NAB's UK Crimes To Cost It Billions

Summary:
Senator Sam Dastyari enlists the help of UK Government in battle to clean up NAB.

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Author: Adele Ferguson
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Posted ByPeter Brandson
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More Woes For National Australia Bank As Senator Sam Dastyari Enlists British Help

National Australia Bank's nightmare is about to deepen. Sam Dastyari, the high profile chairman of the influential Senate Committee on Economics, has taken the dramatic step of seeking co-operation from the British parliament.

It comes as speculation mounts that compensation claims in Britian could blow to at least £1 billion, or as much as £4 billion, according to Abhishek Sachdev from Vedanta Hedging.

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Senator Dastyari, who recently visited Britain, has written to the powerful British Treasury Select Committee chairman Andrew Tyrie following the release of a damning parliamentary report into alleged misconduct of British banks, including NAB's Clydesdale and Yorkshire banks.

The letter suggests developing a cross-border relationship including sharing relevant documents that relate to the NAB financial planning and loan scandals.

> "The committee I chair is investigating several allegations that NAB employees engaged in systemic misconduct here in Australia; and further, that NAB executives attempted to conceal their internal investigation and disciplinary actions from our government regulator, the Australian Securities and Investment Commission (ASIC)," Senator Dastyari says.

The investigation into NAB is part of an ongoing inquiry into misconduct in the Australian financial advice industry, including Commonwealth Bank, Macquarie Private Wealth and ANZ Bank's role in bankrolling the collapsed managed investment scheme Timbercorp, which wreaked havoc on its victims.

The letter comes less than two weeks after the Treasury Select Committee released a report that called on Clydesdale Bank and Yorkshire Bank to overhaul their internal review compensation scheme. "Clydesdale's own internal review of potential mis-selling [of interest rate hedging products to small business] appears to have serious shortcomings," the committee says. "It lacks public oversight, transparency and is limited in scope. All three of these problems need to be addressed by Clydesdale."

It has raised questions about NAB's plan to float its British banking arm later this year.

It has prompted speculation about the size of the potential compensation.

Thousands of victims have been caught up in the British scandal, including John Glare who lost his business, his home and was made bankrupt. Glare is trying to rebuild his life and is suing for consequential damages of £6 million. He has set up NAB Customer Support Group, which has more than 130 members, who are also looking for compensation from NAB.

Abhishek Sachdev from Vedanta Hedging, who played a key role in instigating a regulatory review of interest rate hedging products (IRHP) for small businesses that covered nine banks, says the size of the claim is based on three elements: the cost of overpayment of interest, the break fees and consequential damages.

For a typical SME exposed to a TBL, Sachdev expects the three items to total at least £500,000 (based on a swap breakage cost of £200,000 on a £1 million loan, £200,000 of payments and £100,000 of consequential losses). He says this is a conservative amount and some SMEs will have claims several times this size.

Under the litigation approach, the cost to NAB could be £400,000-£500,000 for each SME claim. If this is extrapolated across the 8000-plus TBLs it has sold, the figure could blow out to between £3 billion and £4 billion, he says. But if NAB settled via an internal review the cost could be less than £1 billion. "The simple reason is that there are dozens of clever loopholes and justification within the internal review process that NAB will use to justify paying only a fraction of the actual claim value," he says.

NAB's cumulative provisions for interest rate hedging products to the end of last financial year was £431 million. Clydesdale sold 11,271 tailored business loans (TBLs) between 2002 and 2012. Of those, 8372 are unregulated. The bank would not disclose how much compensation has been paid to customers of its TBLs but last year it told parliament it was assessing 550 customers and compensation paid was less than £10 million. On page 95 of its financial accounts, it said "the extent

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of future complaints on TBLs [tailored business loans] is uncertain and a further provision could be required". The figures are conjecture but the speculation shows how front of mind the problem in Britain has become.

It comes amid an investigation into its financial planning arm in Australia after revelations by Fairfax Media that it had quietly sacked 37 planners in the past two years and filed breach reports with eight.

The Australian investigation follows the release of a cache of internal documents from a NAB whistleblower to Fairfax Media last month. It is why Senator Dastyari is keen to do some cross-border sharing.

Websites For More Information: More Woes For National Australia Bank As Senator Sam Dastyari Enlists British Help
http://www.smh.com.au/business/comment-and-analysis/more-woes-for-national-australia-bank-as-senator-sam-dastyari-enlists-british-help-20150323-1m5mg0.html

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