

Thursday January 19, 2006

## **ACTION ON CBA INDIGENOUS LOANS WELCOMED**

The State Government has welcomed moves by the Commonwealth Bank to restructure or write-off some loan agreements with indigenous South Australians.

The Bank has announced that, under arrangements negotiated with the Office of Consumer and Business Affairs (OCBA) and the Australian Securities and Investments Commission (ASIC), loans taken out by 400 indigenous borrowers across Australia are being reviewed.

Around 40 of the loans involve people living in South Australia's Aboriginal communities, including the APY Lands and at Port Augusta.

The OCBA says most of the loans were for \$20,000 or less, and were taken out to finance the purchase of second-hand vehicles. They found that most of the vehicles purchased and financed in SA were of poor quality and in below-average working order.

An Adelaide based finance broker was involved in arranging for the purchase of vehicles from specific car dealers in South Australia and sourced the finance from the Commonwealth Bank.

It was also found that the incomes of many of the people taking out loans was restricted to payments received from the Federal Government's Community Development Employment Program or other Centrelink payments.

The OCBA also raised with the Bank its internal procedures, which failed to identify discrepancies in some loan applications submitted by brokers. A significant number of these loan applications left borrowers over-committed.

Investigations found shortcomings in the Bank's eligibility criteria used to assess the applications from borrowers living in remote locations. The Bank has responded positively to the findings of the investigation, and has acknowledged it had shortcomings in its procedures and policies – but emphasised they were unintentional.

Consumer Affairs Minister Karlene Maywald has welcomed the loan review.

“It's pleasing the Bank has responded so positively to our concerns. This is a group of borrowers who suffered significant disadvantage. The Bank has recognised this and taken action to rectify the impact,” says Minister Maywald.

“The policies and procedures now being put in place by the CBA should be seriously considered by other banks and financial institutions. I encourage all lenders to review their guidelines so they don't put indigenous consumers – indeed all consumers – at risk.”

Minister Maywald says the OCBA, ASIC and the CBA are developing a special purpose financial counselling service and a dedicated counsellor for remote communities.

“Further information about this service will be made available as the concept is developed. The Bank has agreed to provide ongoing funding for this service,” says the Minister.

“The financial counselling initiative is an important program, and the Office of Consumer and Business Affairs is pleased with the Bank’s commitment to the program, and its continuing role in providing financial services to remote communities.”

OCBA is continuing to investigate the activities of the second hand car dealers involved in selling the vehicles and the finance broker involved in referring consumers to the Commonwealth Bank.

Aboriginal Affairs and Reconciliation Minister Terry Roberts says it’s clear a number of indigenous South Australians have been suffering financial hardship as a result of these loans.

“The Commonwealth Bank’s review of the loans is a positive step towards hopefully rectifying a situation that has concerned me for some time,” says Mr Roberts.

Indigenous consumers experiencing hardship through loans serviced by the Commonwealth Bank should contact the Bank on **1800 634 700**, or the OCBA on **131 882**, to discuss their financial circumstances.

For further information contact David Heath on 0422 004 439 or Matt Clemow on 0417 887 824
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