

Transcript: Shayne Elliott with Virginia Trioli – ABC Breakfast Radio Melbourne – 26/03/20

VIRGINIA TRIOLI: Shayne Elliott, good morning and thanks so much for joining us today. I really appreciate it.

SHAYNE ELLIOTT: Not a problem. Good morning.

VIRGINIA TRIOLI: The two-page ads that I saw from the Commonwealth Bank and of course, not everyone will have them in front of them, but I'm sure you've probably seen them. Are the banks in lock step now, the kind of assistance that you're offering your customers right now? Is it similar to one to each other?

SHAYNE ELLIOTT: Yes. I mean, they're not all perfectly the same, but the principles are the same. We all know that we have a role to play in any crisis. Now, that role is making sure that as many of our customers, as many members of the community, survive through this crisis and come out of this in decent shape, ready to re-engage in their businesses and their daily lives. And there's different ways we do that through payment holidays and lending more money in some circumstances, etc. And yes, the banks are generally kind of all agreed on the right thing to do.

VIRGINIA TRIOLI: So given the outrages revealed during the Banking Royal Commission and the terrible blow to your reputations, is this the banks redemption moment?

SHAYNE ELLIOTT: I think so. I think we're going to be judged like we are every day, not on what we say and with respect, not what we put in newspaper ads, but what we actually do. And yes, we have a real opportunity to stand up and be seen to play our role in what is going to be a very, very difficult period of time. Yes, I believe that is the case.

VIRGINIA TRIOLI: Shayne Elliott, it also strikes me that in a sense, you're sort of the person, you're the last dam wall. If people are losing their jobs and they can't make their rental payments or their mortgage payments, then they can default there and then that defaults on to perhaps their landlord, because they are not getting their payments and they can't make their mortgage payments to you and so it goes on. And for businesses, too. The last wall standing is really the banks, whether they decide to default and punish, or whether they don't. Do you see yourself in that role?

SHAYNE ELLIOTT: I'm not sure I'd describe it as the last wall. I think the government has a massive, they've probably got the biggest wall of all. But yes, from a commercial private sector point of view, yes, we are a very important part of that. And the decisions that we make in literally every hour of the day are going to be frankly, it sounds awful, we're going to be sort of life or death for many businesses and certainly in terms of many households. So we're very conscious of those decisions. I think, we can't oversimplify this and say that the banks can just save everybody. We do not have endless resources either, we have a highly leveraged balance sheet by nature of what we do. We've got depositors we've got to look after and so we have masses of capacity, but it's not limitless. And so we're going to have to make some difficult choices as a community and as the banks about who do we support first and what is the nature of that support.

VIRGINIA TRIOLI: Tell us and outline the assistance you are offering mortgage holders today.

SHAYNE ELLIOTT: Sure. So essentially what we're saying to you, if you've got a mortgage with ANZ and frankly, all the banks are pretty much the same, if you've got a mortgage with us, you can get a payment holiday. And what that means is you can contact your bank and

say, look, I would like to just stop paying you principal and interest, I just want to stop paying anything for up to six months. Now, our regulator has said we can do that, as long as within three months we just check in with you to make sure everything's okay. But we can give you a six month holiday. Now it is a deferral, you still have to pay the mortgage at some point. We're giving you a payment holiday.

VIRGINIA TRIOLI: Can I just jump in and just clarify one thing there. So it doesn't become an accumulated mortgage payment that then falls due in six months' time? Is it absorbed into the whole of the loan?

SHAYNE ELLIOTT: Yes. Yes, correct. So let's say you've got 10 years left on your loan, we don't charge any interest in the next six months. And what you would have paid, we spread out over the rest of the nine and a half years that are remaining.

VIRGINIA TRIOLI: Interest is forwent as well.

SHAYNE ELLIOTT: Yeah, that's right.

VIRGINIA TRIOLI: Okay. Go on.

SHAYNE ELLIOTT: Well so that's the big one, that is the big one. That just says we're not going to take any money out of your pocket for up to six months if that's what you want. I think that's a huge relief for many, many people. That's one, two, and this is where the banks a little bit different. So ANZ was the only one, we also passed on the last rate cut, we passed on 15 basis point lower rates to all of our homeowners. So that also means that their cost of funds is going to be lower. So we've done that as well. And the other thing that's really important about homeowners is for ANZ, I don't know the other banks, but about a third of our homeowners are actually small businesses, they're sole traders and so it's also helping small business. But that is essentially the package. And then if people need help over and above that, we have a whole range of hardship programs, which all the banks do, which for people who've really got really, very serious problems, we can work on different things.

VIRGINIA TRIOLI: Let's go through those in just a moment. Just stay there for one second. I'm sorry, Shayne, but we just need to chat very quickly with the Chief Health Officer here in Victoria about those two deaths in Victoria that we've learnt about today. We'll come back to calls shortly and we'll take them 1300 222 774.

VIRGINIA TRIOLI: But Shayne Elliott is with you, as well the Chief Executive Officer of the ANZ Bank talking about what the bank is offering you. Let's take some calls. Gary has called in from Caulfield. Gary, good morning to you. You're on the line with Shayne Elliott.

GARY: Morning, Virginia. Good morning, Shayne. Look, I've been an employer for 40 years. There's a series of business accountants, superannuation accounts at the bank going back over that period. I've got a spotless record and I've had a direct debit facility for over 20 years that has never been questioned by anybody at the bank. Our business is growing, which is very, very fortunate in these particular times. We want to expand that directive of our facility because we are renting more and more equipment to assist ...

VIRGINIA TRIOLI: Get to your question, Gary.

GARY: My question is, why can't I get an extension on my direct debit facility from \$5,000 a month to \$10,000 a month when you've got millions of dollars my real estate security being held by the bank?

SHAYNE ELLIOTT: Well, I don't know the details of your case, Gary. And every case is unique. So all I can do is say, if you're having a problem, just write me an email. It's Shayne.Elliott@anz.com. I'll make sure the right people look at it. We're in extraordinary times and we have to be very vigilant. And as I said, we're doing our best. We've given billions of dollars of payment holidays to both homeowners and small businesses,

irrespective of the sort of industries they're in. We're really leaning in to do the right thing, we're not always going to get things right. And things are going to fall between the cracks, but our intent is good. That sounds like a little something that's probably not gone so well. Write to me and I'll make sure that we get the right people to have a look.

VIRGINIA TRIOLI: So that was Shayne.Elliott@anz.com.

SHAYNE ELLIOTT: Yes.

VIRGINIA TRIOLI: Okay. Everyone's got your number now. So you can expect some emails. Lana's called in from Prahran. Hi Lana.

LANA: Hi. I don't think this is a watershed moment for the banks for three reasons. Firstly; they haven't compensated all the victims yet from the Royal Commission. Secondly; they should permanently reduce credit card interest rates dramatically. And third; they're not sharing the loss of people that have lost their jobs, they're just redistributing their profits.

VIRGINIA TRIOLI: Would you like to respond to that?

SHAYNE ELLIOTT: I think that's fair. In terms of remediating the victims from the Royal Commission, that is well underway. We have a vast program where we at ANZ, and the other banks, have a program to refund money to literally millions of accounts across Australia. We've already refunded hundreds of millions of dollars. Each of those programs have to go through quite intense scrutiny to make sure we get it right. And that goes through with our regulators. That has not stopped. And we are continuing to do that and we have a timeframe. Most of that money will be back over the next 12 to 18 months. We all wish it could be faster, but we need to make sure it's right because we're going back, you know, 10, sometimes 15 years to recreate exactly what should have happened. So that is proceeding at pace. In terms of credit cards, look, that's a fair cop. The reality is that our focus today, quite rightly I think, has been on homeowners and small businesses. That's where they are bearing the brunt. And just to give you the numbers, look at ANZ, we've got almost 300 billion dollars of home loans that we've made. Yeah? Our total credit card book, including personal loans, is about seven billion. So, yes, you're right. But in terms of impact, the right thing to do is focus on home loans. We are looking at credit cards. In fact, I asked my team and they're coming back to me, literally I got a note this morning to say "what's the right thing to do"?

VIRGINIA TRIOLI: Yeah, I do want to ask you about that. So what are you deciding? Because that monthly debt for someone who's lost their job. That's now a clear and present danger too.

SHAYNE ELLIOTT: I agree with you. And look, there will be multiple answers there and I don't know what the right thing to do. What we don't want to do is encourage people to take on even more debt on their credit cards and make things worse. It's a little different than home loans because people still want to use their credit card, right? And so if we make it too cheap and people keep running up debt, that's not the right thing. People should not be living their lives using their credit card to pay for groceries and stuff. So I agree, it's a challenge. We are looking at what those alternatives are.

VIRGINIA TRIOLI: But they might have to. If they've lost their job, they might have to be using their credit card for groceries, as many do.

SHAYNE ELLIOTT: You're right, I understand. But we don't want people to get into harm's way because we encourage them to get into harm's way. And we have a responsibility on that front.

VIRGINIA TRIOLI: So I imagine you certainly won't be allowing people just to push that button on their Internet banking and increase their credit facility on their credit card during this time.

SHAYNE ELLIOTT: Again, but it depends. Like a lot of people, remember, most people have not lost their jobs. And there are a lot of people out there who have perfectly secure employment. And if I did that Virginia, what? I'll be getting callers saying, why didn't you let me increase my card? I'm a good customer paid it for 40 years etc. etc. So every case is different. But I'm looking at all those alternatives over the next coming days.

VIRGINIA TRIOLI: Can I get to a couple of those other issues we were talking about? So what your provisions might be for those in extreme hardship?

SHAYNE ELLIOTT: Well so, the banks have always had hardship programs and to give you a number, on any given day, in normal circumstances, and remember ANZ's got about six million customers across the country, homeowners and small businesses, etc. We would get around 100-150 people call us in hardship circumstances. And what those are normally related to, there's usually three reasons people get into hardship. One; you've lost your job, two; you're sick, you've got ill and you can't work or three; there's some form of family breakdown, a divorce or separation. We would get about 150 calls a day. And in those cases, what we do is we sit down with every customer and work out a plan. What's the best thing to do? What can you afford? What you can't afford? Can we, should we forgive debt? Should we put you on a holiday? Should we consolidate? Put your credit card onto a lower-cost option? So there's a range of options. It's literally like intensive care for those customers, that's what we do. At the moment, those calls have tripled. So already this week, we're now facing at least three times increase in the number of people who ... and obviously the unemployment one is the big one at the moment where people are losing their jobs.

VIRGINIA TRIOLI: Businesses being able to extend their overdraft. Is that something that you're making easier now?

SHAYNE ELLIOTT: Yes. The government announced a scheme in terms of allowing customers to get unsecured credit up to \$250,000, which the government will guarantee half of it. We've just got to work through the nuts and bolts of how we do all that. And we are working on a scheme at the moment to allow small businesses to increase their overdraft. Most small businesses, our data suggest most don't need \$250,000 they need 20 or 30 thousand, so we can do that through an overdraft. We're just working out how to make that really, really quick. So literally, in the next couple of days we think we'll be able to get that for our existing customers, people we already know and trust, where they'll literally be able to click a few buttons and say, "this is what I need".

VIRGINIA TRIOLI: Alison has texted in saying "I've been dealing with the ANZ for more than five months trying to get help with hardship. Their answer to my problem was to sell my house. Oh Shayne, please stop this B.S.", says Alison. What would you have to say to her?

SHAYNE ELLIOTT: Well, I don't know Alison's situation. Can I just say that.

VIRGINIA TRIOLI: Well she's just outlined her situation.

SHAYNE ELLIOTT: Well, with respect, we don't know her income levels, we don't know why she was in hardship, we don't know all of those issues. The reality is, sadly, sometimes the right thing to do for people is to sell their house that they are never going to get out of. The worst thing to do is to hold on and make this situation even worse over time. Now, that happens very rarely. I can tell you the number of houses ... So we've had over a million homes mortgaged to the ANZ, at any given time, the number of houses where people have to give up their house, we're generally talking a couple of hundred at any given time. It's very, very low.

VIRGINIA TRIOLI: Potentially making them homeless, Shayne Elliott.

SHAYNE ELLIOTT: There are reasons that people have to do that, where people have got themselves into too much debt and then never get to dig their way out of it.

VIRGINIA TRIOLI: And you ensure that they don't fall into homelessness?

SHAYNE ELLIOTT: We don't ensure they don't fall into homelessness. What we do is, when we have individuals who have serious issues; health related, the elderly, etc. we're not going to evict people in those situations, we don't. Again, this is a very rare situation, but in general we do take that into account, but we don't ensure things. People have some responsibility, but we do take into account their personal circumstances.

VIRGINIA TRIOLI: Let's hear from Sharon in Happy Valley. Hello. Good morning.

SHARON: Hello. How are you?

VIRGINIA TRIOLI: Good, thanks.

SHAYNE ELLIOTT: I'm good, thanks.

SHARON: Are you there?

VIRGINIA TRIOLI: Go ahead, Sharon. You're on the air.

SHARON: What I'm asking is, now I don't bank with the ANZ Bank, I bank with another bank. But when I got my loan, I paid extra for insurance on our loan and the bank recommended it. What I'm asking is they're now telling me though that because it was both to cover sickness or if my husband wasn't working, and he's a subcontractor carpenter so now he can't go into anybody's house to get work. They're telling me that I have to make my company insolvent, I have to close the business down because you have to be legally unemployed to be able to get that. We're told by the taxation department and my accountant, that no you don't close business down because you pay all your the company fees, your businesses fees, we don't employ anybody. It's just my husband.

SHAYNE ELLIOTT: Yeah. Look, I understand. I don't know the details again about what your banks' done there. I get it. It sounds like it's one of those silly technical things. There are insurance policies that people take out. They say, look, if I lose my income my mortgage will get covered, so that's pretty common. I don't know the small print in there about when you generally I thought it was just losing your income. I'm sorry. I literally don't know enough to be able to help you on that, what you can do is go to the ombudsman or you can make a complaint to the bank. And then there is an independent ombudsman called AFCA if you go online. They are independent and they will review your case and talk to the bank on your behalf to see and make a judgement about what's the right outcome here.

SHARON: Now, the other question I was going to ask quickly.

VIRGINIA TRIOLI: Okay, quickly Sharon.

SHARON: Everybody is getting our deferral on our payment, which is fantastic. All banks are doing that. But what about people that have got loans and your interest is going to keep accumulating? And after that three or six months, we're going to owe more than what our properties are worth?

VIRGINIA TRIOLI: Well, I think, you were saying Shayne there'll be no interest. Is that right?

SHAYNE ELLIOTT: No, no, no, no. There is. Sorry if I said that I misspoke. No, no there is interest. The interest accrues for that period of time and the reasons for that. So, first of all, let's not forget, interest is really, really low. Most people are paying three or four per cent on a mortgage, that's a very low amount. The reason we do that is because if we don't, under international accounting rules and regulation, your loan becomes what they call 'impaired'. And if that happens, then the banks have to hold a lot more capital against your loan, which means we're not allowed to lend to anybody else. So we end up in a terribly sort of, it sounds all a bit techie and a bit silly, but it's very real. And the regulators here have

been very, very accommodating and allowing us to provide these holidays under pretty generous terms, but only on the basis that we continue to charge interest. Now, the reality is, the average mortgage in Australia is about \$300,000, maybe a little bit more. If your average rate of interest is, say, four per cent, six months interest is not a lot of money and it is very, very unlikely that it's going to tip somebody into having debt more than their house. Most people, their mortgage is around 50 per cent of the value of their house. Now, there will be exceptions, I accept that.

VIRGINIA TRIOLI: Vikram's called in from Essendon. Vikram Hi, I think he spoke to the ANZ, what was it yesterday?

VIKRAM: This morning actually, Virginia.

VIRGINIA TRIOLI: And what were you told about your fixed home loan?

VIKRAM: Yes, my home loan is locked under 3.75 percent. And yet there's an advertisement that we introduced 2.19 per cent for two years fixed rate.

SHAYNE ELLIOTT: Yes.

VIKRAM: So I called this morning, said can I switch over? They said yeah we are happy to switch over, but it's going to cost you 1,980 dollars.

SHAYNE ELLIOTT: Well, with respect, Vikram, you made a decision in the past to fix the rate of your interest for a period of time. So we had an understanding between you and you said you were going to fix. Now you want to break that contract. And I understand if you break the contract, I don't know what rate you've got, but when you came in and borrowed money fixed term, let's just say it was two years. We went out and got some deposits to fund that for two years. When you want to break it, I have to go and break that deposit. And so that costs us money. And that's the reason. That is not a fee, that is just to compensate for the loss that happens. So that's the problem with fixed-rate loans. They're not variable, you can't just change them at will. It's no different than a term deposit. If you commit to deposit your money for longer, you'll get a higher rate of interest. But it's fixed.

VIRGINIA TRIOLI: And Shayne Elliott you don't think circumstances are such that you should waive those fees at the moment either?

SHAYNE ELLIOTT: It's not a fee, Virginia. It's a... as I said.

VIRGINIA TRIOLI: Well a cost.

SHAYNE ELLIOTT: That compensates the fact that I'll have somebody on the other side of our balance sheet who we who we went out and paid a fixed-term deposit for who we've got to break that. So it's not a fee, we're not making any out of that, it's a cost.

VIRGINIA TRIOLI: Okay, I rephrase that as cost, it's a cost to you, do you accept that?

SHAYNE ELLIOTT: We can't absorb everything. We have a business to run too just like everybody else. We can't absorb everything.

VIRGINIA TRIOLI: Sure, sure, sure. Let's hear from Vikram?

VIKRAM: Yes. The point is, right now, I'm already struggling. And then we wanted to switch over from 3.75 to 2.19 percent and I'm asked to pay extra 2,000 dollars.

VIRGINIA TRIOLI: Yeah. Have you kept your, are you keeping your work through this COVID-19 crisis, Vikram?

VIKRAM: Oh no, it's substantially reduced.

VIRGINIA TRIOLI: Does that make any difference for you, Shayne?

SHAYNE ELLIOTT: Well, if and again, I don't know Vikram's circumstance, but if he seriously can't pay his mortgage. So first of all Vikram, you can ask for a six month deferral, you can ask for a payment holiday, you don't have pay anything. So you can defer and just say I've got trouble, I haven't got work. It doesn't matter what you say, actually you can just ring up and ask the bank to defer for six months and we'll defer it. So that's your first option. The second thing is; if you've really got yourself in harm's way and you just you're in hardship, like I cannot afford anything, as I said, you should call the hardship line and go through that process. But I don't think it's the same just to say I'd like a better rate, please. Because there's something out in the market when you entered into an agreement with the bank to pay a certain number.

VIRGINIA TRIOLI: Okay Vikram, thank you for calling in. Let's hope your wait ...

SHAYNE ELLIOTT: No, just to finish that. Because imagine if we went out to all the pensioners out there who had fixed-term deposits and we said we'd like to change our mind, I know you deposited for us for two years, but times are tough. We just like to break it and change it and not compensate you. I mean, everybody would be outraged.

VIRGINIA TRIOLI: Sure. Although you're buying power is substantially more than your average pensioner, right?

SHAYNE ELLIOTT: Oh, sure. Our buying power, yes. But there are there are reasonable limits. And as I said, the banks need to be viable.

VIRGINIA TRIOLI: No, no I'm taking your point about it being a business. Yes. Look, is there anything that we've missed? Any other services or offers that you're making to your customers that we haven't got?

SHAYNE ELLIOTT: No, thank you. Look, you're a small business, you need extra funding to get through this, speak to your bank. If you're a small business, you're struggling, you need a payment holiday, that is really easy to get. Same for homeowners. And again, I just encourage people to speak to their bank, whatever their circumstances are. And I would ask for some tolerance. Let's just remember, our phone lines have literally exploded with people who are in, I understand, desperate circumstances, we're having six, seven, eight times volume increases on certain days, so we're struggling. We're hiring literally hundreds of people to take those calls. There is no fear of missing out here. These offers are not going to go away. Right? So we do ask for people's patience, we will get to everybody and we will do the right thing. And there will always be a few exceptions here and there and if you get an answer you're really unhappy with and you feel you're not being treated well, I've given you my email address and I'm happy to look at them.

VIRGINIA TRIOLI: I appreciate that. Shayne just very quickly, because the news is upon us. But this last question has dropped in. Would banks consider reducing the merchant fee that retail customers pay on using credit cards because we're now being encouraged to use cards rather than cash?

SHAYNE ELLIOTT: Yes, we will. Again, it's another, it's a very fair question. We are going to look at that. We don't control all the fees in the merchant because it's obviously through Visa and MasterCard and other things, so it's not totally at our discretion. I think it's a fair question, I don't have an answer other than we are absolutely looking at it. We understand that.

VIRGINIA TRIOLI: We'll come back to you later in the week or in the next few days and see if we can just share with people the answers to a few of those questions.

SHAYNE ELLIOTT: Sure.

VIRGINIA TRIOLI: I'm really glad you could join us. Thanks so much.

SHAYNE ELLIOTT: Thank you.

VIRGINIA TRIOLI: Shayne Elliott, the CEO of the ANZ Bank, answering your questions there. Lots of texts on this. I'll get to that after the news coming up at 10 o'clock. But interesting to hear a senior banker, the top banker there at the ANZ, putting themselves in the firing line.