

# Responsible lending

As the holder of an Australian credit licence, CBA has strict obligations relating to the provision of credit to customers. These include responsible lending obligations, which aim to encourage prudent lending and minimise the risk that consumers will not be able to make their loan repayments. The regulatory framework includes legislation - the *National Consumer Credit Protection Act 2009* (Cth) (the NCCP Act) - as well as related Regulations, Codes and regulatory guidance provided by the Australian Securities & Investments Commission (ASIC).

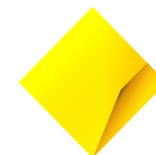
The responsible lending obligations in Australia require lenders to undertake specific and considerable steps, to ensure that a credit contract will not be unsuitable for a consumer if the contract is entered into or the credit limit increased. To comply with this obligation, lenders need to make reasonable inquiries about the consumer's requirements and objectives in relation to the credit contract, make reasonable inquiries about the consumer's financial situation, and take reasonable steps to verify the consumer's financial situation.

Lenders such as CBA must not enter into a credit contract if the consumer will be unable to comply with the financial obligations under the contract, or it will not meet the consumer's requirements or objectives. Credit contracts should also not be entered into if complying would cause a consumer substantial hardship. This helps to prevent consumers entering into contracts that they may be unable to afford or which could cause harm to a customer.

The responsible lending obligations apply to all new credit contracts as well as increases to the credit limit of existing credit contracts. CBA takes steps to comply with the responsible lending obligations for all our products regulated under the NCCP Act, including our credit card, home loan and personal loan products.

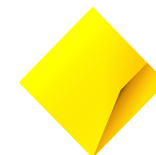
While our buy now pay later products are not currently subject to the same responsible lending obligations, in providing those products we also take steps to ensure our conduct is consistent with obligations set out in the Banking Code of Practice, to act as a diligent and prudent banker.

Where we are found to have not met our obligations, we remediate and return the customer as closely as possible to the position they would have been in. If we fail to meet the responsible lending obligations under the NCCP Act, CBA may be subject to criminal or civil penalties. In certain cases, contravention of the responsible lending obligations could result in a loss of our Australian credit licence.

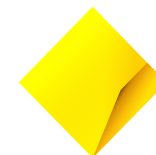


Key sources of our obligations to our customers relating to consumer credit, such responsible lending, include:

Relevant legislation/ regulatory documents	Regulations summary	Obligations summary
<i>National Consumer Credit Protection Act 2009</i> , including National Credit Code	<ul style="list-style-type: none"> <li>Regulates credit provided to individuals or strata corporations, wholly or predominantly for personal, domestic or household purposes or to purchase, renovate or improve residential property for investment purposes (or refinance credit provided for that purpose).</li> <li>Imposes responsible lending obligations.</li> <li>Regulates disclosure for consumer credit products including disclosure of fees, charges and interest.</li> <li>Regulates the provision of hardship assistance.</li> <li>Imposes Australian credit licensing regime and general licence obligations including the obligation to engage in credit activities efficiently honestly and fairly, the obligation to comply with the credit legislation and training of employees.</li> </ul>	<ul style="list-style-type: none"> <li>We must hold an Australian credit licence with appropriate authorisations.</li> <li>We must make reasonable enquiries about a customer's requirements, objectives and financial situation.</li> <li>We must take reasonable steps to verify the customer's financial situation.</li> <li>We must assess that the credit contract or an increase to the credit limit is not unsuitable.</li> <li>Credit contracts, mortgages, guarantees and notices must adhere to the form and content requirements set out in the NCC.</li> <li>We must accept and consider hardship notices and respond to them within the required time frames.</li> <li>Credit contracts, mortgages, guarantees and notices must be clearly expressed.</li> <li>If, at the time a credit contract, mortgage or guarantee was entered into or changed, we knew or could have ascertained by reasonable inquiry that the debtor could not pay in accordance with its terms or not without substantial hardship, the court may have regard to this in determining whether a term of the contract, mortgage or guarantee is unjust.</li> <li>We must engage in credit activities efficiently, honestly and fairly.</li> <li>We must comply with the credit legislation.</li> <li>We must ensure our frontline employees are competent and trained appropriately.</li> <li>We must have in place adequate arrangements to ensure customers are not disadvantaged by any conflict of interest that may arise in relation to credit activities engaged in by us or our representatives, including our employees.</li> </ul>
Banking Code of Practice	<ul style="list-style-type: none"> <li>Contractually binds us to standards of practice and service with individual and small business customers and their guarantors.</li> <li>Requirements to take a responsible approach to lending, including to exercise the care and skill of a diligent and prudent banker if providing an individual or small business with a new loan or an increase in a loan limit.</li> <li>Requirements for dealing with vulnerable customers.</li> <li>Requirements for dealing with guarantors.</li> </ul>	<ul style="list-style-type: none"> <li>We must exercise the care and skill of a diligent and prudent banker when providing a new loan or increasing a loan limit. For individual customers, we will do this by complying with the law.</li> <li>We must train our employees to comply with the Banking Code of Practice and to act with sensitivity, respect and compassion when dealing with vulnerable customers.</li> <li>We must work with customers experiencing financial difficulty to help find a sustainable solution for the customer's specific circumstances.</li> <li>We must communicate in a clear and timely manner, including by giving our terms and conditions, fees and charges and interest rates before or when the contract is made.</li> </ul>



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<i>Australian Securities and Investments Commission Act 2001</i>	<ul style="list-style-type: none"> <li>Provides authority for ASIC to maintain, facilitate and improve financial system performance, and promote the confident and informed participation of investors and consumers in the financial system.</li> <li>Regulates unfair contract terms in standard form consumer and small business contracts for financial products and services.</li> <li>Regulates conduct in relation to financial services, including by prohibiting unconscionable conduct, misleading or deceptive conduct and false or misleading representations in relation to financial services.</li> </ul>	<ul style="list-style-type: none"> <li>We must provide responses to requests for information from customers, via authorised and trained employees.</li> <li>We must have a process in place to help customers cancel direct debits.</li> <li>We must engage with customers in a fair, reasonable and ethical manner and provide inclusive and accessible banking services.</li> <li>We must comply with a number of obligations when dealing with individual guarantors.</li> <li>We must not, in trade or commerce, engage in conduct in relation to financial services that is misleading or deceptive or is likely to mislead or deceive.</li> <li>We must not, in connection with the supply or acquisition of financial services engage in unconscionable conduct.</li> <li>We must not enter into establish standard form contracts with consumer and small business customers that contain unfair terms.</li> </ul>
ePayments Code	<ul style="list-style-type: none"> <li>Provides consumer protections in relation to electronic payments, including ATM, EFTPOS, credit and debit card transactions, online payments, and internet and mobile banking.</li> <li>Contractually binds us in dealing with consumers to whom we provide electronic payment facilities.</li> <li>Sets requirements for reporting and recovering mistaken internet payments.</li> <li>Sets requirements for how we handle and allocate liability for unauthorised transactions.</li> <li>Sets requirement to assist customers who want to switch banks.</li> </ul>	<ul style="list-style-type: none"> <li>We must assist customers to easily change banks by providing them with a listing of direct debits, direct credits and periodical payments on their account, and setting up direct debits on their new account.</li> <li>We must have a process in place for customers to report mistaken internet payments and to assist in their recovery, as specified in the Code.</li> <li>We may only hold customers liable for unauthorised transactions in the circumstances specified in the Code, and must have an effective and convenient process for users to report unauthorised transactions.</li> </ul>
ASIC Regulatory Guide (RG) 209: Credit licensing: Responsible lending conduct	<ul style="list-style-type: none"> <li>Provides regulator (ASIC) guidance on what the responsible lending obligations in the NCCP Act require, and steps credit licensees can take to minimise the risk of non-compliance.</li> </ul>	<ul style="list-style-type: none"> <li>We should determine how we will meet our responsible lending obligations and keep a record of the inquiries and verification steps we have taken, to help demonstrate compliance with our obligations and minimise non-compliance risk.</li> </ul>
ASIC Regulatory Guide (RG) 96: Debt collection guideline: for collectors and creditors	<ul style="list-style-type: none"> <li>Provides regulator (ASIC &amp; ACCC) guidance on the application of consumer protection laws to debt collection activities, including debtor contact and dealing with third party representatives.</li> <li>Provides practical guidance on what creditors and debt collectors should do to minimise the risk of breaching relevant laws when undertaking debt collection.</li> </ul>	<ul style="list-style-type: none"> <li>We should ensure our own debt collection practices, as well as our outsourced activities and our debt purchasers comply with the Debt Collection Guideline.</li> </ul>



Relevant legislation/ regulatory documents	Regulations summary	Obligations summary
Australian Financial Complaints Authority (AFCA) Approach to Responsible Lending	<ul style="list-style-type: none"> <li>Provides guidance on how AFCA considers complaints relating to responsible lending, including how it assesses compliance with the obligations and how it determines compensation for breaches.</li> </ul>	<ul style="list-style-type: none"> <li>We should have regard to AFCA's approach to responsible lending when considering how we comply with our obligations and when resolving disputes.</li> </ul>
ASIC Regulatory Guide (RG) 271: Internal dispute resolution	<ul style="list-style-type: none"> <li>Provides regulator (ASIC) guidance on what licensees must do to have an internal dispute resolution system that meets ASIC's standards and requirements, as required by the NCCP Act.</li> <li>Certain of the requirements are enforceable.</li> </ul>	<ul style="list-style-type: none"> <li>We should ensure that our internal dispute resolution procedure meets the standards and requirements set by ASIC. This includes the definition of "complaint", the content of internal dispute resolution (IDR) responses and meeting the maximum IDR timeframes.</li> <li>We should acknowledge receipt of all complaints within 24 hours or as soon as practicable, and aim to resolve complaints at first point of contact where possible.</li> <li>Complaints involving hardship notices or requests to postpone enforcement proceedings must be treated as urgent, and determined within 21 days.</li> </ul>
ASIC Regulatory Guide (RG) 234: Advertising financial products and services (including credit): Good practice guidance	<ul style="list-style-type: none"> <li>Provides regulator (ASIC) guidance on how promoters of financial and credit products can comply with their legal obligations not to make false or misleading statements or engage in misleading or deceptive conduct.</li> </ul>	<ul style="list-style-type: none"> <li>In advertising credit products, we should have regard to the good practice guidance set out in RG 234. These include that: <ul style="list-style-type: none"> <li>Advertisements should give a balanced message about the returns, features, benefits and risks associated with the product.</li> <li>If warnings, disclaimers and qualifications are required, they should be prominent enough to effectively convey key information on first sight.</li> </ul> </li> </ul>

#### Key Responsible Lending documents we provide:

Key Facts Sheet:	Written copy of unsuitability assessment	Credit Guide
<p>A document containing information relating to certain home loan and credit card products, allowing a comparison of different products with the products of other lenders.</p> <p><i>An example credit card Key Facts Sheet can be found <a href="#">here</a></i></p> <p><i>A home loan Key Facts Sheet can be generated through our Repayments Calculator <a href="#">here</a></i></p>	<p>A consumer can request a copy of a licensee's unsuitability assessment, to understand the basis on which the loan or credit limit increase was assessed as not unsuitable.</p> <p><i>Available at customer request</i></p>	<p>Provides information about the licensee and describes dispute resolution mechanisms available to the customer, the customer's right to a written copy of the assessment, and the licensee's obligation not to enter into an unsuitable credit contract.</p> <p>Provided to all customers with product Terms and Conditions or welcome pack or loan offer.</p> <p><i>An example Conditions and Credit guide for credit cards can be found <a href="#">here</a></i></p> <p><i>An example Conditions and Credit guide for consumer mortgage lending can be found <a href="#">here</a></i></p>

