NAB's British Bad Behaviour: Rips Off Clients Then Deceives Regulator

Summary:
NAB's bad behaviour in Britain raises broader questions about its culture, including its compensation process and complaints handling in Australia.

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More Questions Over NAB Culture After Huge Clydesdale Fine

The board of NAB needs to investigate the bank's culture after its British banks were pinged for falsifying records and adopting "inappropriate policies" to short-change victims of mis-sold bank products.

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The record fine of £20 million ($38.8 million) imposed by Britain's Financial Conduct Authority (FCA) found "serious failings" in its complaints handling processes for payment protection insurance (PPIs).

Of deep concern is that the FCA's findings, including misleading the Financial Ombudsman Service (FOS), follows the release last month of a damning parliamentary report into the mis-selling of tailored business loans (TBLs).

The report, by Britain's Treasury Committee, said NAB's compensation scheme lacked public oversight, transparency and was limited in scope. It found it had mis-sold TBLs to small business owners, which "led to considerable consumer detriment".

Some victims of TBLs, including Jim McGory, were also sold payment protection insurance. McGory, a hotelier of 40 years from St Andrews, Scotland, says he has been fighting the bank for years after being mis-sold TBLs. He was knocked back for compensation for PPIs. But given the FCA's findings, he said he would reapply.

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A NAB whistleblower made some bombshell revelations about its wealth business with the release of a cache of internal documents, which exposed shortcomings in the business and risk culture.

Those documents included instances of forgery of customer signatures, doctoring of files, repeated compliance breaches, issues of "adequacy of resources being devoted to client complaint handling." Some customers were quietly compensated and forced to sign gag orders.

NAB says the problems are not systemic, but given its track record in the UK and misconduct in its financial planning division, it needs more than adopt a "trust me" approach.

An internal document written by NAB Wealth head Andrew Hagger last August flagged issues with its complaints handling: "We have highlighted a number of other major incidents from over the past five years (some completed and some ongoing) including those related to replacement insurance advice, gearing advice, and the adequacy of resources devoted to clients' complaints handling."

The FCA found problems with the bank's complaints handling process in relation to PPI. It found the bank's complaint handlers failed to properly assess whether the product was suitable for the customer. It also identified a team in the complaints department that deliberately misled the Financial Ombudsman between 2011 and July 2013.

The upshot, according to the FCA, is that more than 70 per cent of customer complaints, and there were about 140,000 of them in total, might have been either unfairly rejected or given "inadequate redress". This is a polite way of saying more than 90,000 people could have been diddled.

The complaints relate to Britain's industry-wide mis-selling of PPI, which has resulted in provisions by the industry of £22 billion.

NAB's total provisions for PPI compensation currently sit at £806 million, of which £291 million has been paid out. With a review of previous policies rejected, it could well blow out.

In a statement NAB apologised and said its full exposure would not be known until a review of past cases had been completed. It said it had overhauled its complaints handling processes last year, a move noted by the FCA in its report.

But the bank was quick to distance itself from the supply of "incorrect or incomplete" information to FOS and the altering of certain system printouts, including deleting some facts which resulted in some customers being rejected for compensation. "These practices were not authorised or condoned by the banks. As soon as this issue was discovered, we took immediate steps to stop it; we made the regulator aware and rapidly introduced strict new monitoring procedures to prevent any recurrence," NAB said in a statement.

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But victim, John Glare, who has set up Nab Customer Support Group, sees it differently. "The hiding of the wrongdoing can not be blamed on junior staff who have little to gain by manipulating and cheating customers.,, How can the bank be trusted to handle customer complaints fairly with a record like this?"

For the NAB whistleblower, the FCA's ruling is a "scathing indictment on NAB's defective culture and risk-management practices." He says NAB's arrogance, evasive behaviour and deliberate concealment adds further credence to concerns recently made by Senator Sam Dastyari, and which are likely to be raised on Tuesday at a Senate hearing in Canberra.

Websites For More Information: More Questions Over NAB Culture After Huge Clydesdale Fine
http://www.smh.com.au/business/banking-and-finance/more-questions-over-nab-culture-after-huge-clydesdale-fine-20150415-1mlf99.html
UK Financial Conduct Authority Notice To NAB Re: Clydesdale Scandal
http://www.fca.org.uk/static/documents/final-notices/clydesdale-bank-plc-2015.pdf

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