

## Notice of Sanction - Members Equity Bank Limited

This is a Notice of Sanction issued by the Banking Code Compliance Committee (BCCC) to Members Equity Bank Limited (ME Bank)<sup>1</sup> in relation to inquiry CX6933.

### Background

In May 2020, the BCCC commenced an inquiry into ME Bank's decision to adjust available redraw amounts on some of its customers' legacy home loan accounts.

ME Bank commenced making adjustments to available redraw amounts on 27 April 2020 (the Redraw Event). However, the bank only notified impacted customers of the adjustments after they were made. ME Bank did not communicate the changes at all to customers who did not use internet banking and/or were not active users of their redraw facility.

In its media statement dated 5 May 2020 and in Opening Remarks to the Standing Committee on Economics on 14 May 2020, ME Bank accepted that its communications to impacted customers regarding the adjustments were poor and ineffective.

### BCCC Finding

The BCCC issued a Finding which concluded that ME Bank breached the following Code provisions in relation to the Redraw Event:

- a) Clause 17 (timely, clear and useful communication), and
- b) Clause 10 (fair and reasonable conduct).

The BCCC found ME Bank's breach of clause 17 to be systemic and breach of clause 10 to be both systemic and serious.

The Finding also concluded that ME Bank did not breach the following Code provisions:

- a) Chapter 38 (changes to terms and conditions), and
- b) Clause 9 (staff training and competency).

### Decision to sanction

Clause 214 of the Code empowers the BCCC to apply sanctions to a bank for a breach of the Code. In accordance with clause 215 of the Code, the BCCC has the discretion to determine which sanctions to apply after considering the seriousness of the breach.

ME Bank's poor communication to customers at the time it made the adjustments would have had a detrimental impact on some customers, especially those who experiencing vulnerable circumstances or those whose financial situations were exacerbated due to the impacts of COVID-19. Having considered the seriousness of the breaches and the associated customer impact, the BCCC imposes a sanction to name ME Bank on its website and Annual Report for breaches of the Code.

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<sup>1</sup> In accordance with clause 215(e) of the Code.

## Remediation

On 8 May 2020, ME Bank decided to change back the available redraw limits for any impacted customers who requested it. Subsequently, the bank contacted all customers who had their redraw amounts reinstated to:

- a. understand individual customers' situations and assist them based on their needs
- b. educate customers on their redraw feature and the financial consequences of accessing redraw, and
- c. rebuild trust with customers.

ME Bank is also implementing a Management Action Plan in response to a Post Incident Review it undertook to understand what occurred leading up to the Redraw Event, why it occurred and what the key lessons were to improve customer outcomes moving forward.