

Joint Submission

Independent Review

2025-26

Customer Owned Banking Code of Practice

17th April 2026

Signatories



Fairer markets for Australians



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About the authors

Consumer Action Law Centre (CALC)

Consumer Action Law Centre is an independent, not-for profit consumer organisation with deep expertise in consumer and consumer credit laws, policy and direct knowledge of people's experience of modern markets. We work for a just marketplace, where people have power and business plays fair. We make life easier for people experiencing vulnerability and disadvantage in Australia, through financial counselling, legal advice, legal representation, policy work and campaigns. Based in Melbourne, our direct services assist Victorians, and our advocacy supports a just marketplace for all Australians.

Consumer Credit Legal Service Western Australia (CCLS)

CCLS champions the financial rights of West Australians on credit, debt and consumer law issues. CCLS has a key role to empower, educate and represent consumers and key stakeholders on matters in relation to credit, debt and consumer issues. Services are targeted to people impacted by financial and consumer law matters, with a focus on people with a disability, people with mental health challenges, people from Culturally and Linguistically Diverse backgrounds, Aboriginal and Torres Strait Islander peoples and people experiencing family violence.

Consumer Policy Research Centre (CPRC)

The Consumer Policy Research Centre (CPRC) is an independent, not-for-profit, consumer think-tank. CPRC aims to create fairer, safer and inclusive markets by undertaking research and working with leading regulators, policymakers, businesses, academics and community advocates.

Each

Each is a not-for-profit community health provider delivering free and independent financial counselling services, alongside a range of other wrap around services. Each operates Australia's only specialist Business-Related Financial Abuse (BRFA) program, supporting victim-survivors of financial abuse perpetrated through business structures. The program develops practical resolution pathways and contributes specialist expertise and lived experience to national policy reform and industry education in this area.

Financial Counselling Australia (FCA)

Financial Counselling Australia is the national peak body for the financial counselling sector. Financial counsellors assist people experiencing financial difficulty by providing information, support and advocacy. Working in not-for-profit community organisations, financial counselling services are free, independent and confidential.

Financial Counselling Victoria (FCVic)

Financial Counselling Victoria is the peak body for financial counsellors in Victoria, who provide free, independent and non-judgmental information, advice, advocacy and support to people experiencing or at risk of financial difficulty.

Indigenous Consumer Assistance Network (ICAN)

ICAN is a not-for-profit organisation servicing both First Nations peoples and the wider community. It is a First Nations-led organisation located on Gimuy (Cairns). ICAN carries out its vision of *Empowered consumers, strong communities, fair economies* through its financial counselling and capability services, research and advocacy to address systemic consumer disadvantage, and by building skilled and agile workforces that reflect the communities it serves, through sector driven education

Mob Strong Debt Help

Mob Strong Debt Help is a free nationwide legal advice and financial counselling service for Aboriginal and Torres Strait Islander people. The service specialises in consumer finance (such as credit cards, pay day loans and car loans), banking, debt recovery and insurance (including car, home, life and funeral insurance). Since 2016, Mob Strong Debt Help has been led by Aboriginal and Torres Strait Islander staff, supported by all our colleagues at Financial Rights Legal Centre. Our team is small but dedicated, and includes solicitors, policy advocates, financial counsellors and a student financial counsellor.

Mortgage Stress Victoria (MSV)

Mortgage Stress Victoria is a free specialist service funded by the Victorian Government. We help Victorians in mortgage stress to stay in their homes sustainably. Our team consists of lawyers, financial counsellors, and social workers. Our vision is fair mortgages and secure housing for homeowners in debt.

Thriving Communities Australia

Thriving Communities Australia (TCA), a charitable, for-purpose organisation, is a cross-sector partnership that enables collaboration between business, government, academia, the community sector, and people with lived experience. We believe the best results for individuals, organisations and the community occur when we have a movement of organisations working collaboratively within and across sectors. The challenge is not to 'fix' people, rather to unite and shape a system around what works better for people. We aim to create a fair and connected system, so that everyone in Australia can achieve a standard of living where they can thrive, and live free from discrimination.

Vacro

Vacro has more than 150 years of experience as a specialist criminal justice reintegration service, supporting people caught in the prison system to create new beginnings for themselves and their families. Our staff provide pre-release support inside 13 of Victoria's 15 prisons, and intensive post-release support in all of metro Melbourne and most parts of regional Victoria.

AI Disclaimer

During the preparation of this submission, the primary authors (Mortgage Stress Victoria) used Microsoft Co-Pilot to assist with summarising content. After using this tool, the authors reviewed and revised the content as necessary and take full responsibility for the content of the final submission. Some contributing authors also used AI tools for summarising content and have confirmed they have checked for accuracy before submitting the content for use.

Glossary

ABA: Australian Banking Association

ABA Code: Banking Code of Practice 2025

ACCC: Australian Competition & Consumer Commission

ADI: Authorised Deposit-taking Institution

AFCA: Australian Financial Complaints Authority

APRA: Australian Prudential Regulation Authority

ASIC: Australian Securities & Investment Commission

BCCC: Banking Code Compliance Committee

BRFA: Business-Related Financial Abuse

CALC: Consumer Action Law Centre

CCLS: Consumer Credit Legal Service Western Australia

COBA: Customer Owned Banking Association

COBCCC: Customer Owned Banking Code Compliance Committee

CPRC: Consumer Policy Research Centre

DDO: Design and Distribution Obligations

EDR: External Dispute Resolution

FAR: Financial Accountability Regime

FCA: Financial Counselling Australia

FCVic: Financial Counselling Victoria

ICAN: Indigenous Consumer Assistance Network

IDR: Internal Dispute Resolution

MSV: Mortgage Stress Victoria

NCC: National Credit Code

RHI: Repayment History Information

SME: Small to Medium Enterprise

SPF: Scam Protection Framework

Recommendations

R1 – Clarification and enforcement of hardship timeframes: Guidance and training for staff to make clear that hardship assessment periods do not justify compressed or unreasonable information deadlines, particularly where member banks request additional material.

R2 – Mandatory accommodation of known vulnerabilities: Where a customer discloses vulnerability or a vulnerability becomes reasonably apparent, member banks should be required to adjust information requests, communication methods, and timeframes, consistent with Australian Standard 22458:2025 to avoid foreseeable harm or disengagement.

R3 – Limits on repeated or excessive information requests: The Code should prohibit its members from making serial or disproportionate documentation demands that delay hardship outcomes, particularly once sufficient evidence of hardship has been provided or where a financial counsellor is acting for the customer.

R4 – the Code is supported by clear guidance on access and inclusion: COBA develops publicly accessible access and inclusion guidelines to expand on Code obligations

R5 – Code changes assessment criteria: apply the above metrics as tests of Code changes to ensure robust and fair consumer outcomes and ensure the Code will meet the standard required for approval by ASIC.

R6 – Redraft key consumer protection areas using “must / must not” language, supported by objective criteria: Promise-based drafting is least effective where consumers are most vulnerable and power imbalances are most acute. These areas warrant clear, testable obligations that can be monitored and enforced.

R7 – Commitment to good practice: Hardship provisions in the Code to match or exceed the ABA Code hardship provisions as these are recognised by ASIC to reflect good industry practice.

R8 – Recognition of obligation to provide “extra care” to customers experiencing vulnerability and of financial hardship as a characteristic which increases the risk of customers experiencing vulnerability.

R9 – Data collection and transparency: Require COBA members to report to the Code Compliance Committee on access barriers and service outcomes for vulnerable cohorts to identify and address systemic failures early.

R10 – Ensure access to fee-free accounts: eligibility must include customers with low or no income, including incarcerated persons. Eligible customers should be automatically transferred on an opt-out basis. Accessible disclosures should be mandatory, as well as accessible, cost-free mechanisms for customers to proactively reverse the transfer with no penalties where they decide the account is not appropriate for them.

R11 – Transparency regarding account closure: Require customer-owned banks to maintain clear and transparent policies outlining when and why customer accounts may be closed, and to ensure that account closure is used only as a last resort.

R12 – Recognition of incarcerated persons as customers experiencing vulnerability: Amend clause 26 of the current Code to explicitly recognise incarcerated persons, including those transitioning out of prison, as a group of customers experiencing vulnerable circumstances.

R13 – Tailored policies and institutional capability: the Code should require customer-owned banks to maintain tailored, transparent policies and procedures enabling incarcerated customers to access and manage banking services; and internal capability that is appropriately resourced to:

- a) understand corrective services systems across Australia
- b) support staff who interact with incarcerated customers
- c) assist incarcerated persons, financial counsellors and other authorised third parties

R14 – Acceptance of Corrective Services identification: Require customer-owned banks to accept Corrective Services identification documentation as satisfying the 100-point identification requirements needed to access banking services.

R15 – Include a specific clause relating to appropriate lending to small business customers: a COBA-appropriate version of clauses 77-79 of the ABA Code to ensure small business customers are afforded the same level of care.

R16 – Protections for individuals exposed through small business lending: Amend the Code to require safeguards against business-related financial abuse in small business lending by ensuring benefit and consent checks for individuals exposed through business structures, limiting director-based exclusions, separating director and guarantor roles, and applying enforcement sequencing protections.

R17 – expand the list of defined vulnerabilities: include specific reference to financial difficulty, Aboriginal and Torres Strait Islander customers, incarcerated or recently released persons, people living in remote locations and those impacted by natural disasters.

R18 – recognise that experiences of vulnerability can vary over time: the Code should include wording consistent with the ABA Code, e.g. *‘we recognise that a customer’s circumstances may require support and that these circumstances may change over time and in response to particular situations’*.

R19 – Presumptive hardship protection for domestic and family violence victim survivors, including longer default hardship periods where family law proceedings or safety risks delay property sales.

R20 – Prohibition on repeated information requests where there has been no material change in circumstances, particularly where a consumer is represented by a financial counsellor.

R21 – Mandatory domestic and family violence-informed hardship decision-making, requiring COBA members to consider safety, legal constraints, and power imbalances when assessing hardship applications.

R22 – Clear, written reasons for hardship refusals, consistent with ASIC RG 209 and RG 271, including how consumer evidence was considered.

R23 – Regulatory oversight and enforcement, including monitoring of hardship practices for joint debts involving domestic violence, self-reporting of breaches, and sanctions for conduct that exacerbates harm.

R24 – develop an enforceable domestic and family violence guideline: this should be developed in consultation with community experts

R25 – Guaranteed access to non-digital service options: COBA members must provide alternatives to digital only pathways, including access to branch based or face-to-face services, privacy-enhanced channels, and the ability to obtain statements or transact without internet or the need for Multi-Factor Authentication.

R26 – Cultural safety standards for all customer-owned banks: This should include mandatory training, trauma-informed practice, and accountability measures for demonstrating cultural capability across the organisation.

R27 – Proportionate service models based on First Nations customer reach: Institutions with a significant First Nations customer base, particularly in the NT, WA, SA and Queensland must demonstrate stronger, tailored responses. This should include dedicated staff, local partnerships or interpreter access.

R28 – Interpreter and accessibility commitments: Minimum standards for interpreter availability, confidentiality protections, and proactive support for customers where English is not the primary language of community members.

R29 – Recognition of community-based financial counselling and support roles: Banks should create structured pathways for engaging with recognised workers, including but not limited to accelerated phone queues, priority access for community workers and where appropriate, reduced documentation requirements.

R30 – Privacy and safety protections in remote service delivery: Banks must risk assess Bank@Post reliance and ensure alternative confidential channels

R31 – Mandatory and transparent digital exclusion impact assessments for service changes before withdrawing in person services, introducing new digital systems or altering service channels should be implemented and enforced.

R32 – Establish minimum standards within the Code for service continuity during system transitions: this will require COBA members to:

- notify customers well in advance of any planned digital or system transition;
- provide clear instructions on changes to authentication, layout, or access pathways;
- maintain alternative access channels during outages;
- protect customer information, including vulnerability flags, during system migrations; and
- ensure post migration support is accessible by phone and in person.

R33 – Establish obligations for AI transparency and accountability with regard to AI in customer authentication, fraud detection, credit assessment and dispute resolution: COBA members should include clear explanations of when AI is used, contain human review pathways for customers wishing to dispute automated decisions, provide safeguards to prevent biased or unsafe outcomes and include enhanced protections for customers experiencing vulnerability.

R34 – Explicitly protect access to non-digital banking, commit to privacy enhanced face to face channels, and require banks to assess digital exclusion impacts prior to removing services.

R35 – Mandatory enhanced questioning for high risk transactions: The Code should require members to implement mandatory escalation and questioning protocols where transactions are inconsistent with a customer’s profile, including temporary delays to enable intervention.

R36 – Clear liability and reimbursement frameworks: A presumption of shared responsibility should apply where a COBA member fails to identify clear red flags, consistent with ASIC’s expectation that banks document and apply transparent liability frameworks.

R37 – Improve frontline staff training and accountability:

Minimum training, monitoring, and accountability standards should be embedded in the Code relating to scam identification indicators and support for vulnerable customers.

R38 – Mandatory accessibility and vulnerability responsive service standards: The Code should require COBA members to provide flexible service pathways for customers experiencing vulnerability, including alternative documentation methods, assisted processes, and engagement with trusted third parties.

R39 – Stronger obligations following branch closures: Where regional branches are closed, the Code should place enhanced obligations on members to demonstrate how customers will continue to access services fairly and safely, including in person, phone based, or community linked support options that maintain confidentiality and deliver the same standards as in-branch banking.

R40 – Improved oversight and accountability: COBA members should report data to the Code Compliance Committee on access complaints following branch closures to ensure systemic issues are identified and addressed early.

R41 – That the COBCCC be adequately funded to perform all its powers and functions

R42 – that the Code requires members to install a customer advocate that is independent of the retail functions of the bank

1. Introduction

Thank you for the opportunity to comment on the 2026 Independent Review of the Customer Owned Banking Association (COBA) Code of Practice (**the Code**).

COBA agreed with Consumers' Federation of Australia that it would provide financial support for an independent consumer submission to the current review. CFA appointed Mortgage Stress Victoria to lead this project, which has included co-ordinating work by the authors listed above. This submission is endorsed by the list of signatory organisations, including CFA.

Throughout this submission we provide examples from our casework of the harm caused by customer-owned banking sector service failures. All case studies are de-identified to protect the privacy of the individual sharing their story.

The intention of this submission is to provide insights into where the customer-owned banking sector can improve. As consumer advocates, whose staff work every day with people experiencing financial difficulty and other challenging life events, we are committed to driving good outcomes for people. Banking is an essential part of modern life, and banks must provide these services that meet the range of financial needs of their customers. This does not mean minimal compliance with the law – it means understanding those needs and responding appropriately. As a sector that positions itself as the banks that put people first, there is a reasonable expectation that a COBA member will distinguish itself as connected and responsive to its customers.

The intention seems to be there, in that the CEO's foreword to the current Code says:

"The Code operates in addition to legislative requirements, establishes higher standards than the law requires, and addresses issues not addressed by the law. It comprises seven key promises and detailed supporting obligations. It includes a requirement that we incorporate these obligations into our contracts with customers."¹

Sadly, the promise of higher standards has yet to be delivered. This is a source of deep disappointment, and we expect better of this sector for the reasons expressed above. We provide evidence from casework in our submission that the Code has not succeeded in this regard and make recommendations to deliver on this promise.

The revised Code should embed a broad, principles-based approach, supplemented with commitments that are specific, robust, effective and clear to enliven these principles.

¹ https://www.customerownedbanking.asn.au/wp-content/uploads/2023/10/COB_Code_of_Practice_v2.0_web.pdf p3

2. Key Themes for this Review

2.1 Strengthening the Code

The Code should be strengthened to replace broad aspirational statements with clear, specific, and enforceable commitments that go beyond existing legal obligations. In its current form, the Code relies on vague principles and qualified assurances that do not provide customers with certainty about service standards, timeliness, support during a period of vulnerability, or accountability for the actions of third-party providers. To be meaningful and useful for customers, the Code should set minimum service benchmarks, remove discretionary qualifiers, clearly articulate customer entitlements, and expressly recognise customer-owned banks' responsibilities for the conduct of their agents. Without these reforms, the Code risks undermining customer confidence by offering symbolic rather than substantive consumer protections.

2.2 Banking as an essential service

Banking is now, in effect, an essential service. While there are risk-management reasons to withdraw or decline banking services in certain narrow circumstances, access to basic bank accounts is critically important for low- and no-income people as essential to financial inclusion and stability.

The essential nature of banking is recognised as a critical social inclusion measure within the framing of financial sector regulation in the United Kingdom and is therefore a statutory right. By comparison, provision of banking services in Australia is viewed as a commercial service and is at the discretion of the bank.

For this reason, consumer advocates recommended in a recent submission² to the Banking Code Compliance Committee Draft Guidance on Basic Bank Accounts that all banks should be required to offer a basic bank account. We make that same recommendation in this submission (*see page 43*)

In the absence of a statutory right to a bank account, COBA members have an opportunity to establish themselves as “banks for everyone” by a commitment to provide basic, fee-free bank accounts for people who would otherwise be excluded from the financial services sector.

² [Joint Submission: Banking Code Compliance Committee – Basic Bank Accounts – Consumer Action Law Centre](#)

“There’s a customer owned bank for every Australian”³

“You’re not a number. Start being treated like a valued customer”⁴

Additionally, as part of their hardship response (but not restricted to hardship), COBA members’ low- and no income transaction account customers should be transferred automatically to low or no fee transaction accounts on an “opt out basis”. This point is covered in more detail on page 43

This would distinguish COBA as the social inclusion banking sector and could be used to attract values-aligned social sector businesses.

2.3 Hardship support

In August 2023, ASIC wrote to all lender CEOs highlighting escalating cost of living pressures, increasing evidence of consumer financial distress, and signalling heightened regulatory scrutiny of lenders’ financial hardship practices. ASIC emphasised lenders’ existing legal obligations under s72 of the *National Credit Code* (NCC)⁵ to genuinely consider hardship variations and to act efficiently, honestly and fairly, noting concern that some current approaches may be inadequate. The regulator announced targeted data collection and reviews of major lenders, with findings to inform better practice guidance. It set out clear expectations covering accessibility of hardship support, tailored and sustainable assistance, transparency in decisions, protection of consumers experiencing vulnerability, and robust staffing, systems and governance. For consumer advocates, the letter underscores systemic risks of harm from poor hardship handling and provides an authoritative benchmark for best practice. It also reinforces the need for strong regulatory oversight and accountability to ensure consumers receive fair and effective support during financial hardship.

ASIC has published two reports following this letter. The first, *Report 782: Hardship, hard to get help*,⁶ (May 2024) found that Australia’s largest home lenders were failing to adequately support consumers experiencing financial hardship, despite clear legal obligations under the NCC. Based on an end-to-end review of the hardship practices of 10 major lenders, ASIC concluded that hardship systems are often lender-centric rather than customer-centric, making it difficult for consumers to access timely and effective help when they need it most. The report identified widespread problems that directly harm consumers, including complex and inaccessible hardship application processes,

³ quote from COBA website accessed here <https://www.customerownedbanking.asn.au/> on 8/4/26

⁴ quote from COBA website accessed here <https://www.customerownedbanking.asn.au/> on 8/4/26

⁵ <https://www.asic.gov.au/regulatory-resources/credit/credit-general-conduct-obligations/national-credit-code/>

⁶ <https://download.asic.gov.au/media/w35baqpb/rep782-published-20-may-2024-20240809.pdf>

poor and delayed communication, inconsistent decision making, and inadequate identification and support for customers in vulnerable circumstances. In some cases, consumers were effectively abandoned after lodging hardship notices or were pushed towards short-term solutions that increased long-term financial harm. ASIC emphasised that these failures are particularly serious given cost of living pressures that were on the rise at the time of the report, and stressed that lenders must implement proactive, fair and flexible hardship arrangements that prioritise consumer wellbeing, not compliance minimums.

In September 2025, ASIC published *Report 815: Hardship, not as hard to get help*,⁷ which found that while some lenders had improved their financial hardship practices since Report 782, many consumers continue to face inconsistent and sometimes poor quality support. ASIC observed positive changes, including more consumers being identified as experiencing hardship, easier access to assistance, reduced reliance on lengthy application forms, and improved communication during hardship arrangements. However, the report concludes that progress has been uneven, with some lenders still relying on generic, one-size-fits-all approaches that fail to account for individual circumstances and long-term consumer outcomes. ASIC emphasised the need for ongoing regulatory oversight and called on lenders to adopt a proactive, continuous improvement approach focused on consumer experience and sustainable hardship solutions, particularly as cost of living pressures persist.

COBA members, who should be by their nature more receptive to their members than commercial big banks, are instead lagging behind, notwithstanding examples of good support from individual COBA members.

Consumer Policy Research Centre and Mortgage Stress Victoria's recent research into hardship responses in Australia⁸ highlights clear shortfalls in the obligations of COBA members to its customers experiencing hardship compared to lenders covered by the ABA Code. These include:

- No early intervention obligations: the ABA Code requires lenders to assist people who are anticipating they will struggle to meet upcoming payments;
- No requirements for lenders to act efficiently;
- No obligations on lenders to provide extra care to customers experiencing vulnerability, and recognising that customers in financial hardship are in vulnerable circumstances;
- No explicit proactive outreach requirement for lenders.

⁷ <https://download.asic.gov.au/media/db0dljmf/rep-815-hardship-not-as-hard-to-get-help-published-25-september-2025.pdf>

⁸ [Consumer Policy Research Centre and Mortgage Stress Victoria, *Australian's Broken Mortgage Market*, March 2026.](#)

2.4 Customers in vulnerable circumstances

ABA members are required to provide "extra care" to customers experiencing vulnerability, and the risk of vulnerability is increased by financial hardship. This means that clients experiencing financial hardship are entitled to extra care – providing a realistic path to resolution and a sustainable plan to manage debts. COBA should not miss the opportunity to meet the same standard.

In February 2025, the ABA Banking Code of Practice added provisions to clarify that incarceration, or being recently released from incarceration, is a risk factor for vulnerability. This cohort of people experience significant and complex barriers to accessing financial services as a result of a combination of factors, primarily communication and access to identification documents.

These changes mean ABA banks are required to provide extra care above what is required under the NCC. *See also 2.3 Hardship Support.*

2.5 First Nations banking customers

First Nations people continue to face significant barriers in accessing equitable banking, and without commitments to culturally safe practices by customer-owned banks in the Code we cannot expect any gap in accessibility to be closed. Financial exclusion from a colonised banking system driven by historical, structural, economic and cultural factors including intergenerational trauma, needs to be a core consideration in providing a national banking system fit for purpose to all First Nations people.

Cultural competency training for all staff and dedicated support channels for First Nations banking engagement needs to be codified as a first step in addressing the exclusion to banking services that First Nations people continue to experience. The Code lacks explicit, standalone commitments to First Nations customers, unlike the ABA Code. This disparity has produced inequitable outcomes, with First Nations customers of COBA members, receiving weaker protections and service standards. Instead, First Nations peoples are briefly referenced under inclusive banking (clause 17) without any detail as to how inclusivity should be met.

The current Code does not require culturally safe practices such as flexible identification processes that account for the challenges of accessing a birth certificate, driver's licence or the harm arising from the stolen generation that resulted in inconsistencies in these documents. Incorporating a commitment to using AUSTRAC and accepted community identification in the new code would be an appropriate step in the right direction for community-owned banks to support the First people of Australia. AUSTRAC

permits alternative identification this flexibility and is codified in the ABA Code but is absent from the COBA Code.

Many First Nations Australians are first- or second-generation money earners, yet banks frequently apply systems and expectations designed for metropolitan, digitally connected and informed customers. Geographical and digital exclusion is a major driver of inequity. Many First Nations communities, particularly in regional and remote and very remote areas, lack reliable internet and mobile coverage, yet banks increasingly rely on online only service models. This exacerbates barriers to basic banking functions, heightens exposure to financial abuse and scams, and forces reliance on shared devices and unsafe third party assistance, undermining privacy and safety. Branch closures and consequential reliance on alternatives such as Bank@Post further compound these challenges, with Bank@Post often lacking confidentiality and cultural safety.

The current Code also fails to adequately address heightened risks faced by older First Nations people, including financial abuse due to digital access and exclusion, and does not ensure effective recognition of safe and appropriate third-party authorities for financial counsellors. These gaps limit access to hardship assistance, redress payments and safe credit options, increasing their vulnerability to predatory lending. Reducing fee harm with a proactive approach for eligible customers to a low fee or no fee bank accounts allow those not interested the choice to opt out. This would prevent the ongoing unseen payment of a poverty premium. The ABA Code and ASIC have identified this need as a game changer in ASIC *Report 785 Better Banking for Indigenous Consumers*⁹ and the ASIC *Report 811 Better and beyond: Expanding better banking outcomes to more low-income Australians*.

“The Better banking report (REP 785) identified that the participating banks had arduous and ineffective approaches to customer account migration. This was primarily due to reliance on opt-in migration campaigns that had average conversion rates as low as 0.5%. We recommended banks consider more effective approaches, including opt-out migration campaigns.”¹⁰

Overall, the Code does not provide an adequate framework or accountability for culturally safe, accessible or inclusive banking for First Nations peoples. The current COBA Code does not ensure customers, including First Nations peoples, are consulted in relation to their banking needs. A customer-owned bank should have their customers voices at the centre of their framework for governance and service. Customer-owned banks need to be actively seeking to close the gap with a view of reducing

⁹ [ASIC 2024 Report 785 Better Banking for Indigenous consumers](#)

¹⁰ [ASIC 2025 Report 811 Better and beyond: Expanding better banking outcomes to more low-income Australians](#) page 11

socioeconomic harm to First Nations peoples with reduced fee harm, considering digital exclusion and reducing risks of financial abuse, removing identity barriers and providing culturally appropriate services all being a clear commitment in the new Code.

2.6 Scams

We are concerned that action by banks to mitigate and prevent consumer harm from scams lacks urgency, despite the passage of laws establishing the Scam Protection Framework (SPF).¹¹ The most vulnerable Australians are disproportionately affected. As we describe later in this submission, there is no indication that scam activity or losses are slowing and the losses are significant. Even more alarming is that 32% of scam victims reported being held liable by banks or lenders for ongoing debts linked to scams.¹²

There is an urgent need for strong oversight and enforcement by the Code on its members to meet all relevant Code obligations and to be offering stigma-free, trauma-informed help and hardship support to those affected by scams. Waivers on interest and fees on scam-related debts are a critical element of scam responses to ensure banks do not profit from scams. The current Code is silent on this issue, and we make several specific recommendations in this regard to bring the Code up to date.

¹¹ <https://treasury.gov.au/publication/p2025-623966>

¹² [ASIC Consultation Paper 373 – Banking Code of Practice – Consumer Action Law Centre](#)

3. Response to the Consultation Questions

About the Customer Owned Banking Code of Practice

3.1 Where does the Code align with or diverge from contemporary regulatory, policy and industry expectations in consumer protection, and are any divergences appropriate for the customer-owned banking sector?

ASIC Regulatory Guide 183¹³ sets out ASIC's expectations for the content, governance, enforceability and consumer value of financial sector codes of practice. From a consumer advocacy standpoint, it provides a clear benchmark against which the revised COBA Code can and should be assessed in the 2026 review.

For consumer organisations, RG 183 is not neutral or procedural guidance: it is an explicit statement that industry codes must deliver real, enforceable consumer benefits, not aspirational commitments. RG 183 is explicit that the primary role of a financial services code is to raise industry standards and deliver substantial consumer benefits, including addressing gaps in legislation or elaborating on legal obligations to improve outcomes.

Since the Hayne Royal Commission¹⁴ concluded its work in 2019, Australia's consumer protection framework for banking has crystallised around several clear expectations:

- **Consumer centric conduct:** banks and lenders must act honestly, fairly and in the best interests of customers, with a strong emphasis on vulnerability, fairness over the product lifecycle, and avoidance of foreseeable harm.
- **Strong product governance:** Design and Distribution Obligations (DDO) require products to be designed for defined target markets, actively monitored, and remediated where harm emerges.
- **Clear accountability and culture:** the Financial Accountability Regime (FAR) embeds executive accountability for conduct and consumer outcomes in APRA regulated entities, including all ADIs.
- **Enforceable industry codes:** Codes are expected to deliver protections that go beyond the law, are enforceable, and evolve with community expectations.
- **Accessible redress and support:** robust internal dispute resolution, AFCA membership, financial hardship support, and inclusive, accessible banking are now baseline expectations.

¹³ [Regulatory Guide RG 183 Codes of conduct for the financial services and credit sectors](#)

¹⁴ [Misconduct in the Banking, Superannuation and Financial Services Industry](#)

These expectations apply across the banking system, but regulators explicitly acknowledge proportionality based on business model, scale, and risk profile.

Areas of alignment between the COB Code and contemporary expectations

The Code is explicitly framed around acting honestly, fairly, and in customers' interests, with commitments not to mislead, to provide fit-for-purpose products, and to deliver services with reasonable care and skill. This aligns closely with ASIC's emphasis on customer-first culture and fair outcomes as articulated in post-Royal Commission guidance and speeches.

The Code covers most of the areas regulators and consumer advocates expect in modern consumer protection frameworks: disclosure, lending standards, financial difficulty, debt collection, guarantees, privacy, electronic payments, complaints handling, and AFCA access. However, there are gaps, which we will outline in detail in this submission

Like the ABA Code, the Code is supported by an independent Code Compliance Committee with investigation, monitoring and sanction powers, and operational separation through AFCA support arrangements. This is consistent with ASIC's expectation that industry codes be independently governed and meaningfully enforceable. There are, however, issues with the resourcing of the Code Compliance Committee and the impact this has on its effectiveness.

The Code includes clear commitments to support customers experiencing financial difficulty and to adopt fair debt collection practices. This aligns with regulatory and policy expectations following COVID19 and cost of living pressures that banks proactively identify and assist customers at risk of hardship.

Key areas of divergence

The ABA Code adopts a broad, dynamic definition of vulnerability and imposes more prescriptive obligations around identification, inclusive banking, and referral to external supports (e.g. interpreter services). The COB Code recognises vulnerability and inclusive banking but does so in less detailed and less prescriptive terms. This divergence exists relative to industry best practice rather than regulatory minimums, as ASIC has not mandated a single vulnerability framework. While it may be argued that the difference reflects scale and customer profile, this will increasingly stand out as community expectations rise, for example in circumstances relating to domestic violence.

While the current Code commits to offering products that are "fit for general purpose," it does not explicitly embed the more progressive obligations for inclusion and access that

are to be found in the ABA Code. In this, the ABA Code goes beyond DDO and we would expect the revised COBA Code to at least match this commitment.

The ABA Code has significantly expanded protections for small businesses and guarantors, including broader eligibility thresholds and more prescriptive meeting and disclosure requirements. The COB Code provides protections for small businesses and guarantors, but on more limited thresholds and with fewer detailed obligations. This reflects the typically smaller scale and lower complexity of customer-owned banking SME portfolios, but it creates divergence from evolving “system-wide” expectations of small business fairness. We would expect the definition of small business to at minimum align with that of the ABA Code to ensure coverage of protections and guarantees are equal.

The Code does not explicitly reference FAR-style accountability expectations¹⁵ or senior executive responsibility for consumer outcomes. Contemporary policy settings increasingly view consumer protection as inseparable from governance and accountability culture. This is not a legal gap, in that customer-owned banks are directly subject to FAR, but it is a symbolic and cultural divergence from the direction of regulatory policy.

Appropriateness of divergence for the customer-owned banking sector

It can be argued that some divergence is appropriate, in that customer-owned banks are member-owned, relationship-based institutions with simpler product sets. However, some divergences are increasingly hard to justify, and proportionality should not be used as an excuse to adopt lower standards. Community and regulatory expectations on vulnerability, inclusive banking, and consumer protection are evolving across sectors, regardless of the ownership model. As ASIC places greater weight on industry codes as frontline consumer protection tools, a Code that does not clearly reflect contemporary community expectations risks being perceived as a sector laggard.

AFCFA considers the current ABA Code represents good industry practice in the financial services industry. Where the Code fails to align with ABA Code, the COBA sector is not promising to meet what is identified by the regulator as good industry practice.

While customer-owned banks are smaller in scale (according to COBA, if we combined all customer-owned banks they would be around the 6th largest bank in Australia), they say:

- they know their customers better because they are also their members/owners;
and

¹⁵ <https://www.asic.gov.au/regulatory-resources/financial-services/financial-accountability-regime/>

- they know the industry/region in which they operate and their customers seeking banking services.¹⁶

It therefore appears contradictory that COBA members do not make commitments to their customers that meet or exceed the promises made by shareholder-owned banks to the general consumer and small business banking market when those commitments reflect good industry practice. The ABA Code shows that a single framework can work effectively across a diverse membership with different sizes, scale and levels of complexity. This demonstrates that consistent expectations and standards can be achieved, regardless of size and scale.

For example, the ABA Code, at Clause 9, provides transparency and commits to compliance with the ABA Branch Closure Support Protocol¹⁷ when closing a branch, whereas the COBA Code is silent on this issue. We are aware there is an internal guidance document as regards the protocols for branch closures, whereas the ABA Protocol is published.

This can be resolved by including a similar provision in the COBA Code, with a link to a published protocol, and oversight by the Code Compliance Committee.

This raises a general point about guidelines, which in the view of consumer advocates should be publicly available and, where appropriate, developed in consultation with the community.

The main divergences appear therefore to lie not in minimum compliance, but in how far the COB Code goes beyond the law compared with evolving industry benchmarks, particularly the ABA Code. There is a growing expectation, both in policy and reputational terms, for the COB Code to more clearly reflect modern expectations around vulnerability, product governance, and accountability, while still preserving flexibility for the sector's scale and purpose.

Our analysis of the key differences between the two codes, and where we find the Code silent on matters that are captured in the ABA Code, is summarised in the table below.

Table 1 – Comparison of COBA and ABA Codes

Issue	COBA Clause	ABA Clause	Gap
Branch closure protocols	Silent	9	ABA Code says the bank will comply with the ABA's protocol with a link to the protocols published on ABA's website. COBA has internal guidance but nothing that is publicly available.

¹⁶ Pers comm, COBA 25/2/26

¹⁷ <https://www.ausbanking.org.au/wp-content/uploads/2023/06/Branch-Closure-Support-Protocol.pdf>

Customers in vulnerable circumstances	26	52	ABA Code has extra indicators of vulnerability <ul style="list-style-type: none"> • financial difficulty • literacy barriers • Aboriginal and Torres Strait Islander customers • remote locations • incarcerated persons
Clear and effective communication	16	46	COBA Code focuses on written communication. ABA Code provides more concrete obligations such as using interpreter services, use of screen readers
Small business lending	Silent	77	ABA Code includes the obligation to exercise the care and skill of a diligent and prudent banker when considering an application for a small business loan or an increase in an existing small business loan
	79	80	COBA Code promises to provide a summary of key general terms and conditions ABA Code commits to providing a plain English document setting out the key terms and conditions of the loan
	82	99	ABA Code provides more oversight of valuers, receivers and investigative accountants and management of the relationship between the small business customer and the investigative accountant
	Silent	92	ABA Code says the bank will not include a clause that allows them to declare a default based on vague or unspecified negative changes in the borrower's situation, providing clarity and certainty for small business customers on what would be a default
Co-borrowers	Silent	71	ABA Code provides examples of when a bank may consider a co-borrower has obtained a substantial benefit from a loan
	97	72	COBA Code focuses on when a co-borrower can terminate their liability if no credit has been provided ABA Code also explains how a co-borrower may terminate their liability for any future advances, ie when credit has been provided
Guarantors	101	101	ABA Code specifically says the guarantor must make their own decision and says the guarantor should consider obtaining independent legal advice
	Silent	109-110	ABA Code says the bank will take reasonable steps to meeting with the proposed guarantor without the borrower being present before accepting their guarantee to discuss them being a guarantor

Farmers	Silent	Part B7 – sections 128-130	ABA Code includes commitment: <ul style="list-style-type: none"> not to charge default interest during drought and natural disasters inform the farmer of their right to make a complaint to AFCA before the parties enter into a farm debt mediation
Deceased estates	Silent	Part B8 – sections 132-145	ABA Code provides commitments to assist a representative in relation to accounts where the customer is a deceased individual
Financial difficulty – restoration of financial position	Silent	178	ABA Code provides examples of the types of assistance a bank may be able to provide: <ul style="list-style-type: none"> when restoring the customer’s financial position is possible when restoring the customer’s financial position is unlikely
Financial difficulty – debt waivers	Silent	180	ABA Code recognises a bank may in its discretion waive a debt owing by an individual in certain circumstances

Policy Spotlight: Australia’s Mortgage Market and the hardship lottery

Buying a home is, for most people, the most significant purchase of their lives. Home ownership is crucial for long-term financial security and stability. It provides a significant, often appreciating asset, building wealth through equity and a stable, rent-free lifestyle in retirement. It also offers emotional security for individuals and families, and protection from rental instability. The terms on which they secure the financial means to purchase a home is critical, including the flexibility to adapt when personal circumstances change.

When someone takes out a 30-year mortgage, there is an assumption that they will have consistent and reliable income over the life of their loan. In reality, most Australians will have changes to their circumstances over a 30-year period. They may face unemployment, experience periods of sickness or injury, or could have their family situation change.

The proportion of Australian households with a mortgage spending more than 30% of disposable income has increased significantly. Between 2022 and 2024, 41–47% of Australian households exceeded this threshold, compared with 24% in 2021. This figure increased substantially for people on low incomes, single-parent families and people living alone.¹⁸

¹⁸ Australian Institute of Health and Welfare (2025), *Australia’s welfare 2025: topic summaries*, https://www.aihw.gov.au/getmedia/7c3dd755-cd43-4c98-9f92-97150db4cf1c/aihw-aus-228_aw25_ts.pdf?utm

While we can't predict what the future will hold for someone at the start of a home loan, we can expect most people will have changes in circumstances and may need some form of support over the life of their loan.

Recent research by Consumer Policy Research Centre and Mortgage Stress Victoria highlights clear inadequacies with current hardship protections offered in Australia, including through the COBA Code.¹⁹ ASIC has also provided a view in its hardship reports, and while these were focused on the large lenders, the regulator did note that there were lessons for all banks.²⁰ There is room for improvement across all industry codes, however the ABA Banking Code of Practice provides the strongest protections.

Currently, the type of help someone will receive when they need it depends on who their lender is, and which industry code they are protected by. Specific obligations on the type of help on offer from lenders are also absent.

Hardship processes are often reactive, inflexible and allow significant wiggle-room for lenders to respond differently to people in identical circumstances. The increasing use of AI tools is exacerbating this problem and will require attention from banks to ensure financial difficulty signals are not missed at the early stage of engagement. Financial counsellors have also reported that responses and outcomes can often depend on the agent on the other end of the phone, pointing to a training and procedural gap between official policy and practice by individual agents. Further still, people who seek hardship assistance from their lender are often required to make decisions regarding their situation very quickly, when they are not well-informed about their options and the potential consequences. It is currently far too difficult for someone to understand their rights and know what they can expect from a lender, particularly where their vulnerable circumstances may reduce their capacity to understand complex financial information and to make informed decisions

When a person approaches their lender seeking help, they need to know what type of help they can expect to receive, and that help will be timely, flexible to their situation and accessible.

¹⁹ Consumer Policy Research Centre and Mortgage Stress Victoria, *Australian's Broken Mortgage Market*, March 2026.

²⁰ <https://download.asic.gov.au/media/w35baapb/rep782-published-20-may-2024-20240809.pdf>

²¹ <https://download.asic.gov.au/media/db0dljmf/rep-815-hardship-not-as-hard-to-get-help-published-25-september-2025.pdf>

3.2 How can contemporary regulatory, policy and industry expectations be adopted in the Code to reflect the size and scale of the customer-owned banks, allowing for flexible and proportionate application, without duplicating legal obligations?

Consumer benefit is the primary test of code legitimacy and is the central evaluative lens for the 2026 review. ASIC RG 183²² introduces a strong non-regression principle: where a code is amended or replaced, it must not result in an overall reduction in consumer benefits, enforceability or accountability mechanisms.

RG 183 also states that ASIC approval is a signal to consumers that a code can be relied on. A code that fails to seek and achieve approval risks misleading consumers about the robustness of the protections they can expect.

The Code should act in the best interests of its customer-members by reinforcing the benefits of being customer-owned rather than shareholder-owned. A principles-led, outcomes-focused and explicitly proportional design should enable customer-owned banks to meet and exceed rising expectations while preserving the distinctiveness and sustainability of the sector.

A key feature of support relates to vulnerability and hardship, and the reasonable steps a bank should take to protect its customers. By their very nature, customer-owned banks could reasonably be expected to have more direct staff-customer contact compared to the big banks, offer less complex products, and would reasonably be expected to have local knowledge of circumstances affecting their service community. This would include staff who are trained to recognise the obvious cues indicating vulnerability and ensure early support is offered rather than waiting for the customer to ask for help.

It is also reasonable to expect that all banks, including COBA members, would understand the profile and preferences of their customer base and provide accessible engagement options depending on those profiles. The ABA has adopted Accessibility and Inclusion Principles,²³ which provides clear guidance for ABA members based on equitable access, inclusive design and user experience. COBA has yet to provide similar guidance.

²² [Regulatory Guide RG 183 Codes of conduct for the financial services and credit sectors](#)

²³ ABA December 2025: [Accessibility and Inclusion Principles for Banking Services](#)

Case study 1 – Misapplication of Hardship Timeframes and Failure to Accommodate Vulnerability²⁴

This matter involves a hardship request to a COBA member in circumstances where the consumer has known vulnerabilities, including ADHD, possible ASD, and high anxiety in relation to tight timeframes. The bank repeatedly required extensive information with short response deadlines of seven days, stating this was necessary to meet its internal 21 day hardship assessment timeframe.

These demands contributed to the consumer becoming overwhelmed and attempting to self-advocate before disengaging and seeking support from another financial counselling service, which did not resolve the issue and is now the subject of a complaint.

The current financial counsellor is advocating for a short-term payment arrangement and has raised concerns with the bank about misapplication of statutory hardship timeframes under the NCC, providing supporting ASIC guidance.

While the bank initially refused to accept this explanation, it has since granted a further seven days to respond; however, this remains shorter than the timeframe contemplated by the legislation, albeit sufficient for the immediate provision of information.

This case highlights a recurring systemic issue in which banks prioritise internal process timeframes over legislative intent and consumer wellbeing. The use of short, rigid deadlines, particularly where vulnerabilities are known, undermines the purpose of hardship protections under the NCC, which are designed to provide relief, not exacerbate distress.

ASIC has made clear that hardship processes must be flexible, proportionate, and responsive to vulnerability. However, this case demonstrates how procedural rigidity, excessive information demands, and misinterpretation of statutory timeframes can create barriers to access, discourage engagement, and ultimately delay or deny meaningful hardship assistance.

Recommendation 1 – Clarification and enforcement of hardship timeframes: guidance and training for staff to make clear that hardship assessment periods do not justify compressed or unreasonable information deadlines, particularly where member banks request additional material.

²⁴ Source: Financial Counselling Australia

Recommendation 2 – Mandatory accommodation of known vulnerabilities:

Where a customer discloses vulnerability or a vulnerability becomes reasonably apparent, member banks should be required to adjust information requests, communication methods, and timeframes consistent with Australian Standard 22458:2025 to avoid foreseeable harm or disengagement.

Recommendation 3 – Limits on repeated or excessive information requests:

The Code should prohibit its members from making serial or disproportionate documentation demands that delay hardship outcomes, particularly once sufficient evidence of hardship has been provided or where a financial counsellor is acting for the customer.

Recommendation 4 – the Code is supported by clear guidance on access and

inclusion: COBA develops publicly accessible access and inclusion guidelines to expand on Code obligations

Changes to the COBA Code must be assessed not by industry convenience, but by whether they:

- Strengthen consumer protections beyond baseline legal compliance;
- Respond to documented consumer harm or detriment in the banking sector and provide standing for consumer advocates to report Code breaches;
- Improve clarity, certainty and fairness for customers of customer-owned banks through plain language documents and clear linkage of the Code to customer contracts;
- Are enforceable through IDR, AFCA and the courts;
- Provide robust and visible independent monitoring and sanctioning via published reports;
- Enable systemic issues to be visible to regulators and the public.

Recommendation 5 – Code changes assessment criteria: apply the above metrics as tests of Code changes to ensure robust and fair consumer outcomes and ensure the Code will meet the standard required for approval by ASIC.

Effectiveness of the code

3.3 How effective is the Code's promise-based structure in delivering clear, enforceable protections that shape bank behaviour?

The 2022 Code is structured primarily around commitments and ethical promises, rather than prescriptive obligations. It emphasises principles such as fairness, transparency, respect, and community benefit, and describes what customers and members “can expect” from customer owned banks, credit unions and mutuals.

There are positive behavioural effects of a promise-based structure, where it aligns with and reinforces customer-centric approaches to business in a customer-owned environment where reputation and trust is a significant commercial factor.

The 2022 Code relies heavily on formulations such as “we will”, “we are committed to”, and “we aim to”, and positions itself as a public expression of ethical standards rather than a detailed compliance instrument. This approach is consistent with the mutual banking model and its emphasis on member ownership and trust.

From a consumer perspective, the promise-based structure offers meaningful advantages in accessibility and readability, in that the Code is easier to read and understand than legislation or licence conditions. It provides a single, consolidated reference point for expected standards of behaviour, and allows consumers and advocates to articulate concerns in plain language, particularly where legal rights are fragmented or poorly understood.

Consumer advocates consistently emphasise that industry codes are often the only documents consumers actually read when trying to understand their rights in financial services environments.

However, clarity of language does not equate to clarity of obligation. In practice, broad promises lack sufficient operational detail to be reliably relied upon in disputes. Consumers must often prove not only harm, but that a bank’s conduct fell outside vague concepts such as “reasonable”, “appropriate”, or “fair”. Interpretive discretion is left largely with the bank, rather than the consumer, an advocate or an independent decision-maker. This creates uncertainty and weakens the Code’s ability to function as a practical consumer protection tool in disputes.

In these areas, discretionary promises risk being subordinated to credit policy, prudential settings, or automated decision-making processes. Without clear, enforceable rules, consumer outcomes remain inconsistent and dependent on institutional goodwill rather than obligation.

The Code is a voluntary industry code, adopted by COBA members and overseen by the Code Compliance Committee rather than a regulator. While code breaches can be raised through internal dispute resolution or AFCA, the Code itself does not state clearly that the provisions of the code are legally enforceable rights. By comparison, the ABA Code contains a clear explanation of customer rights and how those rights can be enforced.²⁵ There is also ineffective oversight of Code breaches and consequences such as sanctions due to resourcing issues for the Code Compliance Committee (see sections 3.17 and 3.18 for more information on this point).

From an enforcement standpoint, promise-based drafting on its own significantly limits the Code’s effectiveness, because the Code Compliance Committee is constrained when obligations are aspirational rather than prescriptive. Breaches, if they are reported, rarely result in systemic remediation or deterrence, and there is little incentive for COBA members to prioritise Code compliance where it conflicts with commercial risk management.

Consumer advocates have raised similar concerns in relation to other banking codes, noting that promise-based structures tend to generate reputational accountability without behavioural compulsion.

Recent changes to the ABA Code published in 2025 demonstrate a shift toward more specific and operational obligations, particularly in relation to vulnerability, guarantor protections and accessibility.

The 7 realities of the COBA Code’s promises

The Code’s Promise	Reality
1. Deliver banking services in the interest of customers	This would appear to be a business imperative
2. Obey the law	This is an obligation regardless of this statement
3. Not mislead or deceive	Legal obligation under the ASIC Act
4. Act honestly and fairly	Legal obligation to act honestly and fairly
5. Services fit for general purpose	Legal obligation to provide services for for consumer’s stated purpose
6. Deliver services with reasonable care and skill	There is a legal obligation to do so
7. Contribute to our community	Irrelevant to the service to be provided to customers

²⁵ <https://www.ausbanking.org.au/wp-content/uploads/2021/06/Banking-Code-of-Practice-28.02.25.pdf> page 8

These changes were driven in large part by sustained consumer advocacy and regulatory pressure following the Hayne Royal Commission and reflect a growing consensus that principles and promises alone will not protect consumers.

The COBA Code, in its current form, sits closer to the aspirational end of the spectrum. While the Code provides an important ethical benchmark, it does not adequately rebalance power between the financial institution and its customers, particularly in situations of vulnerability or financial distress.

Policy spotlight: Code promises and the experience of the incarcerated person²⁶

Incarcerated persons need to access banking services just as people outside of prison do. However, the Code does not enable or provide pathways for banks to deliver a service to incarcerated persons.

There are two core issues in terms of the inclusivity of banking practices.

Access: Incarcerated persons are not allowed to access their bank accounts from prison. There is no data on the percentage of Incarcerated persons who have a safe representative in community who can undertake this role on their behalf. This regularly results in bank accounts being closed once payments into the account stop, accounts become overdrawn, or account activity ceases. Banks do not have a process to link back to account protection when someone is incarcerated and, despite proof of being incarcerated, it appears that funds are not returned, nor are direct debits dealt with. In some cases,²⁷ banks are actively closing customer accounts when they become aware that the customer is incarcerated for a relevant crime and believe that they must close the account to comply with AUSTRAC AML obligations.

“The bank sent letters to me in jail, then continued to withdraw fees and direct debits. The bank clearly knew where I was. They could see that I had no money being deposited. And they knew I was in jail. Yet they did not transfer me to a no fee bank account or freeze the account. They also wouldn’t refund my money from fees and debits.”

Protection: With no process to establish a safe representative to access their bank accounts, Incarcerated persons are placed in a position where they need to ask people in the community to do this for them. This regularly results in the theft of their savings.

²⁶ Source: Vacro

²⁷ FCVic, pers comm

"In custody you are required to pay for your own sanitary products. As no one in custody can deal with the banks directly, I had to give my estranged partner access to my bank account, in order to send me money. A considerable amount of money was then stolen from my account, roughly \$12,000. The bank only stopped due to a letter being returned to sender back to the bank as I was no longer living at the address. The bank froze my account and refused to return access until I came in person, this was not possible as the I was in maximum security."

"When I went into jail, the people that had access to my house used my pin card to withdraw large amounts of money. The bank did not question this or return my money"

Conclusion

There is a clear and observable gap between the perceived promises of the Code and what it means in real terms. The aspirational language of the Code offers little practical value to customers because it largely restates existing legal obligations, relies on vague and qualified commitments, and fails to create enforceable or certain service standards. By presenting broad principles instead of clear rights, guarantees or accountable obligations, particularly in relation to customers experiencing vulnerability, the Code gives the appearance of customer protection while ultimately leaving customers without meaningful assurance or recourse when services fall short. Explicit commitments in the Code are the natural and very much needed next step.

3.4 Where do principles-based provisions work well, and where would greater specificity strengthen protections and enforcement?

A strong Code should combine high level principles *plus* minimum enforceable standards, clear obligations through consistent industry guidance, and measurable outcomes.

Principles-based provisions work best where they articulate member owned values and culture, guide judgement and values-based decision-making in diverse or evolving situations and complement or improve on (rather than replace) hard law and prudential standards.

Greater specificity is needed where consumers' rights are directly affected, noting the power imbalance that exists between customers and their bank. Additionally, consistent enforcement and remedies are required, with past misconduct or systemic harm publicly well documented and delivering continual improvement.

To improve the Code's effectiveness in delivering clear, enforceable consumer protections while preserving its accessibility and ethical framing, this submission

recommends targeted drafting reforms rather than a wholesale redesign. The objective is to convert existing aspirational promises into minimum, enforceable standards, while retaining principles as an interpretive framework.

Where stronger protections are beneficial

There must be greater specificity to strengthen protections and enforcement, particularly for consumers. Where the Code directly affects how members experience banking, principles alone are insufficient.

High risk areas include:

- sales and distribution practices;
- disclosure and informed consent;
- Identification and treatment of consumers in vulnerable circumstances;
- complaints handling and remediation processes.

Specificity matters in this context because consumers need to know what they can expect. Similarly, the clarity gained through specificity supports front line staff making decisions about the support a customer requires. Regulators and the Code Compliance Committee need objective benchmarks, and remedies depend on clearly articulated obligations.

Principles struggle to deliver good outcomes where the institution holds substantially more information or bargaining power. Where financial stress or vulnerability is present extra care must be taken, particularly where the potential for consumer detriment may not be immediately visible.

This is especially relevant for hardship assistance, defaults, arrears and enforcement action and changes to terms and conditions. Reliance on principles invite self-interpretation by the more powerful party and make challenges to poor practice by consumers, advocates, regulators and the compliance body more difficult.

Priority areas for specificity:

- Accessibility and inclusion
- Financial hardship and repayment difficulty
- Collections, default management and enforcement action
- Responding to people experiencing vulnerability
- Guarantors
- Conduct of third-party suppliers
- Disclosure and informed consent

A Code intended to support enforcement, monitoring or independent review needs objective standards. Over-reliance on principles leads to inconsistent application across institutions, difficulty proving breaches and are of limited use as deterrents. Clear rules reduce ambiguity, enhance trust in the Code, and support fair and consistent oversight.

Recommendation 6 - Redraft key consumer protection areas using “must / must not” language, supported by objective criteria: Promise-based drafting is least effective where consumers are most vulnerable and power imbalances are most acute. These areas warrant clear, testable obligations that can be monitored and enforced.

This can be delivered via a practical design approach for the COBA Code using a layered structure that preserves member owned values while ensuring accountability:

1. Principle – sets values and intent
2. Minimum standard – enforceable obligation
3. Expectation – going beyond the minimum required by law and the Code
4. Guidance – explains good practice and flexibility

Specificity can be applied selectively, prioritising detailed obligations where consumer harm is likely or irreversible, vulnerable people are affected, and or enforcement depends on objective criteria.

Conclusion

Principles can be relied on where judgement and proportionality are appropriate, and innovation or diversity of business models is valuable assuming the risk assessment does not indicate a high likelihood of consumer harm.

Principles risk becoming aspirational rather than protective where they do not provide clarity on interpretation, lack indicators of compliance or fail to provide an explanation on how breaches will be assessed.

For the COBA Code, principles work best as cultural anchors, guides to ethical judgement and provide a clear articulation of customer-owned purpose. Specific rules are essential where consumer rights are engaged, vulnerability and power imbalance exist, and credible enforcement and remedies are expected.

A Code that gets this balance right will be distinctive, trusted, and effective—not just well intentioned.

Experiences of financial hardship

3.5 How effective and credible is the current Code in delivering timely, accessible and compassionate hardship support for individuals and small business customers in practice?

Hardship processes within many customer-owned banks remain overly rigid, documentation heavy and slow to respond, particularly for customers experiencing domestic violence or complex legal processes.

Consumer advocates continue to encounter cases where customers were repeatedly required to complete the same forms despite no change in circumstances, with assistance often limited to short term extensions requiring frequent renewals.

Given the concerning examples of poor hardship supports experienced by professional representatives such as financial counsellors and community legal centre lawyers working on behalf of COBA member customers, we hold significant concerns about the quality of supports offered to self-represented customers.

Financial counsellors are experts at advocating for their clients – but if even they receive poor responses from COBA member banks, our assumption is that self-represented customers who are less likely to be aware of their rights are receiving much more adverse outcomes.

In several cases, COBA member banks only revised their decisions after escalation to complaints processes, illustrating weaknesses in frontline hardship decision making and early-stage support. This is consistent with ASIC's findings that hardship processes can be overly burdensome and poorly communicated.^{28 29}

Case study 2 – Hardship Assessment and Documentation Practices³⁰

A financial hardship request was submitted by a financial counsellor to a COBA member bank on behalf of a young couple reliant on Centrelink, paying approximately 44% of their income on rent and currently unable to work.

Despite clear indicators of hardship and a Statement of Financial Position demonstrating all income is being directed toward basic living expenses, the bank required extensive additional documentation—including bank statements,

²⁸ <https://download.asic.gov.au/media/w35baapb/rep782-published-20-may-2024-20240809.pdf>

²⁹ <https://download.asic.gov.au/media/db0dljmf/rep-815-hardship-not-as-hard-to-get-help-published-25-september-2025.pdf>

³⁰ Source: Financial Counselling Australia

details of all buy now pay later arrangements, and utility information—before establishing any hardship arrangement.

Very short response timeframes of three business days were imposed, which proved impractical and added pressure. The volume and urgency of information requested was onerous, disproportionate to the circumstances, and consumed significant financial counsellor time despite the clients being open and cooperative.

This case raises concerns regarding alignment with ASIC expectations that lenders engage in timely, efficient, and fair hardship processes, make decisions based on the information reasonably available, and avoid unnecessary barriers that delay relief for consumers experiencing financial hardship.

Case workers have observed multiple instances where customer-owned banks failed to understand or respond to safety risks. For example, one bank required a domestic violence victim-survivor to recover a vehicle from a perpetrator, despite clear danger.

Additionally, short-term hardship and a repeated requirement to complete forms places additional emotional burden on customers already experiencing extreme stress.

Financial counsellors supporting women in prison reported that banks are inaccessible due to phone whitelist restrictions, requiring third party involvement for even basic tasks like obtaining statements.

There are also ongoing safety risks arising when customers cannot quickly freeze accounts after being detained.

Banking services for incarcerated persons

Access to banking services is fundamental to participation in modern economic life. As described earlier (see pages 32–33) this need does not cease during incarceration. However, the operational realities of correctional systems, combined with banking policies that do not adequately accommodate those circumstances, can create significant barriers to access. For this reason, a number of financial counselling and financial capability services across the country provide services within prisons. Demand for these services significantly exceeds available resources, with requests for assistance with access to basic banking services being a significant driver of demand. Through this work, systemic barriers preventing incarcerated people from accessing and managing banking services, both during incarceration and immediately after release have been identified.

When incarcerated persons cannot access or manage their bank accounts, financial issues quickly escalate. For instance, incarcerated persons cannot:

- access bank statements to check account balances;
- stop direct debits for subscription services that are no longer needed which can quickly lead to overdrawn accounts; and
- ensure their mortgage payments are maintained and they don't fall into default.

As a result, debts increase, accounts may be closed due to lack of contact, and people leave prison in a more precarious financial position than when they entered.

The customer-owned banking sector has long emphasised fairness, community wellbeing and customer-centred service. As member-owned institutions embedded in their communities, customer-owned banks are uniquely placed to lead the sector in ensuring that banking services remain accessible to customers experiencing complex or intersecting vulnerabilities. While the Code cannot address structural barriers within correctional systems, customer-owned banks can take steps to minimise their impact and ensure continued access to essential banking services.

Nationally, around 46,998 people are currently incarcerated, with approximately 37% identifying as Aboriginal and Torres Strait Islander peoples.³¹ Many people entering prison face multiple vulnerabilities including financial hardship, mental ill-health, unstable housing and social exclusion. Many also have dependent children in the community. These vulnerabilities are compounded by the operational constraints of the correctional environment, which restrict communication with banks, access to documentation and the ability to verify identity.

People leaving prison may also face stigma or practical barriers when attempting to access financial services. Not having a bank account means being unable to receive social security payments, which is critical to reintegration into the community. Without explicit recognition of these circumstances, standard banking processes can unintentionally exclude incarcerated customers from essential financial services. Ensuring continued access to banking services during incarceration and on release supports financial stability, reintegration and community wellbeing.

³¹ <https://www.abs.gov.au/statistics/people/crime-and-justice/prisoners-australia/latest-release>

Policy spotlight: Breaking Down Barriers to Banking in Queensland Prisons³²

ICAN's experience at Lotus Glen Correctional Centre demonstrates how recognising prisoners as customers experiencing vulnerability in industry Codes is critical to driving practical improvements in banking access.

When ICAN began working in the prison 6 years ago, prisoners were provided with a "banking form" designed to allow them to request basic banking services such as stopping direct debits, transferring funds and requesting statements. In practice, these forms were frequently not actioned by banks. Requests were sent to local branches where responses varied widely depending on internal policies or individual staff practices. Some requests were ignored entirely.

As a result, prisoners often received no response to their requests. Transfers to prison trust accounts could take six to eight weeks because funds had to be sent by cheque, and prisoners were frequently unable to obtain statements of account. This lack of response caused significant stress for prisoners and many stopped using the form altogether. ICAN's financial counselling service became overwhelmed with requests for assistance with basic banking matters.

ICAN subsequently undertook sustained advocacy with banks, the Australian Banking Association (ABA) and Queensland Corrective Services. This included submissions to AUSTRAC, the Regional Banking Taskforce and the Banking Code Review advocating for prisoners to be recognised as customers experiencing vulnerability and for Corrective Services identification to be accepted by banks. Following the recognition of prisoners as a vulnerable cohort within the ABA Code, the banking sector (including the big four as well as smaller banks) began prioritising improvements to prisoner banking processes. This led to several practical changes, including:

- the ABA Customer Outcomes Group identifying prisoner banking as a priority issue
- the development of a national prisoner banking factsheet
- collaboration between the ABA and Queensland Corrective Services to improve the prison banking form and related processes.

These changes have already begun to improve prisoners' ability to manage their finances while incarcerated. For example, improved processes enable prisoners to secure their bank accounts from ongoing direct debits and unauthorised third-party access, reducing financial loss and distress.

Timelier transfers of funds (from 6 – 8 weeks down to 24 – 48 hours) allow prisoners to access their money, enabling them to purchase essential items and

³² Source: ICAN

make phone calls out to family while reducing reliance on informal borrowing arrangements within prison.

Clearer communication from banks about what requests have been actioned also reduces uncertainty and stress. Access to account statements provides visibility over transactions, helping prisoners understand their financial position and identify issues such as unauthorised deductions or fraud. Access to bank statements also supports smoother transitions on release, allowing individuals to provide account details to Centrelink and access income support more quickly.

This experience demonstrates the norm-setting influence of industry codes and the leadership role of the peak body in coordinating a working group of members. Once incarcerated persons were recognised within the ABA Code as customers experiencing vulnerability, banks were better able to prioritise policy development, allocate resources and work collaboratively with correctional systems to improve accessibility.

The COB Code presents a similar opportunity. By explicitly recognising incarcerated persons as customers experiencing vulnerability, the Code can help ensure that member-owned institutions continue to align best practice with the overall banking industry and deliver fair, inclusive and community-focused banking services.

The recommendations in the following section are intended to support practical improvements in accessibility rather than impose significant operational burdens. Many of the proposed measures, such as recognising Corrective Services identification, establishing clear processes for incarcerated customers and ensuring access to fee-free accounts, primarily involve clarifying policies and strengthening internal capability, rather than developing entirely new systems.

These changes would enable customer-owned banks to better support customers who are incarcerated while maintaining the sector's commitment to responsible and inclusive banking.

Conclusion

Incarcerated persons are among the customers most likely to experience the vulnerabilities recognised within the Code. Without explicit recognition and tailored practices, however, many incarcerated customers remain excluded from essential banking services.

Addressing these barriers would align closely with the values of the customer-owned banking sector, ensuring that banking services remain fair, accessible and responsive to the needs of all members of the community.

Explicitly recognising incarcerated persons within the Code would help ensure that the sector continues to lead in developing inclusive banking practices, while providing clarity to institutions about how to support members experiencing incarceration.

By explicitly recognising incarcerated persons, including those transitioning out of prison, the Code has an opportunity to demonstrate leadership in inclusive banking and set a clear benchmark for the broader financial services sector.

3.6 What changes (if any) to the design or focus of the Code could improve hardship outcomes for customers, while remaining practical for institutions of different sizes?

Vulnerability is dynamic and often situational. Inflexible bank processes frequently fail to adapt to intersecting needs, such as disability, language barriers, or trauma.

Case study 3 – Use of Charge-Off Practices in Cases of Severe and Enduring Hardship³³

Sarah (name has been changed) is a client experiencing severe and compounding hardship, including family violence, homelessness following a natural disaster, unemployment, caring responsibilities for children with special needs, and ongoing mental health challenges. She has a debt with a COBA member Bank.

After a request from her financial counsellor, the bank agreed to charge off the debt, removing it from their books as an asset for accounting purposes due to assessment that it is unlikely to be repaid. However, the bank declined to waive it and continues to hold Sarah liable, requesting minimal repayments despite clear evidence that she has no capacity to pay now or in the foreseeable future.

This case illustrates a systemic issue where lenders rely on charge-off as an administrative solution while maintaining legal liability for people experiencing acute and enduring vulnerability. In practice, this can prolong financial and psychological stress and act as a barrier to recovery, even where there is no realistic prospect of repayment.

A more appropriate response would be for COBA member banks to implement clearer and more consistent hardship processes that allow for full debt waivers in

³³ Source – Financial Counselling Victoria

cases of severe, ongoing hardship. Where a person has no reasonable prospect of repayment and is experiencing significant vulnerability, timely debt extinguishment is necessary to reduce harm and support long-term recovery.

The ABA Code recognises financial difficulty as a circumstance creating vulnerability. This means that, under clause 52 of the ABA Code, ABA member banks are committed to taking extra care with customers who are in financial hardship. That extra care goes further than meeting legal obligations under the National Credit Code to provide moratoriums and temporary hardship arrangements and promotes consideration of tailor-made solutions having regard to the customer's individual circumstances.

Clause 178 of the ABA Code provides examples of how ABA banks may be able to assist their customers. These examples include where the customer may be unable to recover their financial position. These examples provide more certainty to ABA customers as to what "taking extra care" could mean.

Recommendation 7 – Commitment to good practice: Hardship provisions in the Code to match or exceed the ABA Code hardship provisions as these are recognised by ASIC to reflect good industry practice.

Recommendation 8 – Recognition of obligation to provide "extra care" to customers experiencing vulnerability and of financial hardship as a characteristic which increases the risk of customers experiencing vulnerability.

Recommendation 9 – Data collection and transparency: Require COBA members to report to the Code Compliance Committee on access barriers and service outcomes for vulnerable cohorts to identify and address systemic failures early.

Recommendation 10 – Ensure access to fee-free accounts: eligibility must include customers with low or no income, including incarcerated persons. Eligible customers should be automatically transferred on an opt-out basis. Accessible disclosures should be mandatory, as well as accessible, cost-free mechanisms for customers to proactively reverse the transfer with no penalties where they decide the account is not appropriate for them.

Recommendation 11 – Transparency regarding account closure: Require customer-owned banks to maintain clear and transparent policies outlining when and why customer accounts may be closed, and to ensure that account closure is used only as a last resort.

Basic Bank Accounts

A key response to providing appropriate and affordable banking services to people experiencing vulnerability is the provision of low fee and no fee bank accounts. In making these available as part of standard practice, COBA members must make efforts to ensure people who are eligible are transitioned to this type of account. ASIC's Better Banking review identified that major banks were not doing enough on this front, and several banks have now moved to an opt out approach. This means that if through data analysis the bank identifies a customer is eligible for such an account (for example the customer is receiving Centrelink payments) the bank should move them to a basic account with a reasonable notice period for opting out and no penalty for the opt out if this is taken up. Moving to opt out rather than opt in takes the work away from the customer in making that change. COBA members should also conduct regular reviews to identify customers who become eligible for these accounts and move them to these accounts on an opt out basis.

Specific measures for incarcerated persons

Recognising incarcerated persons within the Code would reinforce the principles of fairness, community well-being and customer-centred service described in the previous section while demonstrating the sector's continued commitment to inclusive and responsible banking. It would also ensure that the COB sector stays up to date in banking reforms that make a real difference to people experiencing vulnerability.

Amendment to clause 26 of the Code to explicitly recognise incarcerated persons, including those transitioning out of prison, as customers experiencing vulnerable circumstances would provide the necessary signals to member banks regarding the specific nature of the vulnerability of this cohort.

The Code should also include commitments ensuring customer-owned banks maintain policies and practices that enable incarcerated customers to continue managing their financial affairs.

Recommendation 12 – Recognition of incarcerated persons as customers experiencing vulnerability: Amend clause 26 of the current Code to explicitly recognise incarcerated persons, including those transitioning out of prison, as a group of customers experiencing vulnerable circumstances.

Recommendation 13 – Tailored policies and institutional capability: the Code should require customer-owned banks to maintain tailored, transparent policies and procedures enabling incarcerated customers to access and manage banking services; and internal capability that is appropriately resourced to:

- a) understand corrective services systems across Australia
- b) support staff who interact with incarcerated customers
- c) assist incarcerated persons, financial counsellors and other authorised third parties

Recommendation 14 – Acceptance of Corrective Services identification: Require customer-owned banks to accept Corrective Services identification documentation as satisfying the 100-point identification requirements needed to access banking services.

Small business banking experiences

3.7 How well do the Code's small business provisions work in practice, and where do gaps or challenges exist?

Small businesses are not just businesses. They are made up of people – with two in three Australian small businesses being sole traders, and just over a quarter being micro businesses.

When a small business experiences financial hardship, it is an individual who is struggling to put food on the table, clothe their children, keep the lights on and a roof over their head. It is their staff who begin to worry about their job security, and start calculating how long they can keep their creditors at bay if they lose their job.

In the previous review, consumer advocates recommended inclusion of specific obligations to small business customers (recommendation 90) and inclusion of specific responsible lending obligations to small business, similar to those in the ABA Code (recommendation 91).³⁴

While recommendation 90 was adopted, recommendation 91 was not.

Differences remain between the provisions of the Code and the ABA Code. We note that responsible lending obligations under the *National Consumer Credit Protection Act (2009)* (Cth) do not extend to protect small business borrowers.

³⁴ https://consumeraction.org.au/wp-content/uploads/2019/04/190329-COBACode_Submission_FINAL.pdf

Under clause 77 of the ABA Code, member banks promise to exercise the care and skill of a diligent and prudent banker when considering a customer's application for a new small business loan or increasing an existing facility.

This reflects the obligation under earlier versions of the ABA Code. This obligation was considered by AFCA's predecessor the Financial Ombudsman Service (FOS) in any complaint about "maladministration in lending"³⁵ for any customer covered by the relevant banking code whether they be a consumer or a small business – an issue falling within FOS's terms of reference.

They enabled FOS to consider the circumstances of a small business loan assessment and approval, including guarantors, without needing to get over the high hurdle of a legal argument of unconscionable conduct

They included consideration of the lender's credit assessment and its engagement in what was called "loan administration". Arguably, this included considering who was providing the instructions, including the disbursement of funds and potentially flagged where a third party was solely engaging with the bank/lender when the contact prudently would have been with, or been confirmed by, the company director.

The current provisions in the ABA Code allow AFCA to consider all circumstances of small business lending and whether a bank should have been alive to indicators of financial abuse against puppet directors and guarantors because that is the obligation of a diligent and prudent banker/lender.

This provides a protection to small business customers and guarantors and for those that may be the subject of financial abuse.

A further gap in the Code's small business provisions relates to business-related financial abuse (BRFA), where the use of business structures exposes individuals to debt and liability without their knowledge, consent or through coercion.

The Code determines small business lending protections by legal classification: co-borrower, director, or guarantor, instead of considering a person's actual control, consent, or benefit. In BRFA cases, these classifications often enable abuse, leaving victim-survivors without consumer or small business protections. Three specific provisions contribute to this risk:

- Paragraphs 95-98 require benefit and financial abuse checks for co-borrowers, but paragraph 99 removes these safeguards for small business loans. As a result,

³⁵ "Maladministration" complaints included complaints about small business lending and guarantees supporting small business lending.

spouses, partners, and family members are often included as co-borrowers without appropriate assessment of benefit, consent, or risk of abuse.

- Paragraph 121 removes multiple guarantor protections where a guarantee is given by a director of a small business. This carve-out is applied by lenders even where the directorship was not freely consented to or has since been removed or annulled. In practice, lenders also tend to treat the director and guarantor roles as a single relationship, meaning guarantor documents and disclosures are not provided independently. Where a person has no genuine awareness of their directorship, they may never receive the documents that would otherwise put them on notice of their personal exposure as a guarantor.
- The exclusion of paragraph 119 for small business borrowers allows enforcement against guarantors without first pursuing business assets or security. Victim-survivors are often made guarantors precisely to be more financially accessible than the business. When business assets or other recovery options exist, permitting direct enforcement against individuals increases the risk of abuse and shifts liability to those with the least control or benefit.

3.8 What changes (if any) to the Code would better support small business customers while remaining practical for customer-owned banks of different sizes?

The Code's provisions should at minimum match the ABA Code provisions as this is recognised to be good industry practice and better protects small business customers, including those borrowers and guarantors who may be subject to financial abuse.

The Code could more effectively support individuals exposed through small business lending by:

- Addressing the paragraph 99 gap (refer 4.7) by extending substantial benefit and financial abuse checks to co-borrowers in small business loans when the individual lacks a genuine business interest or benefit.
- Restricting the paragraph 121 director exclusion to ensure it does not apply if a directorship was not freely consented to, was coerced, or has been removed or annulled.
- In cases where an individual holds both director and guarantor roles, these roles should be treated separately in lending processes, with guarantor documents, disclosures, and communications provided independently and not combined with those related to the director application.

- Reinstate enforcement sequence protections when there are indicators of vulnerability or financial abuse. Require lenders to exhaust available business assets before pursuing individual guarantors.
- Require lender systems to update directorship status so that prior director classification is not used as the basis for liability or enforcement decisions after a directorship has been formally removed or annulled.

This approach mirrors the intent of clauses 77–79 of the ABA Code by requiring lending decisions to consider an individual’s circumstances, consent, and benefit, rather than relying solely on legal or structural classifications.

Recommendation 15 – Include a specific clause relating to appropriate lending to small business customers: a COBA-appropriate version of clauses 77–79 of the ABA Code to ensure small business customers are afforded the same level of care.

Recommendation 16 – Protections for individuals exposed through small business lending: Amend the Code to require safeguards against business-related financial abuse in small business lending by ensuring benefit and consent checks for individuals exposed through business structures, limiting director-based exclusions, separating director and guarantor roles, and applying enforcement sequencing protections.

Experiences of Vulnerability and Safety

3.9 How effectively does the Code support customers experiencing vulnerability (including family violence, cognitive decline, disasters and intersecting vulnerabilities), and where do gaps or inconsistencies exist in protections or implementation?

Responding to customers experiencing family and domestic violence requires more than a general commitment to tailoring services and supporting customers in vulnerable circumstances, including those who may be experiencing financial abuse.

Both the ICA³⁶ and the ABA³⁷ have developed family violence guidance and refer to family violence in their codes. COBA members need to take a similarly proactive approach to preventing, and addressing, problems arising for customers experiencing

³⁶ https://insurancecouncil.com.au/wp-content/uploads/2020/01/2021_07_REPORT_Family_Violence.pdf

³⁷ <https://www.ausbanking.org.au/wp-content/uploads/2021/05/ABA-Family-Domestic-Violence-Industry-Guideline.pdf>

family and domestic violence and/or economic abuse that relate to the COBA member's products and processes.

The Code should make commitments to addresses issues of domestic and family violence and refer to a domestic and family violence guideline which should be developed with input from relevant community services, lived experience and the Economic Abuse Reference Group.

Case Study 4 – Repeated barriers to hardship assistance for a domestic and family violence survivor³⁸

Michelle (name has been changed) sought assistance from the National Debt Helpline in February 2025 while preparing to leave life-threatening domestic violence. She was referred to a financial counsellor for ongoing support. Michelle jointly owned a home with the person who used violence (PUV), financed through a mortgage with a COBA member bank. Family members of the PUV were also living with them. Although the loan was joint, Michelle paid the majority of household expenses, including the mortgage, while working full time. The PUV was unemployed, and Michelle was also supporting his son and elderly father.

After leaving the home, Michelle was unable to meet both her rental costs and mortgage repayments. She had already applied directly to the COBA member bank for hardship assistance to allow time for family law property settlement to be finalised, allowing the house to be sold. She provided a completed hardship form with detailed information about her financial position, legal costs, and the ongoing risks to her safety and wellbeing.

Despite this, the COBA member bank repeatedly required Michelle and her financial counsellor to resubmit hardship application forms and supporting documents, including authority for her financial counsellor to act on her behalf, even where there had been no material change in her circumstances. Communications from the lender were inconsistent regarding hardship end dates, including advising that repayments would recommence earlier than previously agreed.

In July 2025, the COBA member bank denied Michelle's hardship request without providing clear reasons, later granting only a short extension following a formal complaint, despite legal evidence supporting a longer period.

As of January 2026, the matter remains unresolved. Although court orders require the property to be sold, the PUV's family members refuse to vacate. Michelle has

³⁸ Source: CARE

incurred more than \$50,000 in legal costs, mostly borrowed from family, and faces a potential net financial loss. The lender's handling of hardship has compounded financial distress and exacerbated risks to Michelle's safety and wellbeing.

Michelle's experience raises significant concerns about compliance with ASIC expectations, particularly:

- ASIC Regulatory Guide 209 *Credit licensing: Responsible lending conduct*³⁹, which requires lenders to engage proactively, fairly and in good faith with consumers experiencing financial hardship, including considering individual circumstances, not imposing unnecessary administrative barriers, and providing clear reasons for decisions.
- ASIC Regulatory Guide 271 *Internal dispute resolution*⁴⁰, which requires timely, transparent and consumer focused complaint handling. The need to lodge a formal complaint to secure a short hardship extension suggests deficiencies in hardship decision-making processes.
- ASIC's guidance on supporting customers experiencing vulnerability, including domestic and family violence, which emphasises minimising re-traumatisation, avoiding repeated requests for information, and tailoring responses where safety risks and legal constraints exist.

Key issues that should be addressed in the Code in relation to domestic and family violence are:

- customer safety, including having systems to separate and protect contact details on joint accounts;
- ongoing staff training to understand the nature of domestic and family violence, identify potential indicators of domestic and family violence, respond appropriately, and supports for front-line staff to respond; and
- assisting a joint account holder experiencing financial difficulty as far as possible (including settling a claim), without involving the other account holder if necessary (refer ABA Code clause 149).
- Establish a formal requirement for banks to withhold negative credit listings (such as defaults or missed payments) where the debt was incurred through coercion or where reporting could inadvertently alert a perpetrator, prioritising the safety and financial security of the victim-survivor over automated reporting obligations.

³⁹ <https://download.asic.gov.au/media/hyeofbni/rg209-published-9-december-2019-20250306.pdf>

⁴⁰ <https://download.asic.gov.au/media/3olo5aq5/rg271-published-2-september-2021.pdf>

- Commit to using existing powers under the *Privacy Act 1988*⁴¹ to actively correct or remove inaccurate Repayment History Information (RHI) caused by financial abuse, ensuring that a victim-survivor's credit score is restored and their future access to finance is not unfairly compromised.

Elder abuse should be specifically addressed by the Code with an obligation on staff to identify certain indicators and to respond appropriately. The ABA has provided guidance on this topic, which can be found on their website.⁴²

The Code should recognise business-related financial abuse as a distinct vulnerability. The ABA has specifically recognised financial abuse in small business contexts in its' updated guidelines. Additionally, both the Parliamentary Joint Committee inquiry⁴³ and the Government's policy response have prioritised coerced directorships and business-related financial abuse⁴⁴, which the Code should align with.

Disasters and vulnerability

Disasters are explicitly recognised as a form of vulnerability, but the Code lacks sufficient, tailored protections for customers impacted by significant weather events and other disasters. Disaster-related vulnerability is often addressed through standard financial hardship frameworks, but disasters are qualitatively different in cause, duration and impact. Critical differences include:

- Post disaster hardship is typically sudden, widespread and prolonged, and frequently intersects with other forms of vulnerability, including housing insecurity, health impacts, disability, caring responsibilities and financial stress across multiple products.
- Financial counsellors note that existing hardship options offered after disasters often provide short-term relief at the expense of longer-term financial stability. Examples include moratoriums that pause repayments but allow interest and arrears to accrue, or arrangements that capitalise arrears at the end of the relief period, can leave customers in a materially worse position once temporary assistance ends.
- The Code's reliance on discretionary, short-term hardship tools leads to inconsistent outcomes between institutions and even within banks. Customers report limited transparency about available options and their long-term

⁴¹ <https://www.legislation.gov.au/C2004A03712/latest/text>

⁴² <https://www.ausbanking.org.au/priorities/financial-elder-abuse/>

⁴³ Parliamentary Joint Committee on Corporations and Financial Services. (2024). *Financial abuse: an insidious form of domestic violence*. Canberra: Parliament of Australia. Available at the [Parliament of Australia website](https://www.parliament.gov.au/).

⁴⁴ Combatting financial abuse perpetrated through coerced directorships Consultation paper November 2025 (<https://treasury.gov.au/key-activities/consultations/c2025-719210>)

consequences, and many are unaware of alternatives that may better support recovery. This lack of clear, upfront information falls short of a consumer-focused approach and can entrench power imbalances at a time when customers are acutely vulnerable.

- Disaster impacted customers can be reluctant to engage with their bank at all due to fears that requesting assistance will negatively affect their credit report or future access to credit. This mirrors issues seen in other vulnerability contexts, including domestic and family violence, where the perceived consequences of disclosure create a significant barrier to seeking help.
- There are also implementation gaps in relation to staff capability and system preparedness. Banks are often among the first points of contact for disaster impacted customers, yet responses vary significantly depending on staff knowledge and internal escalation pathways. The absence of mandated trauma-informed training and dedicated disaster response capability means customers may need to repeatedly explain their circumstances, increasing distress at a critical time.
- There is currently no consistency in how banks manage cash settlements from insurance claims post-disaster. This means that vulnerable clients of financial counsellors cannot be advised on what to expect, or what is standard procedure or considered fair in the circumstances where a bank holds funds from an insurance cash settlement. Vulnerable people are left waiting for significant periods of time to rebuild their property, while their bank is withholding the cash settlement funds – particularly where the value of the property has dropped and loan-to-value ratios have changed. This uncertainty can exacerbate the stress experienced by households who are trying secure safe housing and rebuild their lives.

The Code could more effectively support disaster related vulnerability by:

- recognising disaster hardship as distinct from standard hardship, with tailored commitments reflecting the scale and duration of impact;
- requiring longer-term, outcome focused relief options where there has been substantial or compounding disaster impact, including arrangements that genuinely pause loans without the accrual of arrears or interest;
- improving transparency through clear, accessible information for disaster impacted customers about their options and the medium and long-term implications of different arrangements;

- addressing the deterrent impact of hardship reporting for disaster impacted customers, including considering temporary suppression mechanisms similar to those used in other vulnerability contexts;
- strengthening obligations around trauma-informed practice and specialist disaster response capability, to ensure consistent, safe and appropriate engagement with customers during response and recovery phases;
- improving communication of potential outcomes with customers expecting to receive an insurance cash settlement is critical to building enough understanding to support customer decision-making. A consistent approach on the handling of cash settlements is needed.

Case study 6 – Failure of Hardship Processes to Respond to Catastrophic Events and Severe Vulnerability⁴⁵

Ned (name has been changed) is a client in his 70s living on the Aged Pension who experienced multiple compounding vulnerabilities. While he was incarcerated, his local area was severely impacted by flooding, resulting in the loss of all belongings in his rental property, including a vehicle purchased with a personal loan from a COBA member bank. Shortly before his release, Ned also suffered a stroke, significantly affecting his health and capacity to manage his affairs.

A financial counsellor applied to the bank for a full debt waiver, outlining the exceptional circumstances and Ned’s lack of capacity to repay. The initial response focused narrowly on the recency of the loan, noting it had only been taken out months earlier, and did not adequately consider the unforeseen and extreme events that followed. Instead of a waiver, the bank offered a short-term partial repayment moratorium and suggested alternative arrangements.

Subsequently, a default was issued without effective communication to either the client or the financial counsellor. Despite further advocacy highlighting the client’s vulnerability, the impact of the flood, and the absence of any realistic prospect of repayment, the bank continued to pursue the debt. It was only after escalation, including a reference to the Australian Financial Complaints Authority, that the bank ultimately agreed to a full debt waiver.

This case highlights a systemic issue where hardship processes fail to respond appropriately to extreme and unforeseen events, particularly for highly vulnerable clients. Initial decision-making placed undue emphasis on standard criteria, such as

⁴⁵ Source: Financial Counselling Victoria

loan recency, rather than the client's current and future capacity, and required escalation to achieve a reasonable outcome.

A more appropriate response would be for COBA member banks to adopt more responsive and trauma-informed hardship frameworks that recognise when there is no reasonable prospect of repayment due to catastrophic events and serious health impacts.

In such cases, timely debt waivers should be proactively offered, without the need for escalation, to reduce harm and ensure fair and compassionate treatment of vulnerable customers.

ASIC has consistently emphasised that hardship responses must be timely, flexible, and responsive to vulnerability, and that lenders should consider a consumer's current and future capacity to repay rather than relying on rigid criteria.

This case demonstrates a disconnect between those expectations and practice, where standard decision-making frameworks delayed a reasonable and compassionate outcome.

In its 2022 *Approach to financial difficulty: legal principles, industry codes and good industry practice*, AFCA says, with regard to industry codes:

*"Not all financial firms subscribe to the industry codes. When AFCA considers a financial difficulty complaint against a financial firm which does not subscribe to a code, we review the credit contract and any internal policy the financial firm has about dealing with consumers in financial difficulty. We also apply principles of good industry practice. **In some cases, we may consider that industry codes reflect good industry practice across the entire industry, not just for subscribers.**"*
(emphasis added)

Customer-owned banks also need to recognise in their application of their promise to "take extra care" that this means doing more than what is required under the National Credit Code.

3.10 What changes (if any) to the Code would strengthen commitments to and support for customers experiencing vulnerability? What aspects of the current approach work well and should be retained?

Both the COBA and ABA Codes cover similar examples of vulnerable circumstances, such as:

- age
- cognitive impairment

- disability
- elder abuse
- family/domestic violence
- financial abuse
- mental illness
- serious health or medical conditions
- literacy and language barriers
- cultural background

However the ABA Code goes further in that it recognises circumstances such as:

- financial difficulty
- Aboriginal and Torres Strait Islander customers
- Remote locations
- Incarcerated persons or persons recently released from incarceration
- Disasters.

The ABA Code also recognises that *'a customer's circumstances may require support and that these circumstances may change over time and in response to particular situations'*. The recognition that experiences of vulnerability are not static, and that people may require different levels of support throughout their customer journey is critical.

Case study 7 – the role of the financial counsellor

Al (name has been changed) is a client with a home loan from a COBA Member Bank who experienced a significant back injury in an accident, preventing him from continuing in his role. Initially supported by workers compensation payments, these have now ceased, and Al is reliant on income protection payments, which amount to approximately half of his previous salary. Over this period, the bank has generally provided supportive hardship arrangements.

When Al sought an extension of hardship support, the bank made it mandatory for him to obtain 'financial advice' before continuing the arrangement. The client's statement of financial position clearly shows he has no capacity to service the loan or other debts, and he does not have funds to pay a financial adviser. A total and permanent disability (TPD) insurance claim is pending, with a high likelihood of success, potentially resulting in a payout of \$1.3 million.

The requirement for 'financial advice' was vague and caused confusion, as it implied the need to engage a professional financial adviser, which is neither feasible nor appropriate for someone in Al's position. Al's financial counsellor clarified the role of a financial counsellor with the bank, explaining that this would

typically involve reviewing options, evaluating pros and cons, and supporting client decision-making without the need for paid advisory services.

Options for both successful and unsuccessful TPD outcomes were provided to the bank, with a request for a three month moratorium to allow for the TPD claim outcome to be finalised.

This case highlights a systemic issue where banks do not understand the role of financial counsellors,⁴⁶ and impose unclear or impractical preconditions on hardship assistance, potentially delaying critical support for vulnerable clients.

Financial counsellors often report barriers to their work, and poor practice by bank staff.

“The other big ones are usually okay but it is the little ones ... who are much more problematic as they don't have many clear procedures for responding to issues and often, they aren't confident about working with [financial counsellors].

For example, I have been in contact with [COBA member bank] recently with a hardship request and on the phone I told them [the client] has a chronic disease and has had to stop working. The guy said, 'I don't care about that' and just wanted to know about [the client's] income and expenses. They agreed I could sign the hardship form on [the client's] behalf as they have the financial counselling authority form already and transport is an issue and then without telling me, they issued [the client] with a default notice a week later because they couldn't process the form as I had signed it on [the client's] behalf. Very frustrating. I gave them another call and suggested we could sort it out in AFCA and they backed up real fast.

The [COBA member bank] have always said to me that they don't need to be accountable to a higher standard by the regulators because they are accountable to the owners/customers. So they already have higher standards as set by the customer.

They have said that to me three times in branch when I have gone in with someone because they have been difficult to deal with or aren't making sense to the client. Both the little city branch and the main branch in [Queensland regional town].

They get really defensive”⁴⁷

⁴⁶ The observation has been made that the role of the community legal centre lawyer is similarly misunderstood, and that representation by a CLC lawyer or financial counsellor should be a red flag for vulnerability

⁴⁷ Source: ICAN

A more appropriate approach would include training and education on the role of consumer advocates, and to allow continuation of hardship arrangements based on realistic assessment of current financial capacity and pending insurance outcomes, rather than requiring external financial advice that clients cannot afford.

The Code should at least align with the provisions of the ABA Code as those provisions are recognised by AFCA to reflect good industry practice.

Recommendation 17 – expand the list of defined vulnerabilities: include specific reference to financial difficulty, Aboriginal and Torres Strait Islander customers, incarcerated or recently released persons, people living in remote locations and those impacted by natural disasters.

Recommendation 18 – recognise that experiences of vulnerability can vary over time: the Code should include wording consistent with the ABA Code, e.g. *‘we recognise that a customer’s circumstances may require support and that these circumstances may change over time and in response to particular situations’*.

Case study 4 (Michelle), described in the previous section, highlights the need for systemic reform to ensure the Code’s hardship commitments effectively protect victim-survivors of domestic and family violence. Without stronger commitments, hardship processes risk becoming an additional source of harm for victim-survivors at a time of extreme vulnerability.

Recommendation 19 – Presumptive hardship protection for domestic and family violence victim survivors, including longer default hardship periods where family law proceedings or safety risks delay property sales.

Recommendation 20 – Prohibition on repeated information requests where there has been no material change in circumstances, particularly where a consumer is represented by a financial counsellor.

Recommendation 21 – Mandatory domestic and family violence-informed hardship decision-making, requiring COBA members to consider safety, legal constraints, and power imbalances when assessing hardship applications.

Recommendation 22 – Clear, written reasons for hardship refusals, consistent with ASIC RG 209 and RG 271, including how consumer evidence was considered.

Recommendation 23 – Regulatory oversight and enforcement, including monitoring of hardship practices for joint debts involving domestic violence, self-reporting of breaches, and sanctions for conduct that exacerbates harm.

The absence of a specific domestic and family violence guideline for COBA member banks and reference to this guideline in the Code is out of step with current best practice. This includes commitments to keep contact details of a joint account holder secure from the other account holder on request, and assisting a joint account holder, as far as possible without involving the other joint account holder on request. The burden of proof applied to a victim-survivor continues to be of concern: our justice system is based on innocent until proven guilty, but this does not apply in principle.

Recommendation 24 – develop an enforceable domestic and family violence guideline: this should be developed in consultation with community experts

First Nations Perspective on Banking and the Code

3.11 How does the Code support inclusive, accessible, and culturally safe banking for First Nations customers?

First Nations peoples face a range of barriers and risks when accessing and using banking services, created by multiple historical, economic, and structural factors.

There has been, and continues to be, systemic failure across the banking and financial services sector to understand the underlying intergenerational trauma and socioeconomic exclusion of First Nations peoples. Due to intergenerational financial exclusion through, for instance, stolen wages and stolen lands, First Nations Australians are also often at a disadvantage when dealing with the banking sector. For instance, banks often lack practical understanding of the fact that First Nations peoples are only first and second generation money earners, with their parents paid rations or in receipt of one of the many versions of the Services Australia basics card. The situation is further aggravated by fundamental geographical and digital barriers which are not addressed in the Code.

Equally, the cultural strengths of First Nations peoples and cross-cultural differences are not recognised or supported by financial institutions' policies and processes.

Banking barriers produce inequity for First Nations people to engage and be empowered to close the socioeconomic gap at the foundation of many of the 17 Close the Gap

targets.⁴⁸ These barriers continue to reduce access to essential banking services. In many cases the failure to address First Nations peoples' needs in the earlier versions of the Code have exposed First Nations customers to heightened financial insecurity and risk. Rather than closing the gap, COBA's lack of inclusiveness for First Nations customers has contributed to the socioeconomic gap.

The Code does not currently make explicit or standalone commitments in relation to First Nations customers, unlike the ABA Code which contains dedicated clauses.⁴⁹ This is supported by a 2025 industry statement which details the supports First Nations peoples can expect from an ABA member bank.⁵⁰ This has resulted in inequitable outcomes for customers across the banking sector, with those First Nations customers of ABA Code signatories having stronger protections and access to higher customer service standards than customers of COBA members.

First Nations peoples are mentioned once in the COBA Code under inclusive banking⁵¹ but there are no dedicated obligations regarding cultural training, flexible identification processes, dedicated phone lines or proactive low fee pathways. These are all critical to ensuring the needs of First Nations peoples are met.

The customer-owned banking sector serves ~5.4 million customers yet has specifically chosen in the past not to enhance standards for First Nations people. The 2019 independent review report stated that:

We are not persuaded by the Joint Consumer Submission proposal that the Code should require COBs to "ensure" that their banking services are accessible. ... we are conscious that many COBs serve specific communities or geographical areas and are simply not of a size to be able to "ensure" accessibility for all Australians, including those in remote regions.⁵²

This is a highly concerning position which suggests that so long as COBA members are meeting the needs of non-First Nations people, then they are doing all that they need to in terms of providing accessible services. This is the opposite of inclusive and accessible banking services.

⁴⁸ <https://www.closingthegap.gov.au/national-agreement/targets>

⁴⁹ ABA Code clauses 48-50

⁵⁰ <https://www.ausbanking.org.au/wp-content/uploads/2025/02/ABA-Industry-Statement-Supporting-Aboriginal-and-Torres-Strait-Islander-Peoples.pdf>

⁵¹ COBA Code clause 17

⁵² https://COBA.Codereview.crkhoury.com.au/wp-content/uploads/sites/5/2019/12/COBA_CODE-Independent-Review-REPORT-FOUR-.pdf page 8

The evidence indicates that the current Code does not provide an adequate framework to ensure cultural safety, accessibility, or responsiveness for First Nations communities. Moreover, it is unclear how the governance structures and member feedback processes for COBA members ensure First Nations customer's voices are heard and incorporated into decisions about service standards. We advocate for a system like the ABA's First Nations workstreams, including communities of practice and public reporting on banks' progress toward reconciliation and cultural capability.

Digital exclusion (see also section 3.13), which has been identified by the Federal Government as a contributor to the growing gap, provides significant obstacles to basic banking functions, including accessing statements, updating account details, seeking hardship assistance, and resolving transaction issues. The forced shift toward online only service models disproportionately disadvantages First Nations customers and communities. Many banks require customers to transact, ask for help, and obtain statements online, without consideration that Australia does not have a national digital infrastructure that provides access for all. Large parts of very regional, remote, and very remote Australia have no consistent internet or mobile coverage, and these areas have a high First Nations population. Even where coverage exists, it is often insufficient for secure or sustained online banking.⁵³

Closing the Gap Target 17 states that by 2026 Aboriginal and Torres Strait Islander people will have equal levels of digital inclusion, but significant gaps remain and this target has not been met. Despite the acknowledgement of the digital gap needing to be closed, banks place the same expectations of capacity to engage with digital banking on First Nations customers.

These barriers produce a structural exclusion that is compounded when banks adopt default digital pathways without assessing their impact on First Nations customers.

These digital barriers are exacerbated by the growing absence of local branches in many communities and limited choices of banks with often only one option available.⁵⁴ In many cases this may be customer-owned institutions. With a Code that lacks a commitment to First Nations customers it leaves them with reduced banking equity and disempowerment from accessing safer loans, like No Interest Loans, which require three

⁵³ See First Nations Digital Inclusion Advisory Group, Initial Report: <https://www.digitalinclusion.gov.au/sites/default/files/documents/first-nations-digital-inclusion-advisory-group-initial-report.pdf>

⁵⁴ See APRA Points of Presence Data: <https://www.apra.gov.au/authorised-deposit-taking-institutions-points-of-presence-statistics>

months of statements to assess eligibility and leaves them vulnerable to predatory lenders.

Historic colonial harm alongside ongoing structural racism and exclusions have impacted First Nations peoples' digital and financial literacy and their equality in engagement with financial service providers. Face to face banking would provide empowerment and an independent voice, but when forced to engage with banks digitally it leads to reliance on others for access, with shared devices, and supported access with navigating apps, websites and passwords, exposing them to a risk of scams and financial abuse.

Owning a mobile phone is a luxury to someone on a low income and purchasing one in a remote and very remote community is not easily achieved. Mobile phones are expensive and difficult to replace - many community members share devices or SIM cards. This creates privacy risks and makes multi-factor authentication unworkable, locking people out of essential banking functions and placing community members at a greater risk of financial abuse.

Many remote and very remote First Nations customers speak English as a second or third language. Current banking systems rarely offer interpreters trained in relevant languages, and where interpreters do exist, they may come from within the same small community which can compromise confidentiality and safety.

A recent report by the Code Compliance Committees of both the ABA Code and the COBA Code have identified older First Nations people as experiencing heightened vulnerability to financial abuse.⁵⁵ The report recommended that both Codes increase their awareness of the risks and develop culturally appropriate resources and referral pathways to better serve older First Nations customers.



First Nations people can face heightened vulnerability to financial abuse. Tailored resources and clearer referral pathways strengthen support for older First Nations customers and help ensure their specific needs are not overlooked.

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Additionally, bank branch closures have intensified access challenges for First Nations customers. Although Bank@Post services are often referred to as an alternative, these

⁵⁵ <https://cobccc.org.au/app/uploads/2026/02/Protecting-older-customers-from-financial-abuse.pdf> page 16

⁵⁶ <https://cobccc.org.au/app/uploads/2026/02/Protecting-older-customers-from-financial-abuse.pdf> page 16

settings often lack privacy, confidentiality, and cultural safety with transactions occurring in public view, often inside general stores where the staff member may also be a local community member. This may restrict First Nations customers from seeking support or asking questions. They also increase the risk of financial abuse as others become aware of their financial position when remediation funds or similar are received. The shift from branch based to third party delivery services such as Bank@Post has therefore created new forms of vulnerability for First Nations people.

First Nations community workers report ongoing issues with banks failure to recognise or adequately process third-party authorities. This creates barriers when financial counsellors or community workers attempt to assist clients who cannot reasonably manage accounts alone due to disability, age, trauma, or safety concerns.

Identification and privacy challenges also arise from shared devices, limited secure storage, and high mobility within communities. Standard ID verification procedures designed for metropolitan customers do not reflect these realities. First Nations people from regional, remote, and very remote communities have limited access to traditional identification such as birth certificates, driver's licences, and adult photo identification. Previous colonised harms can mean names are misspelled and dates of birth have been recorded incorrectly as the dates they were recorded are from the stock books rather than their actual date of birth, making access to standard identification a challenge.

AUSTRAC's identification guidance allows the adoption of flexible identification practices, particularly for First Nations consumers trying to open a bank account, make changes or access new products with a bank.⁵⁷ Acceptance of the AUSTRAC alternative identification guide is codified in the ABA Code (refer clause 48c) but is absent from the COBA Code. This is highly concerning and there is no legitimate reason for this. The AUSTRAC Alternative Identification Guide needs to be codified to improve outcomes for First Nations customers. The *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (CATSI Act)⁵⁸ is Federal legislation that came into effect on 1 July 2007. It mirrors many requirements of the Corporations Act 2001, while providing the flexibility and support needed to meet the unique cultural contexts of First Nations people and allow community identification to be accepted.

Providing an accessible and equitable banking experience for First Nations customers requires an enforceable commitment from COBA members to provide dedicated

⁵⁷ <https://www.austrac.gov.au/industry-and-business/obligations-and-guidance/your-amlctf-program/customer-due-diligence/initial-customer-due-diligence/alternative-id-first-nations-peoples>

⁵⁸ <https://www.legislation.gov.au/C2006A00124/latest/text>

services that are culturally safe and responsive to First Nations customers, including and not limited to:

- a dedicated phone line;
- employment of First Nations staff; and
- culturally trained staff to support their customers' banking journey which is proportionate to their First Nations customer base.

When remote Financial Counsellors visit communities as part of their face-to-face service delivery, they report a lack of timely and accessible banking support. This is despite the fact that they are facilitating the bank's customers ability to engage equitably in banking services. For instance, they must wait in phone queues for extended periods, under harsh environment conditions and after travelling long distances and having long queues of community members waiting for assistance. It is therefore reasonable for COBA members to ensure remote Financial Counsellors are empowered to support their customers by providing a contact person for each COBA member and an expedited method of providing services (including requesting and submitting documentation) during those outreaches.

These issues have led to specific challenges:

- First Nations consumers are harmed by banks placing them in inappropriate high-fee accounts
- Banking service models are unsupportive of the needs of First Nations customers, including:
 - o a presumption that all customers have digital access
 - o branch closures leaving First Nations customers without appropriate alternatives to conduct their banking
 - o limited options for interpreting and culturally safe engagement in remote locations.
 - o a lack of consistent, industry-wide standard identification processes to assist First Nation's needs, leading to a lack of access to banking products
- Banking practices with respect to incarcerated persons disproportionately harms First Nations people leading to de-banking or difficulties in accessing redress payments and reintegrating into society.
- There are significant differences in rights applying to First Nations customers of ABA banks and customer owned banks.

Overall, Aboriginal and Torres Strait Islander people experience more unfair treatment and hardship than non-Indigenous Australians.⁵⁹ The Code does not support inclusive, accessible, and culturally safe banking for First Nations customers. Nor is it fit for the purpose of committing its members a reasonable standard of inclusive, accessible or culturally safe banking for the First Australians. Its reference to Aboriginal and Torres Strait Islander customers is a bare minimum starting point, it is now time for the COBA Code to bridge the gap and provide the equitable, accessible and culturally safe banking First Nations people have the human right to receive. Any challenges experienced by banks in making these changes are not created by First Nations people, they are created through a system that has excluded the First Australians since its imposition. As part of closing the gap, banks need to acknowledge this historic exclusion and do the work needed to consult and listen to First Nations consumer advocates and customers, through an explicit commitment to providing inclusive, safe banking for all First Nations people. Each of us has a role in ensuring that Aboriginal and Torres Strait Islander people feel safe, respected and that their rights are upheld within our communities – it is now COBA’s turn.

3.12 What changes (if any) to the Code would improve outcomes for First Nations customers? What considerations should inform the development of any new standards or commitments to ensure they are both meaningful and practical for institutions of different sizes?

To bring the Code up to date and in line with best practice, a standalone First Nations chapter is essential. This requires a number of commitments which form the recommendations for this section.

Recommendation 25 – Guaranteed access to non-digital service options: COBA members must provide alternatives to digital only pathways, including access to branch based or face-to-face services, privacy-enhanced channels, and the ability to obtain statements or transact without internet or the need for Multi-Factor Authentication.

Recommendation 26 – Cultural safety standards for all customer-owned banks: This should include mandatory training, trauma-informed practice, and accountability measures for demonstrating cultural capability across the organisation.

Recommendation 27 – Proportionate service models based on First Nations customer reach: Institutions with a significant First Nations customer base, particularly in the NT,

⁵⁹ [First Peoples' rights in Australia | Australian Human Rights Commission](#)

WA, SA and Queensland must demonstrate stronger, tailored responses. This should include dedicated staff, local partnerships or interpreter access.

Recommendation 28 - Interpreter and accessibility commitments: Minimum standards for interpreter availability, confidentiality protections, and proactive support for customers where English is not the primary language of community members.

Recommendation 29 - Recognition of community-based financial counselling and support roles: Banks should create structured pathways for engaging with recognised workers, including but not limited to accelerated phone queues, priority access for community workers and where appropriate, reduced documentation requirements.

Recommendation 30 - Privacy and safety protections in remote service delivery: Banks must risk assess Bank@Post reliance and ensure alternative confidential channels

Digital Banking, Technology and Service Continuity

3.13 How does the Code address customer impacts of digital banking, technological change and service transitions (including mergers and system changes)?

The current Code does touch on issues created by digital transformation, however this is mostly in broad based language. It does not contain detailed or explicit commitments or guarantees of service continuity. Instead, the Code relies on general obligations around accessibility, vulnerability, fairness, and communication, which may be well-intentioned but can also create space for financial institutions to avoid explicit duties.

In practice, the Code is largely analogue-era and does not reflect contemporary risks or obligations on COBA members regarding digital outages, branch closures and service withdrawal impacts, the impacts of AI, data protections or system migrations.

Given the significant amount of digital transformation now being experienced in banking services there are observable impacts leading to customer harm, particularly for people who rely on in-person services, live in remote or poorly connected regions, lack digital literacy or use technologies that may not be compatible with the rate of change within banking systems.

Customers have also experienced financial and safety risks during periods of technological transition or failure. These issues are not hypothetical. They are frequent,

These issues demonstrate that digital transformation is not simply a shift in how customers bank but rather it reshapes whether customers can safely, consistently, and independently manage essential banking tasks at all.

COBA members must recognise the difference between digital ability and digital confidence. While a person may technically have the skills to navigate digital platforms, they may still avoid using them due to legitimate risks such as the risk of scams, coercion, or fear of making costly mistakes. Any changes that COBA members make concerning the delivery of banking services, including through digital transformation, can create exclusion.

One of the factors that is compounding the rate of digital exclusion is the accelerated pace of branch closures with impacts felt across regional and remote communities, older customers, First Nations communities, people experiencing domestic and family violence and small businesses relying on cash handling.

Once a branch closes, many customers are forced into digital only pathways that are not necessarily accessible or safe. Remote communities for example, experience additional barriers due to highly limited telecommunications infrastructure.

Where replacement Bank@Post services have often been established in communities following a branch closure, they are often located in general stores, staffed by community members, with no private space for sensitive conversations. In small communities in particular, this lack of confidentiality can place customers, especially victim-survivors of domestic and family violence, at a significant and unacceptable risk.

System migrations, mergers and AI that introduce operational risks are also not covered by the Code. Incidents where system changes have occurred have seen customers lose access to funds, sometimes for extended periods, led to the loss of internally recorded highly sensitive instructions relating to vulnerability, including domestic and family violence safety flags, or communication preferences ⁶²

These risks demonstrate that digital and technological change can directly undermine consumer safety and trust when not governed by explicit obligations, and in doing so place customers experiencing vulnerability at risk of harm.

Policy spotlight: Scams

Despite the passage of laws establishing the Scam Protection Framework (SPF)⁶³ one year ago, significant and ongoing consumer harm from scams continues unabated, with the most vulnerable Australians disproportionately affected. Data from the

⁶² Observed from participant in COBA Stakeholder Working Group

⁶³ <https://treasury.gov.au/publication/p2025-623966>

Consumer Action Law Centre (CALC) and the ACCC's Scamwatch⁶⁴ both show no indication that scam activity or losses are slowing. In the final three months of 2025 alone, callers to CALC's services reported \$7.1 million in scam losses. Of those who lost money, 78 per cent were living with at least one pre-existing vulnerability, with one in three experiencing three or more. Alarming, 32 per cent reported being held liable by banks or lenders for ongoing debts linked to scams.⁶⁵

While consultation on scam rules and industry codes continues, there is an urgent need for stronger oversight and enforcement by the Code. The Code needs to require its members to meet all relevant Code obligations, including providing services efficiently, honestly and fairly, and aligning their systems, staff capability and responses with the SPF principles of prevention, detection, disruption and response. Compassionate, accessible and stigma-free responses are essential to support help-seeking and minimise harm.

All scam victims experience vulnerability, but additional harm can arise where banks fail to provide accessible services, trauma-informed responses or adequate hardship support. The Code should require its members to proactively identify vulnerable customers, support third-party representation, and provide appropriate referrals. There should also be a requirement to waive interest and fees on scam-related debts, particularly where customers face hardship, to ensure banks do not profit from scams.

ASIC has explicitly identified such failures as systemic weaknesses, noting that banks' approaches to scam detection, customer questioning, and frontline intervention remain "less mature than expected", particularly outside the major banks.

Case study 8 – Bank Scam Prevention Failure⁶⁶

A long-standing customer of a COBA member bank was the victim of a sophisticated impersonation scam involving fake technology security alerts and individuals posing as tech support and bank staff.

While browsing online, the customer's laptop displayed a loud alarm and a pop-up claiming to be a Microsoft Security Alert, instructing her to call a number. Believing her computer was hacked, she called and spoke to individuals posing as Microsoft representatives. They gained remote access to her device and falsely claimed her computer was linked to illegal activity.

⁶⁴ <https://www.scamwatch.gov.au/>

⁶⁵ ASIC Consultation Paper 373 – Banking Code of Practice – Consumer Action Law Centre

⁶⁶ Source: Financial Counselling Australia

The scammers escalated the deception by alleging a security breach at her bank and implicating an internal staff member.

They instructed her to withdraw \$12,500 in cash and deposit it into a Bitcoin ATM under the guise of “tracing stolen funds.” The victim complied, staying on the phone throughout and concealing the true purpose from bank staff, as directed.

After completing the transactions, she realised she had been scammed and reported the incident to police and her bank. Due to the conversion to cryptocurrency, recovery of funds is highly unlikely. The ordeal lasted approximately 3.5 hours and caused significant emotional distress.

A cash withdrawal of \$12,500 was out of the ordinary. There was nothing to suggest bank staff questioned the transaction or delayed the payment, which would be the appropriate cautionary approach by a diligent and prudent banker.

This case study highlights the need for stronger, enforceable obligations on banks, consistent with ASIC guidance. Additionally, inconsistent staff capability and minimal training on the impacts of digital exclusion can also have negative impacts on customers. This can include an inability to identify digital vulnerability, lack of awareness of non-digital alternatives, provision of inconsistent guidance on multi factor authentication workarounds and secure PIN resets. In the worst case there may be a default to online instructions even when unsuitable or unsafe.

Table 2: Gap analysis of impacts of digital banking, technological change and service transitions on customers

Topic	Consultation Paper	Current Code (2022)	Gap
AI / automated decisions	Identified as a major risk, asks whether explicit protections are needed	No mention of AI or automation	Large
Digital inclusion	Emphasises risk to vulnerable groups from digital-first banking	Broad accessibility commitments	Moderate – Large
System transitions & mergers	Identified as sources of disruption, data loss and confusion	No obligations	Large
Outage reporting & service continuity	Highlights absence of transparency & reporting	No provisions	Large
Digital safety in vulnerability con texts	Raises family violence and digital coercion risks	No digital-specific safeguards	Moderate – Large
AI / data transparency	Ned for explainability, human review	No provisions	Large

3.14 What changes (if any) to the Code would better support customer-owned banks in managing the customer impacts of digital change and service transitions? How can the Code balance supporting innovation while maintaining appropriate access, inclusion and continuity of service?

Digital transformation is rapidly reshaping the banking landscape, but the current Code does not provide the protections needed to ensure that innovation does not come at the cost of accessibility, safety or fairness.

By embedding explicit obligations relating to digital inclusion, system transitions, service continuity, AI transparency, and branch closure impacts, the Code can ensure that technological change enhances rather than undermines customer wellbeing.

The Code should introduce explicit obligations for digital inclusion and accessibility with enforceable standards requiring banks to provide equivalent non-digital pathways for essential banking services. Digital transformation and service changes should not assume universal digital access.

These obligations should include that banks ensure digital platforms meet accessibility requirements, implement workarounds for customers unable to use Multi Factor Authentication, train staff to recognise when customers safety may be at risk or experiencing coercion and ensure that customers do not lose access to funds during outages or migrations.

An impact assessment should consider the impact on digitally excluded cohorts, engage local communities, especially in remote, regional, and First Nations contexts, consider privacy and safety issues associated with Bank@Post alternatives and publish or provide accessible summaries of these assessments.

Such assessments are critical for ensuring that digital transformation does not deepen inequality.

Recommendation 31 – Mandatory and transparent digital exclusion impact assessments for service changes before withdrawing in person services, introducing new digital systems or altering service channels should be implemented and enforced.

Recommendation 32 – Establish minimum standards within the Code for service continuity during system transitions: this will require COBA members to:

- notify customers well in advance of any planned digital or system transition;
- provide clear instructions on changes to authentication, layout, or access pathways;
- maintain alternative access channels during outages;
- protect customer information, including vulnerability flags, during system migrations; and
- ensure post migration support is accessible by phone and in person.

Recommendation 33 – Establish obligations for AI transparency and accountability with regard to AI in customer authentication, fraud detection, credit assessment and dispute resolution: COBA members should include clear explanations of when AI is used, contain human review pathways for customers wishing to dispute automated decisions, provide safeguards to prevent biased or unsafe outcomes and include enhanced protections for customers experiencing vulnerability.

Because customer-owned banks operate within the same technological environment as larger banks, consumer expectations should be aligned across the industry. Smaller institutions should not be exempt from meeting minimum digital accessibility standards but rather proportionality should apply to how standards are met, not whether standards apply. A moratorium on COBA member branch closures in regional and remote communities is the first important step.

The ABA for example, confirmed in early 2025 that some of its member banks had agreed to a deal with the Federal Government that included a moratorium on bank closures in regional communities at least until 31st July 2027 ⁶⁷

It seems that COBA members, in line with their stated purpose of *‘our vision is for more Australians to benefit from a resilient banking sector that is centred on people and communities’* should commit to a higher standard and make their own COBA commitment to a date that extends well beyond the ABA commitment and in line with their stated ethos.

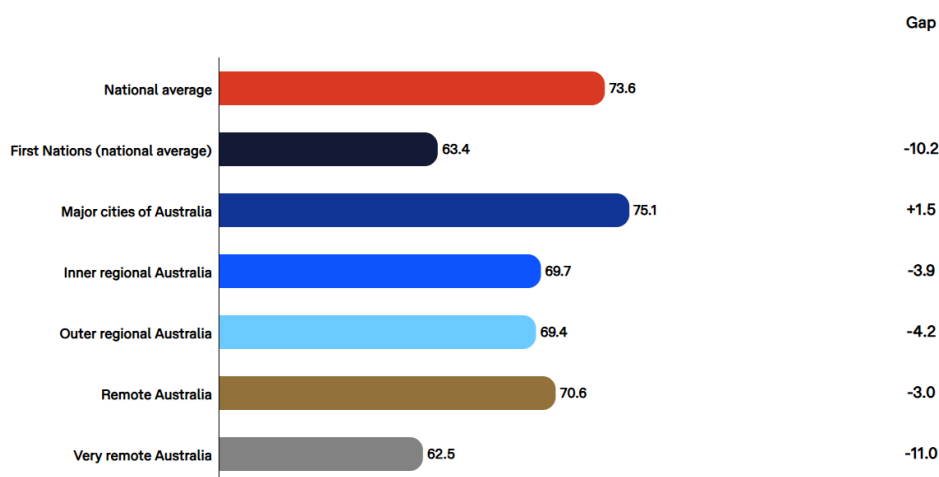
In addition to being the practical implementation of the COBA member’s stated vision this would also allow time for digital supports, infrastructure and education to be more consistent across communities throughout Australia, given the current observable discrepancies that currently exist as per the Australian Digital Inclusion Index. ⁶⁸

⁶⁷ <https://www.ausbanking.org.au/press-conference-on-regional-banking>

⁶⁸ <https://digitalinclusionindex.org.au/>

For example, First Nations Communities on average are 11.7% less likely to access, afford, have the ability to connect, participate and benefit from the digital world when compared with major cities of Australia. For communities in outer regional areas of Australia, on average, they are 5.7% below the ability of major cities to connect with digital services.⁶⁹

ADII score comparison



Source: Australian Digital Inclusion Index⁷⁰

Critical risks arising from bank branch closures, including lack of privacy for older and vulnerable customers using Bank@Post services. As described in section 3.11, digital-only service models are unworkable for many remote and First Nations customers.

Recommendation 34 – Explicitly protect access to non-digital banking, commit to privacy enhanced face to face channels, and require banks to assess digital exclusion impacts prior to removing services.

The Code requires stronger, enforceable obligations on its members to tackle the harm caused by scams.

Recommendation 35 – Mandatory enhanced questioning for high risk transactions:
The Code should require members to implement mandatory escalation and questioning protocols where transactions are inconsistent with a customer’s profile, including temporary delays to enable intervention.

⁶⁹ <https://dashboard.digitalinclusionindex.org.au/FirstNations/Home/>

⁷⁰ <https://dashboard.digitalinclusionindex.org.au/National.aspx#>

Recommendation 36 – Clear liability and reimbursement frameworks: A presumption of shared responsibility should apply where a COBA member fails to identify clear red flags, consistent with ASIC’s expectation that banks document and apply transparent liability frameworks.

Recommendation 37 – Improve frontline staff training and accountability: Minimum training, monitoring, and accountability standards should be embedded in the Code relating to scam identification indicators and support for vulnerable customers.

Flexibility, Proportionality and Consistency

3.15 In what ways (if any) does the Code reflect the distinctive character of customer-owned banking? What opportunities exist to strengthen the Code's role in demonstrating the sector's customer focused model while maintaining clear, enforceable standards?

What makes customer-owned banking different is currently not reflected in the Code’s enforceable provisions. The Code does not translate the distinctive nature of customer-owned banking into its binding rules. The only element that is clearly grounded in mutual ownership is the high-level promise to “*contribute to our community*”, an idea that is re-enforced in the introduction of the current Code and which the Code leans heavily on.

However, this is more of a broad-brush statement than a practical commitment. It is also not backed up by specific requirements, cannot really be measured or enforced, and does not change how banks are expected to behave.

Importantly, and outside of this single promise, all substantive obligations in the Code closely align with generic retail banking standards that would apply equally to any prudentially regulated bank including shareholder-owned banks.

The rules on lending, disclosure, complaints, hardship and debt collection largely restate existing requirements set by ASIC, ACCC, AFCA, the National Credit Code and other industry codes. They do not refer to customer ownership or member accountability. Nor do they set higher or different standards because a bank is customer owned. As a result, a shareholder-owned bank could comply with the Code without making any meaningful changes to its business model, practices or decision-making framework.

The Code may well be viewed as flexible and proportionate, but not because of customer ownership. Its flexibility comes from generic drafting that applies to all banks, not in how member banks are expected to behave.

This is particularly evidenced in the case of branch closures in regional areas where withdrawal of direct banking services significantly impacts vulnerable community members.

Case Study 9 – Access to Essential Banking Services and Systemic Exclusion⁷¹

Since the closure of a COBA member bank’s regional branch, many clients have experienced significant difficulties engaging with the bank due to inflexible service processes.

In one case, an elderly client from a remote community with limited English proficiency was unable to access her bank account because the bank required forms to be sent and returned only via email or in person at a distant branch, with no accommodation for language, location, or technology barriers.

Requests to provide alternative arrangements, including working directly with a support worker, were refused. As a result, the client was without access to her funds for several weeks, causing distress and hardship.

This case highlights a broader systemic issue in which rigid, one-size-fits-all banking procedures exclude vulnerable customers, particularly those who are remote, elderly, or culturally diverse, and delay access to essential financial resources.

3.16 How effectively does the Code balance minimum consumer protections with proportionality for different-sized institutions? Where does flexibility support appropriate tailoring, and where does it create risk of inconsistent customer outcomes?

Customer ownership must be operational, not just descriptive. An operational code for example, might require decisions on pricing, hardship or enforcement to explicitly consider member benefit where discretion exists. An operational Code would contain stronger obligations to explain decisions to members, or additional protections because customers are also owners and an operational Code would not just be good banking practice but have standards that flow from the absence of shareholder profit pressure. Ultimately, if the values inherent in customer ownership do not flow through to outcomes, decisions, or obligations, then it is not reflected in the Code in a meaningful

⁷¹ Source: Financial Counselling Australia

way. This creates a credibility issue for the Code's positioning as the code for customer-owned banking.

In practice, the Code does very little to reflect the distinctive character of customer-owned banking. Aside from one broad promise to *contribute to our community*, the Code's binding obligations closely resemble standard retail banking requirements that would apply equally to shareholder-owned banks. The Code largely reads as a baseline consumer protection code, rather than one that gives practical effect to the customer-owned banking model. Modest and targeted changes could better reflect customer ownership in practice, without undermining clarity, enforceability or proportionality.

ASIC has consistently emphasised that banks must take active steps to identify and support customers experiencing vulnerability and ensure fair access to essential financial services.⁷² Case study 8 highlights a gap between those expectations and current practice, particularly following regional branch closures.

The refusal to provide alternative arrangements reflects a one-size-fits-all approach that disproportionately impacts elderly customers, people with limited English proficiency, and those in remote communities.

Such outcomes undermine confidence in the banking system and contradict the principle that essential banking services must remain accessible, regardless of location or personal circumstances.

Recommendation 38 – Mandatory accessibility and vulnerability responsive service standards: The Code should require COBA members to provide flexible service pathways for customers experiencing vulnerability, including alternative documentation methods, assisted processes, and engagement with trusted third parties.

Recommendation 39 – Stronger obligations following branch closures: Where regional branches are closed, the Code should place enhanced obligations on members to demonstrate how customers will continue to access services fairly and safely, including in person, phone based, or community linked support options that maintain confidentiality and deliver the same standards as in-branch banking.

Recommendation 40 – Improved oversight and accountability: COBA members should report data to the Code Compliance Committee on access complaints following branch closures to ensure systemic issues are identified and addressed early.

⁷² For example REP 815

Governance, Monitoring and Assurance

3.17 How effective are current governance, monitoring and resourcing arrangements in delivering the Code's objectives? Are breach reporting requirements generating reliable, consistent data that enables meaningful analysis and what improvements are needed?

The Customer Owned Banking Code Compliance Committee (COBCCC) plays a pivotal role in improving the services provided to COB customers. As noted in the Consultation Paper, COBCCC's powers were strengthened in the previous Code review, including expanded monitoring powers, sanctions making powers, the ability to conduct own-motion investigations and thematic reviews

Identification of potential systemic issues is critical in the protection of consumers, including those who do not appreciate they may have been adversely affected by a bank's conduct or who lack the confidence or capacity to complain.

As a general point, the identification and remediation of potential systemic issues is central to the continual improvement of customer service. Identification and remediation of issues across more than one business improves products and services experienced by all consumers in the relevant industry.

In the financial services industry, potential systemic issues are identified by:

- a financial firm's internal processes, such as review of IDR complaints and compliance audits;
- AFCA, which identifies potential systemic issues through the complaints it receives about individual financial firms;
- ASIC, which receives misconduct and breach reports and conducts investigations;
- A Code Compliance Committee, through:
 - breach reporting by Code subscribers,
 - independent investigations and member-wide thematic inquiries – these can be potential systemic issues particular to one subscriber or industry-wide.

COBCCC's role is invaluable (and arguably of more importance than other code compliance committees of larger industries) because, given the varied size and sophistication of customer-owned banks, some may not have the resources to fully investigate and identify issues.

AFCA also receives a proportionately lower number of complaints about customer-owned banks. AFCA says in the last year it has received 31,000 complaints against ABA

members compared to 1,400 complaints against COBA members. It is easier for AFCA to identify potential systemic issues where there is a critical mass of complaints. There may therefore be insufficient COBA-related complaints data for AFCA to identify systemic issues arising from the customer-owned banking sector, making the COBCCC role more critical. Like other code compliance committees, COBCCC has powers to investigate regardless of consumer complaints.

Unfortunately, it appears COBCCC's activities are constrained by inadequate resourcing.

In February 2026 COBCCC published reports into protecting older customers from financial abuse, and delivery of Code protections in Bank@Post services. We note these were joint reviews with the Banking Code Compliance Committee (BCCC).

The report into *Protecting Older Customers from Financial Abuse*⁷³ disclosed that customer owned banks were not responding as well as shareholder-owned banks⁷⁴ which is disappointing given the expectation that customer-owned banks would be more likely to be responsive than a big bank. It did however note that NGM Group "goes beyond the commitments in the Customer Owned Banking Code of Practice", evidence that it is possible to exceed minimum requirements.⁷⁵

Disappointingly, none of the customer-owned banks provide Easy English content on financial elder abuse or Power of Attorney.⁷⁶ This is a key barrier to accessibility and inclusivity in banking.



To be useful, information must be accessible, including for people from culturally and linguistically diverse backgrounds or with low literacy.

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Case study 10 - Inadequate Lending Assessment and Ongoing Financial Harm to an Older Consumer

Susan (name has been changed) is an older client experiencing vulnerability following the recent loss of her husband, who had previously managed all household finances. She is on a limited income through the Aged Pension and has limited financial capability, including difficulty budgeting independently. She

⁷³ <https://cobccc.org.au/app/uploads/2026/02/Protecting-older-customers-from-financial-abuse.pdf>

⁷⁴ Ibid infographic page 8

⁷⁵ Ibid page 12

⁷⁶ Ibid page 14

⁷⁷ Ibid page 14

applied for a \$10,000 loan with a COBA Member Bank to undertake necessary home repairs.

The loan was approved; however, documentation later obtained by her financial counsellor showed that the bank's assessment relied on a highly incomplete budget, capturing only a portion of her actual living expenses. Key costs such as medical expenses, insurance, and home maintenance were not adequately considered. As a result, the loan was unaffordable from the outset. Within a few months of the loan commencing, Susan was unable to meet repayments and sought financial counselling support.

A request was made by Susan's financial counsellor for a full debt waiver on the basis of inappropriate and inadequate assessment, as well as financial hardship. The bank declined to waive the debt, maintaining that the client's circumstances had changed, despite evidence that the original assessment failed to capture her true expenses. While the lender agreed to reduce the debt and place the client on a long-term repayment plan, the arrangement remains unaffordable and continues to place strain on her limited income.

Compounding these challenges were difficulties including: 1) the time difference with the bank's Perth-based offices which often led to missed calls and delays in communication; 2) multiple departments involved in addressing her issues, and at times these teams did not appear to coordinate effectively; and 3) interactions with the bank lacked empathy and compassion with both phone conversations and emails coming across as robotic and impersonal.

These experiences, and the fact that after seeing a financial counsellor and doing a detailed budget Susan realised she should not have been given the loan in the first place, contributed to her decision to move her everyday banking to another institution.

This case highlights a systemic issue where inadequate assessments and responsible lending obligations has significant repercussions, particularly for older consumers with limited financial literacy or recent life changes. It also demonstrates gaps in how such cases are resolved, with partial debt reduction used instead of full remediation, leaving clients in ongoing financial stress.

A more appropriate response would be for COBA member Banks to strengthen responsible lending practices by ensuring thorough and realistic expense assessments. Where loans are found to have been unaffordable from the outset, full debt waivers should be available as a remedy, rather than relying on partial reductions and extended repayment plans that prolong financial hardship.

The report into *Code Compliance in Bank@Post Services*,⁷⁸ also released in February 2026, found that while some shareholder- and customer-owned banks had gone beyond the minimum requirements to ensure Code compliance via Australia Post, there were some areas of unsatisfactory progress, particularly in ensuring training materials for Bank@Post staff support compliance with code obligations, and connecting vulnerable customers to the appropriate support within their bank.

The committees were particularly concerned that customers using Bank@Post services *“receive the same standard of support whether they interact with their bank directly or with Bank@Post.”*⁷⁹ The report identified a lack of verification measures to assure that this is delivered. Customers experiencing vulnerability are exposed to ongoing risks due to limitations in identification by Bank@Post staff of those customers who may need additional support who have no option but to use this non-bank setting due to branch closures in affected communities. As expressed in section 4.11, this presents a significant risk for First Nations customers where cultural pressures mean an open Bank@Post setting removes critical privacy protections.

Table 3: Code reports, investigations and sanctions

Code	Report	Investigations	Sanctions
Banking Code Compliance Committee	2023/4 and 2024/5	Managing deceased estates, investigated 3 bank’s compliance with deceased estates obligations under the 2019 Code	2023/4 – 2 banks sanctioned 2024/5 – 1 bank sanctioned, named Bank of Queensland
Customer Owned Banking Code Compliance Committee	2023/4 2024/5 not published	2020/1 – No investigations 2021/2 – 8 investigations (not resulting in any sanctions) No investigations in 2022/3 No investigations in 2023/4	No sanctions in 2020/1 No sanctions in 2021/2 No sanctions in 2022/3, No sanctions in 2023/4
General Insurance Code Compliance Committee	2024/5	2024/5 – 10 investigations	GICCC separately reports sanctions on its website. In its 2024/5 it reported sanctioning 2 insurers for significant breaches of the GICOP, one unnamed and AIG Australia Ltd
Life Insurance Code	2024/5	3 investigations (giving rise to one sanction)	2024/5 – one sanction LICCC has reported on its website one sanction since

⁷⁸ <https://cobccc.org.au/app/uploads/2026/02/Code-compliance-in-Bank@Post-services.pdf>

⁷⁹ Ibid page 10

Compliance Committee			it published its 2024/5 report
Insurance Brokers Code Compliance Committee	2024/5		2024/5 – 3 sanctions

COBCCC appears to be hindered in its role to emphasise the importance of Code compliance by sanctioning individual members. This may be a consequence of the lack of resourcing for the COBCCC to investigate and ensure a sanction was appropriate. An analysis of reports by code compliance committees shows the COBCCC:

- Has not issued a sanction in the last four (4) reported years
- Is the only code compliance committee that did not issue a sanction in the last reported year
- did not report an investigation in the last reporting year (one of only two CCCs that did not report, the other being the Insurance Brokers Code Compliance Committee).

We note that the COBCCC is the only committee which has not reported yet for the 2024/5 financial year, again potentially suggesting some resourcing constraints.

3.18 What opportunities exist to strengthen Code governance through alignment with other code compliance models while maintaining proportionality for the customer-owned banking sector?

There is no justification for customer-owned banks to offer a lower level of customer support or code oversight than shareholder-owned banks. Failure to resource its code compliance committee and empower it to investigate and sanction subscribers as a mechanism to drive good practice and maintain trust with its customers is a missed opportunity and is inconsistent with ASIC Regulatory Guideline 183:48.⁸⁰

Recommendation 41 – That the COBCCC be adequately funded to perform all its powers and functions

In its review of *Regulatory Guide 165 Licensing: Internal and External Dispute Resolution* (which resulted in this guide being replaced by *Regulatory Guide 271 Internal Dispute Resolution*), ASIC noted its concern that a customer advocate’s function in reviewing complaints following an IDR response may obstruct the timely transition of an

⁸⁰ <https://download.asic.gov.au/media/wj1jwrjj/rg-183-published-02-december-2025.pdf> clause 48

unresolved complaint from IDR to AFCA. It therefore clarified in RG 271 that the total time spent dealing with a complaint – in IDR and by the firm’s customer advocate – must not exceed the relevant maximum IDR timeframe prescribed in RG 271. ASIC however supported firms retaining a customer advocate role focusing on:

- Increasing the underlying performance and quality of IDR systems
- Supporting vulnerable customers
- Improving the identification and handling of systemic issues; and
- Assisting in consumer-centric culture change within their firms.⁸¹

The ABA states on its website that “customer advocates are a voice for customers within the banks ... They have the power to escalate issues to the CEO if they think the bank isn’t keeping its promises”⁸² and has published guiding principles to assist banks when designing, appointing and reviewing the role of a customer advocate.⁸³

There exists the opportunity to strengthen Code compliance if COBA members were required to have a customer advocate who, among other powers and responsibilities, had the internal remit to investigate and remediate Code breaches. This would reflect the maturity of the sector as it accepts and welcomes opportunities to identify service problems and resolve them quickly and fairly.

Recommendation 42 – that the Code requires members to install a customer advocate that is independent of the retail functions of the bank

More information

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⁸¹ <https://download.asic.gov.au/media/5720688/rep665-published-30-july-2020.pdf> page 28

⁸² <https://www.ausbanking.org.au/for-customers/customer-advocates/>

⁸³ <https://www.ausbanking.org.au/wp-content/uploads/2021/09/ABA-Customer-Advocates-Guiding-Principles-July-2021.pdf>

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Appendix I: comparison of the BCCC and the COBCCC

This comparison focuses on the scope, nature, and exercise of the powers of each committee.

Overview of Committee Mandates

The COBCCC oversees compliance with the Customer Owned Banking Code of Practice, with a focus on proportionality, cooperation, and assurance within the customer-owned banking sector.

The BCCC oversees compliance with the Banking Code of Practice applying to major banks, and adopts a more formal, data-driven, and enforcement-oriented regulatory posture.

Overall, the BCCC possesses broader, more explicit, and more interventionist powers than the COBCCC. This reflects differences in sector scale, risk, and regulatory expectations. The COBCCC operates as a compliance and assurance body, while the BCCC functions more like an industry regulator with strong transparency and enforcement levers.

Monitoring and Information Gathering

The BCCC has significantly more structured, intensive, and prescriptive monitoring powers, including mandatory six-monthly breach reporting, comparative assessments, enforceable information requests, and structured data analysis. The COBCCC has a general power to monitor compliance, request information where reasonably necessary, and set compliance reporting formats.

Core compliance and oversight powers: The BCCC has more prescriptive and structured monitoring powers, particularly around breach data collection, benchmarking, and reporting frequency.

Power	COBCCC (2023)	BCCC (2025)
Monitor compliance with Code	Yes – general monitoring and reporting on compliance	Yes – extensive monitoring, including structured data collection and assessments
Request information from subscribers	Yes – where “reasonably necessary”	Yes – detailed, enforceable information-gathering powers with timeframes

Require cooperation by subscribers	Yes – Code obliges cooperation	Yes – explicit obligations, including interviews and investigations
Develop compliance reporting formats	Yes	Yes – with mandated six-monthly breach reporting
Publish reports	Yes – annual report required	Yes – annual report plus assessment reports and guidance

Investigatory powers: Both committees may investigate alleged and suspected breaches, conduct own-motion investigations, and are not bound by rules of evidence. The key difference is that the BCCC’s investigatory role is more detailed and formalised, with explanatory clauses on what it can and cannot consider, including express exclusions and interaction with other forums.

Power	COBCCC	BCCC
Investigate alleged breaches	Yes	Yes
Own-motion investigations	Yes	Yes
Discretion to commence / discontinue investigations	Yes – wide discretion	Yes – wide discretion with enumerated criteria
Look at matters considered elsewhere (AFCA, courts, regulators)	Yes – must consider overlap	Yes – explicitly empowered to rely on findings of other forums
Bound by rules of evidence	No	No

Sanctions and directions: Both committees can make findings of Code breach and impose sanctions or directions. The key difference is that the BCCC Charter expressly enumerates sanctions, making the scope and consequences of enforcement clearer and arguably stronger. The COBCCC relies more heavily on powers conferred via the Code itself, rather than detailed articulation in the Charter.

Power	COBCCC	BCCC
Make findings of breach	Yes	Yes
Issue directions to remedy or prevent recurrence	Yes (Direction Powers under the Code)	Yes (rectification and remediation-related sanctions)
Apply sanctions	Yes	Yes
Types of sanctions	As set out in the Code (not exhaustively listed in Charter)	Explicit list (warnings, training, reviews, naming, ASIC reporting)
Naming of non-compliant subscribers	Yes (via publication/reporting)	Yes – explicitly listed as a sanction
Report to ASIC	Yes	Yes – explicitly framed as a sanction option

Delegation of Powers

Both Committees may delegate monitoring and investigative tasks to staff or secretariats, but neither may delegate the power to make breach findings or impose sanctions. They are practically similar, though the COBCCC Charter more explicitly enumerates delegable activities.

Systemic Improvement and Industry Influence

The COBCCC has a limited role in encouraging continuous improvement. The BCCC has an explicit mandate to drive best practice, issue guidance notes, benchmark performance, and promotion of Code awareness.