means of containing the fallout from the mounting revelations of financial abuses.

Shadow treasurer Chris Bowen dismissed calls for further CBA resignations, saying the royal commission was already taking enough action. He also defended the use of enforceable undertakings, describing them as “a key part of our regulatory infrastructure.”

Labor governments have long propped up and shielded the banks, including by privatising the CBA during the 1990s, laying the platform for the bonanza reaped by the financial elite.

As the record proves, no “reforms” or regulation will stop the abuses committed by the financial giants. The entire political and corporate establishment is committed to imposing the requirements of the bankers, who dominate Australian capitalism as part of the global hegemony of finance capital.

Between them the “big four” banks—CBA, NAB, Westpac and ANZ—have a market capitalisation of almost $400 billion, which is more than most of the rest of the top 200 Australian companies put together. The banks are chaired by some of the country’s most prominent businesspeople, such as former Business Council of Australia president Catherine Livingstone at CBA, ex-investment banker David Gonski at ANZ and former Reserve Bank governor Ken Henry at NAB. They are part of an interlocking network of directors sitting on the boards of every other major company.

To end the financial crimes, what is required is a workers’ government to completely reorganise society along socialist lines. This would include expropriating the banks and financial giants, with full protection for small depositors, and placing them under public ownership, democratically controlled by the working class.