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Banking Code Compliance Committee
Melbourne
VIC 8001

Dear Banking Code Compliance Committee (BCCC)

Compliance priorities for 2026-7

Thank you for the opportunity to respond to the Committee's priorities for the upcoming year. The BCCC's administration and enforcement of the Banking Code of Practice is a key aspect of regulatory oversight in the banking sector. The BCCC's monitoring and enforcement activities have helped improve consumer experiences in recent years.

This submission is provided on behalf of Consumer Action Law Centre, Financial Rights Legal Centre, Mob Strong Debt Help and Mortgage Stress Victoria.

Are there any particular aspects of these focus areas that you would like to raise with us to help inform our monitoring work?

We strongly support the BCCC continuing to focus on how banks are meeting their Code obligations around management of financial difficulty requests. We call for better and more consistent practices across banks.

We continue to see cases of banks, including major banks, being insufficiently flexible with customers who are struggling to meet loan repayments. This is concerning, particularly in light of the significant cost-of-living challenges faced by many in the community, and the heightened regulatory focus from ASIC following its May 2024 financial hardship report (REP782)¹ which found that banks should be doing much more to support Australians.

¹ [ASIC Report REP 782 Hardship, hard to get help: Findings and actions to support customers in financial hardship](#)

We hear from consumers who have dropped out of their bank's hardship process as a result of barriers in accessing the support they need. Some of the poor responses from lenders that we see include:

- Only giving short term (3 months or less) financial hardship assistance as a standard 'cookie cutter' response rather than undertaking a comprehensive assessment and providing a flexible and client centred approach to the arrangement which takes into account a client's individual circumstances and overall financial position. ASIC raised concerns with overly standardised approaches in REP7822. On our frontlines, often these cases involve a client with significant vulnerabilities. We have seen multiple cases of clients on low incomes being asked to repay arrears (potentially thousands of dollars) at the end of a hardship period which they consider was not made clear at the time of setting up the arrangement, and which they are unable to afford. One such case involved a client receiving JobSeeker payments who inquired about capitalising arrears when she first engaged with the bank regarding a possible hardship arrangement. The client was surprised and distressed to learn at the end of the arrangement that she was now required to repay the arrears to bring the loan back up to date.
- Providing limited detail about why a hardship application has been rejected (and not in writing) or referring customers to the National Debt Helpline (NDH) without first explaining the NDH's service. Some clients who call us have no idea why they are calling, or are under the impression the NDH is another team of the bank. We have other clients who have been on an inappropriate hardship arrangement and in that time have dug themselves into a deeper hole. Both of those are poor outcomes. We are concerned that short term hardship is offered when longer term arrangements may be appropriate – and that banks are not identifying where people need referrals to financial counsellors, or providing tailored referrals. We don't want hardship to be dependent on seeing a financial counsellor but the balance does not seem to be right at present. This remains a persistent problem despite our ongoing engagement with hardship teams and leaders in the major banks.
- Inadequate planning or management for customers approaching the end of a hardship arrangement, resulting in the customer falling back into arrears. By contrast, we are also seeing a small number of very good outcomes for cases that are case managed where there has been active monitoring to ensure a long-term resolution.
- Banks failing to clearly explain the impact of a financial difficulty arrangement on a person's credit score, such that clients are anxious about seeking assistance from their bank when this can be the best outcome for them as it provides time to get back on their feet, avoiding a default listing.
- Banks failing to proactively and adequately support customers who raise family violence in the context of a hardship discussion, including raising awareness of potential impacts on the client's credit score from missed payments, and the role the bank can play in working with credit reporting agencies to have this repaired.
- Banks failing to identify customers with limited English and proactively offer interpreter support as part of a hardship discussion.
- Overly restrictive requirements from banks for accepting third party authorities. They may insist that the client authority appoint a single, named person, which creates an unnecessary administrative burden for the client if they are expected to sign multiple authority letters for each of the different individual professional services within multi-disciplinary practices such as our organisations. It also creates issues if the organisation needs to appoint a new case worker to a client's file. We have clients who are under enormous amounts of stress who approach us for help, complete the letter of authority, but continue to

² See page 30

be contacted by the bank. This causes unnecessary stress and confusion for our clients and can erode the trust our clients place in us. This does not align with Code obligations (s54) nor the intention of the clause to ensure that consumers who appoint a representative to assist them have that appointment respected. It exacerbates an already difficult situation as well as impacting the number of complaints that need to unnecessarily progress at AFCA due to failure to deal with the appointed representative to find a resolution.

- Banks quickly escalating to default judgments with poor adherence to Code obligations following a default judgment, particularly the ongoing extra care obligation. We have observed a large number of legal proceedings against borrowers by banks in Victoria's Supreme and County courts, which often result in a default judgment where consumers for one reason or another have not engaged in the proceedings in any significant way. We see consumers who are experiencing vulnerability and are unaware that their home is at risk. There is a question as to how banks are applying their ongoing extra care obligations to this cohort and whether sufficient efforts are made to bring proceedings to their attention through the course of the process. Once a default judgment has been obtained, we are frequently seeing examples where lenders decline to engage in any further efforts to remediate lending or provide necessary hardship assistance to client's experiencing vulnerability, despite ongoing obligations under the Code (s52). We are concerned with the number of default judgments that are being obtained and the lack of recognition of ongoing care obligations, especially in situations where borrowers have a realistic pathway to remediation that may be disregarded due to the presence of a default judgment. They remain customers of the lender post judgment and are still entitled to Code protections.
- Issues with banks delaying provision of documents when the request is part of a complaint or a hardship application. Often through the process of lodging IDR or AFCA complaints with banks, requests for documents are included as part of these complaints. We have seen several examples where lenders either delay or fail entirely to provide documents in line with their obligations under the NCCP and the Code. While this often may be a case of the request being missed in the larger complaint, it frequently prevents us from being able to continue the process of complaints or properly advise our clients as to their rights, obligations and options. Some banks direct us to other teams within the bank rather than activating internal processes to comply with the regulatory timeframes and Code requirements.
- Inconsistent outcomes provided to clients once they exit hardship teams and return to a collections space especially for customers with vulnerabilities. The extra care obligations are not applied consistently across all lender teams. We frequently see examples of clients being exited from a hardship team where the Code provisions relating to vulnerability are applied with respectful and trauma informed communication. Once the account is referred back to other collections teams there is much less regard to the vulnerability and extra care obligations and conduct that does not take into consideration particular vulnerabilities and sensitivities experienced by the client. This often leads to an exacerbation of their trauma and surrounding difficulties in communicating with the lender.

In your view, are there particular areas of current banking practice that lead to poor customer outcomes or consumer detriment that we should prioritise for improvement?

Scams

There continues to be significant and ongoing consumer harm resulting from scams despite passage of laws to establish the Scam Protection Framework (SPF) a year ago. This harm is hitting the most vulnerable Australians the hardest and is showing no indication of slowing down according to [CALC's latest data](#) and the ACCC's Scamwatch (which continues to [record significant increases](#) in scam losses).

Recent analysis of calls to CALC's frontline services in the last three months of 2025 shows:



- Callers reported \$7.1 million lost to scams.
- 78% of scam victims who reported a loss are living with at least one pre-existing vulnerability — and one in three living with three or more.
- 32% of scam victims who reported a loss also report being held liable by banks or lenders for ongoing debts associated with the scam.

While consultation continues around the scam rules and industry codes, we call on the BCCC to use its oversight and enforcement powers to ensure banks are meeting all relevant Code obligations in this area, including to ensure that services are provided 'efficiently, honestly and fairly' (clause 5 of the Code, reflecting section 912A(1)(a) of the Corporations Act and section 47(1)(a) of the National Consumer Credit Protection Act).

Banks should continue to prioritise investment in technology and improved systems and processes, together with improved employee capability, to prevent, detect, report and disrupt scam harm in a timely way, and respond to those impacted with sensitivity and compassion to reduce stigma and shame, and encourage help seeking. These strategies should align with the Principles laid down in the SPF (Govern, Prevent, Detect, Report, Disrupt, Response) as far as possible.

We consider that all customers impacted by a scam will experience a degree of vulnerability, with many callers to our frontlines sharing stories of profound financial impacts and trauma. There are however some people who may experience even greater harm related to pre-existing vulnerability (illness, mental health issues, family violence) or as a result of the banks actions such as failing to provide an accessible service, a response that lacks compassion or sensitivity, or inadequate hardship responses. The BCCC should ensure through its oversight that banks are taking all appropriate steps to proactively identify these customers, implementing strategies to minimise harm, ensuring scam processes are accessible and inclusive for all customers (section B1 of the Code), making it as easy as possible for them to appoint a third party representative where required, and providing appropriate guidance and referrals to help the customer maintain, or regain, control of their finances (section B2).

Clause 179 of the Code also requires banks to consider when they might waive a customer's debt. On the basis of fairness and compassion, we think it is appropriate that banks waive interest and fees associated with debt from a scam for *all* customers, but this is particularly important where a customer is experiencing financial hardship, as a scam is clearly caused by factors outside the customer's control. Banks regularly waive debt for customers in cases of financial abuse where the customer is unaware of the debt or was coerced. Many banks are now implementing strategies to prevent abusive lending through Safety by Design approaches³. The community would expect that banks would take steps to ensure they do not profit from scams, and interest and fees should be waived in these circumstances.

We also have growing concerns about customers whose accounts are being closed (debanked) after being a victim of a gambling scam ('**scambling**'). Mob Strong Debt Help reports that this is particularly affecting customers in remote First Nations communities with limited banking access. Clients have reported receiving a written notice that they are locked out of their banking with no reason provided or opportunity to move their funds to another bank. These clients might have lost access to their only bank which services their community as a result.

We call on the BCCC to investigate how banks are complying with clause 4.1 of the Code (which requires banks to provide reasonable notice before closing an account that is in credit), including how they are determining when it is appropriate to give a customer notice about closing their bank account, how long the notice should be in these circumstances, how customers can appeal the bank's decision to close their account or move their funds if unsuccessful.

³ [Centre for Women's Economic Safety 'Design to Disrupt'](#), Discussion Paper, 2022

We are aware that banks have financial crime related obligations which can restrict their ability to disclose some information, but we consider that more steps need to be taken in these circumstances, including for example increased and sustained customer education, due to the significant consumer harm resulting from account closures in these circumstances, which can in many cases compound existing financial exclusion for some remote First Nations customers.

Customers with Mental Health Issues

We are also increasingly concerned about the treatment that some customers with mental health issues are receiving from banks. Discussions with a public mental health service has highlighted the following issues with some of their patients:

- banks taking inflexible approaches to verifying ID for the purpose of accessing or opening bank accounts,
- patients losing access to their accounts,
- banks not accepting authority to speak to case workers,
- cash withdrawals becoming less accessible or restricted, and
- people using violence being able to get banks to block bank accounts with limited verification.

We consider these cases likely involve breaches of the Code, including obligations relating to inclusive and accessible banking (clause 45), taking extra care with vulnerable customers (which expressly covers mental health issues, family violence, financial abuse, incarceration: clause 52).

We look forward to the Committee's work in the forthcoming year.

Yours faithfully,

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