

Labor to force banks to compensate all wronged customers in Hayne fallout



By [Simon Evans](#)

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Banks will be forced to pay financial compensation and remediation to every bank customer who has been wronged, as the Labor Party signalled a tough response to the [Hayne royal commission](#) if it wins power.

The ALP has also signalled it is likely to pursue comprehensive consumer law reform and will be laying out some "clear markers" to ensure the banking industry improves its standing and weans itself off the remuneration incentives which led to many of the excesses put under the spotlight by the royal commission.



Shadow treasurer Chris Bowen has signalled a tough response to the Hayne royal commission if Labor wins power. **Alex Ellinghausen**

Shadow treasurer Chris Bowen said on Tuesday at a special session on the banking royal commission at the ALP national conference that he was still surprised by the "scale and size and speed" of the revelations.

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"Obviously this will be a very important part of our in-tray," Mr Bowen told a small gathering of about 50 people titled "Royal Commission Recap".

Labor's financial services spokeswoman Clare O'Neil said the palpable public anger meant there was huge community backing for a comprehensive response.

Ms O'Neil said remediation and compensation by the banks would be a likely centrepiece and the extent to which the banks moved quickly and decisively on that measure would be a clear indicator of how serious they were in overhauling their practices.

"This is the first litmus test for them about wanting to change," she said.

But she emphasised that a generation or more ago banks were held in much higher public standing. The disgraces highlighted by the Hayne royal commission were largely driven by remuneration practices, which encouraged excessive behaviour.

"It hasn't always been like this," she said.

The Labor Party intended to quickly lay out a road map to enable the restoration of public trust in the banking sector.

"We will be laying out some pretty clear markers," Ms O'Neil said.

"Here we have a once-in-a-generation where the Australian public is screaming for us to fix problem."

Mr Bowen said he didn't want to pre-empt the Hayne findings, but Labor, if it was in power, would use them as a template to bring about serious reform. "I imagine they will be very broad," he said.

He reaffirmed that Labor would set up a special task force inside the Treasury department dedicated to royal commission recommendations.

The royal commission response represented an excellent opportunity to "draw the line" on a dark period in the banking sector and re-establish integrity and trust in a crucial sector of the Australian economy.

"There was too much pressure on frontline staff. Frontline staff were pushed and pushed and pushed to sell more products," Mr Bowen said.

Ms O'Neil said one of the main areas of focus for a future Labor government would be on overhauling laws to give more power to consumers in complex areas like financial services and superannuation.

"There's obviously a law reform project here," she said.

A practical approach needed to be taken, because product specialists in complex areas of financial services would always have more knowledge than most customers.

"There's this thing in economics called information asymmetry," she said.

"This is an area of law where we need really good consumer protection".

Ms O'Neil also said she was concerned about the number of people who had disputes with big banks who felt powerless if the matter ended up in the courts, and Labor wanted to ensure that small customers without deep pockets couldn't be trampled by large banks with top-flight lawyers in what she termed "use and abuse" of the justice system.