# Banks play the blame game

**Regional banking in Australia, Part 2**

*Part one of this series discussed the Morrison government's 22 October 2021 announcement of a Regional Banking Taskforce, initiated in response to growing public awareness of the decline of regional banking services. However, the major banks and their lobbyists are key participants in the task force, and therefore the public must be on guard for a repeat of the banks' blame-shifting and excuses, which have been the pattern of the last two decades.*

The wave of financial deregulation implemented in Australia from the 1980s resulted in the banks' "rationalisation", or pruning, of their once-extensive branch network. In rural areas, this has resulted in a loss of 60 per cent of the regional branch network from its 1975 pre-deregulation heights.

As documented in Part one, "Ideology no substitute for traditional banking", for nearly 90 years the Australian public has considered banking to be a public utility, on a par with other essential services such as electricity, healthcare and clean water. Parliamentary inquiries into regional banking services, such as the 1999 "Regional Banking Services: Money too far away" (Hawker inquiry), and the 2004 "Money Matters in the Bush: Inquiry into the Level of Banking and Financial Services in Rural, Regional and Remote Areas of Australia", have documented the economic and social detriment which regional communities experience from the withdrawal or downgrading of face-to-face banking services.

For decades, the major banks and their lobbyist, the Australian Banking Association (ABA), have squirmed out of taking responsibility for the decimation of the branch network. However, the banks' various claims for justifying branch closures, which have included population decline, falling economic activity, and customer choice, have been persistently disputed by the communities themselves.

## Blaming population decline

In testimony to the 1999 Hawker inquiry, the ABA produced a study it had commissioned from KPMG to support its claims that branch closures were a consequence of demographic change, arguing that closures were due to population decline in regional Australia. However, the Hawker Committee was not persuaded. Submitters to the inquiry critiqued the ABA's study, pointing out that a significant number of nowbranchless localities had actually experienced population growth. One witness, the Acting Director of the Wheatbelt Development Commission, stated: "I do not believe [branch closures are] always to do with reducing populations and reducing population size. I think economic rationalisation has got a lot to do with it, and we see banks being removed from communities that are not decreasing in population—they are actually increasing in population."

Five years later, the banks were still making the same argument. In the 2004 Money Matters in the Bush inquiry, the banking industry claimed that a "thinning population" was responsible for local branch closures; again, witnesses argued otherwise. Local councils expressed "bewilderment" at banks closing branches in regions with significant economic and population growth.

In 2021 the ABA was still insisting that the wave of branch closures in the 1990s and 2000s was a consequence of population decline. In a 27 April 2021 interview with the ABC, ABA CEO Anna Bligh claimed that during this period, "many branch closures were driven by a drop in population in small towns".

## Blaming falling economic activity

In the 1999 Hawker inquiry, the ABA claimed that banks were only closing branches when falling levels of economic activity in the town meant that the branch was no longer commercially viable. However, the Committee observed that the public did not buy this argument. The communities did not accept the banks' claims that town branches were unprofitable, testifying that they believed that the issue was not *enough* profit. Witnesses observed, "in a lot of cases it was not that the banks were not making enough money in the towns where they closed, it was just that they were not making enough money for those particular banks". Disturbingly, witnesses described the banks' insidious practice of transferring accounts from smaller local branches to large centres without the permission or knowledge of customers; the local branch was then later declared unprofitable. The Committee observed that this practice "does leave banks open to suggestions that they are closing branches by stealth".

The banks' claims that branches were closed because they were not commercially viable created an impression that these regional towns were in economic decline. However, while regional Australia did suffer economic and population decline from the 1980s onwards, it was not uniform, and the banks closed branches in towns that weren't in decline. Evidence presented to the Committee contradicted the banks' claims, so the Committee concluded that it was not fair or constructive for the banks to perpetuate this impression, which could be seen as putting the responsibility of closure on the community, rather than on the banks. The Hawker Committee observed that regional communities justifiably felt "let down by the banks whom they have supported for many years, and in some cases, for generations."

Five years later, the 2004 Money Matters report observed that “[c]learly banks have withdrawn or reduced their services because of what they perceive as a less profitable economic environment in particular localities. … In other words, there are some areas in regional Australia that will attract banks to their locality while others offer little commercial incentive for banks to stay. This is an assessment made by individual banks—they may not always be right—and their interpretation of profitability may well differ from those of their customers.”

Although the banking industry claimed that branch closures were a consequence of the declining economic activity of a town, over the past twenty years the regional communities themselves have directly contradicted this assertion. In 1999, the Hawker Committee observed that the banks may have underestimated the community’s understanding of the economic vitality of their own region; in 2021, it is the same story. Dale Webster’s recent investigation into regional banking services documented the experience of “booming” and “thriving” regional communities which had lost all of their bank branches.[1]

## Blaming customers

Moving on from blaming branch closures on supposedly declining regional communities (despite all evidence to the contrary), today the banking industry claims that it is customer choice which is driving the ongoing decimation of the branch network.

In a 27 April 2021 interview with ABC’s Hilary Harper, ABA CEO Anna Bligh declared that banking was “undergoing a very profound change”, claiming that banks were seeing a “massive shift by customers” into using online banking and less cash; a trend which was accelerated by necessity during COVID-19. Bligh claimed that customers had “found the convenience so much more attractive that they’re not going to move back”, and banks had to respond by “shifting to where their customers are wanting them to shift”.

However, Harper observed that “[a] lot of people are saying that shorter closing hours and opening hours in branches mean they have to go online and that banks really push them online. I know the Finance Sector Union is saying that’s what’s happening. It’s not that people are choosing to go online. They don’t have a choice.” Bligh essentially ignored this, only replying that she was not sure where that information or those allegations would have come from.

Bligh claimed that today, branch closures were “profoundly driven” by changes in customer behaviour. When Harper observed that there will always be people who want to use cash, and referred to people living in regional Australia, asking: “Don’t banks have an obligation to offer services within a certain radius or have a certain number of branches available so people do have that option?” Bligh deflected, only replying “that is something that banks do take into account when they make decisions about where they will have branches.”

Bligh’s platitudes in response to the experience of people living in towns which had lost their bank (“change is difficult for all of us”) were an insult to regional Australians. Bligh posited that even in metropolitan areas, a 20 minute drive to the nearest bank branch was “not unusual”, and was dismissive of Harper’s observation that not everyone can drive.

Harper asked: “Shouldn’t the banks operate more as essential services and not just as profit-making businesses? … people are saying, look, we need this in our town, I know it doesn’t make financial sense for you as a bank, but it’s important for us.” Bligh essentially dodged the question, replying that banks needed to find the balance “between the best possible services for their customers, as well as maintaining strong, profitable businesses”.

Bligh’s claims of a “massive shift” of declining cash use were contradicted by Dale Webster’s research, which was published shortly after Bligh’s interview. As reported by Webster, in 2019 cash payments still made up a quarter of all personal transactions. Although these figures took a hit during COVID-19, “the central bank has twice had to print more high denomination banknotes due to the pandemic sparking a run on the withdrawal of personal savings from banks. There is now more cash floating around Australia than at any time in our history. Even its value as a percentage of GDP growth is at an all-time high of 4.9 per cent. … Australia is a long stretch from being a cashless society with more than $90 billion in bank notes in circulation”.

Webster documented thriving, yet bankless, regional communities in which cash transactions still made up a large portion of their takings; the reality was “in stark contrast to urban and metropolitan chatter where the term ‘cashless society’ is being thrown about more and more”. Without banking services, cash management is a constant headache for these businesses.

As has been the pattern for the past two decades, the banking industry continues to blame branch closures on the public. In response to the government’s 22 October 2021 announcement of the formation of the Regional Banking Taskforce, the ABA outrageously claimed that “[w]here branches are closed, it’s because customers no longer need to do their banking face to face”. The ABA, just like the major banks, has consistently denied the reality of the public’s need for traditional banking services, and continues to ignore the experience of regional communities struggling from the loss of bank branches.

**Footnotes**

1. Dale Webster, "'Big four' banks casting a dangerous shadow in regional Australia", *The Regional* (theregional.com.au), 7 May 2021.

*By Melissa Harrison, Australian Alert Service, 3 Nov. 2021*

**Read Part III: Postal 'people's bank' the solution for regional Australia**

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