



## Australian Citizens Party

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### MEDIA RELEASE

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## Morrison's lower lending standards will send lambs to slaughter

Australia's most experienced advocate for victims of predatory bank lending has slammed as "insane" Prime Minister Scott Morrison's policy to lower bank lending standards to boost economic activity. Denise Brailey, founder of the Banking and Finance Consumers Support Association, insisted to the Citizens Party's *Citizens Insight* program that the banks have not really raised their lending standards since the 2018 banking royal commission; the plan to actually lower lending standards, she said, is "desperate decision-making, that leads to homelessness. We know that: my files are full of people that had to move out of the home they worked for—for forty years—and saved hard for, and then have lost their home."

Click here to watch the *Citizens Insight* interview with Denise Brailey: [Morrison's lower lending standards will send lambs to slaughter](#).

Over more than two decades Denise Brailey has advocated for thousands of bank victims, especially elderly Australians who already owned their homes who were talked into so-called low-doc and no-doc loans to buy a second house. She showed that in many cases the banks, not the mortgage brokers, changed the income and expenses details on these loans to wildly exaggerate the incomes of these elderly pensioners in order to meet the criteria for the loans programmed into the banks' computers. When the borrowers inevitably defaulted on their loans, the banks were able to grab both houses—a win for them, but homelessness for the victims.

Many times, Denise has eyeballed bank executives and Australian Securities and Investments Commission (ASIC) regulators on behalf of the victims, to demand justice and save hundreds of victims from homelessness. Her efforts helped to force then-Prime Minister Malcolm Turnbull to call the banking royal commission, but Denise is scathing of the results. Although Commissioner Kenneth Hayne's inquiry started with a bang on this issue of predatory lending, it only interviewed "victims" provided by the banks whose cases they had already settled, and none of the more than 10,000 victims who made a submission were given a chance to testify; also, the commission only spent six days on the issue of predatory lending, when it could have taken a whole year. One of the scandals the royal commission ignored had been revealed in 2016, when ABC obtained a leaked 2007 report from the bank regulator, the Australian Prudential Regulation Authority (APRA), which had warned that lowered bank lending standards had resulted in three times as much mortgage lending as would have been the case under previous higher standards, and that a rise in defaults would cause a recession. APRA kept this report secret, allowing the banks to carry on their reckless lending, and not only did the royal commission ignore it, it did not recommend anything that would fundamentally change the banks' behaviour.

"This assumption that banks have higher standards is false", Denise insisted on *Citizens Insight*. "They aren't going to suddenly manufacture higher standards because that would lower the amount of money they bring in each year. The business model is the problem, and the banks win every time. The customers lose; they lose their assets." She said the idea the banks learned from the royal commission and raised their lending standards wasn't genuine: "The banks make money by using lower lending standards—promoting they are going to suddenly make their lending standards higher to me is farcical." In response to Prime Minister Scott Morrison's statement on 2 October that "it isn't in the bank's interest to lend to someone who can't repay", Denise said: "It's not in the bank's best interest to actually do anything other than low-doc loans, *they don't make as much money*—I don't know what the government does not understand, particularly the prime minister and treasurer. *They do not understand it's not in the consumer's interest to continue the status quo!*"

Despite thinking she had retired, Denise is still advocating for victims of predatory financial schemes and negligent regulation, most recently the victims of the collapse of rent-for-life scheme Sterling First. She is on the warpath against ASIC, which allowed the company to change its name after a first round of scandals and continue trading under a new name and lure in new victims. As with the banking scandals, ASIC's failings make a joke of the principle of *caveat emptor*—let the buyer beware—that Scott Morrison insists must remain the basis of dealings between consumers and banks: how can consumers beware of dodgy companies allowed to change their names to keep trading?

Denise Brailey's unique perspective of the dangers of Morrison's desperate policy to lower lending

standards is a reminder of the systemic risks in Australia's financial system, which is riddled with the legacy of decades of poor lending standards. It is showing up in many ways, including in the number of Australians who had to defer their mortgage payments, and are now refusing to take calls from the banks to discuss resuming their payments. These systemic risks underscore the danger of bank customers being "bailed in"—having their deposits confiscated to prop up the bank—if any of the banks fail, and are why Australians must demand the government immediately reform the banking system instead of allowing bail-ins. The Citizens Party has put forward policies in legislation to reform the banks, including: a full Glass-Steagall separation of everyday commercial banking from speculative investment banking and all forms of financial gambling; a statutory auditor for the banks to reveal their true financial position; a moratorium on home foreclosures while unpayable debts are restructured; and a national bank to make the long-term investments the economy needs, as opposed to Morrison's prescription of lowering lending standards to boost the economy through a reckless and speculative lending binge.

To help fight for these solutions, [join the Citizens Party today!](#)

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