Australian Banking Association

28 April 2020

David Locke
CEO and Chief Ombudsman
Australian Financial Complaints Authority

By email: dlocke@afca.org.au

Dear Mr Locke

Issuance of scheme or dual network debit cards

The Australian Banking Association (**ABA**) wishes to notify the Australian Financial Complaints Authority (**AFCA**) that a group of our member banks[1] have developed and intend to implement an initiative involving the issuance of scheme or dual network debit cards to assist bank customers impacted by COVID-19.

In order to provide this assistance, the ABA sought and has obtained relief from the Australian Securities and Investments Commission (**ASIC**) for our member banks from various legislative and regulatory provisions. We have also notified the Banking Code Compliance Committee (**BCCC**) that the planned issuance of scheme and dual network debit cards to bank customers may in some instances breach provisions of the ABA's Banking Code of Practice (**Banking Code**). Further detail on these aspects is outlined below.

Proposed issuance of debit cards

Customer need

The COVID-19 pandemic continues to increase the financial strain on Australian citizens, arising from loss of employment, the closure of businesses and other economy-wide impacts including the likely impact of the illness itself. The ABA anticipates that there will be a continued and increasing need to take urgent industry-wide action to minimise the broad, varied and rapidly evolving impact of COVID-19 and the Government imposed shutdowns to protect public health, on bank customers.

A key consideration for the ABA is ensuring the accessibility of banking services for isolated and vulnerable customers in the Australian community. There are currently over half a million Australian bank customers who use passbook accounts or have transaction accounts that do not have scheme or dual network debit cards. These customers are required to enter bank branches to deposit and withdraw cash and purchase their goods and services with cash.

In our view, the COVID-19 implications of business closures, decline in the acceptance of cash by retailers and the stricter rules imposed by the Federal Government with regards to self-isolation, may have serious adverse impacts on these customers who will be unable to make necessary payments for their goods and services either in person or through online shopping.

Approach of member banks

Under this initiative, our participating member banks will be able to proactively contact their passbook customers or customers without scheme debit cards to discuss options and issue a scheme or dual network debit card.

[1] The list of participating member banks is included at Appendix 1.

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Banks will also be able to link scheme or dual network debit cards to existing accounts or create new accounts with scheme or dual network card compatibility and issue these cards to these in need customers. In some circumstances, banks will attempt to contact the customers in parallel to this, but due to the sheer size of this customer cohort, may not do so.

Our member banks are committed to fast tracking the issuance of these cards and due to the urgent need for this support, they may do so without the prior written consent of the customer. In issuing these cards, banks will ensure they include accompanying disclosure information and a letter outlining reasons for issuance.

Customer safeguards

In order to minimise any potential risks, our member banks will put in place a number of safeguards to ensure necessary protections for customers involved in the card issuance, including:

- *Card activation*: in most cases where a bank issues a scheme or dual network debit card, the customer will be required to activate the card through online means or by calling the bank before being able to use it for purchases or withdrawals.
- *Limited active cards*: banks will generally limit the issuance of active cards to situations where the customer has initially contacted the bank or where the bank has proactively contacted the customer and in these circumstances, the bank will ensure this is clearly outlined to the customer in their interaction.
- *Transfer requirement:* where an active card is issued and the bank has had no engagement with the customer then it will impose a requirement that at least the first money transfer from the passbook account to the debit account will need to occur by phone.
- *Clear information:* banks will seek to provide customers with a clear understanding of the card's operation and assist them to take measures to protect against fraud and scams. One of the controls that banks may implement is to impose a daily limit on the customers cash withdrawals.

Stakeholder engagement

The ABA has engaged with a number of important stakeholders in developing this initiative. We have closely consulted with the Council on the Ageing (**COTA**) who have expressed their support for this scheme that will specifically assist many older Australians.

We have also liaised with the Department of Home Affairs who have raised concerns with the isolation of these customers and the need for them to be able to make payments for their goods and services during this time of COVID-19 restrictions.

The ABA has also briefed our Consumer Outcomes Group, which includes representatives from Legal Aid QLD, Financial Rights Legal Centre, Consumer Action Law Centre, Financial Counselling Australia, South East Community Links, Consumer Credit Legal Service (WA) Inc.

ASIC relief and Banking Code of Practice

As outlined above, the ABA has obtained relief from ASIC from provisions of the *Corporations Act 2001* (Corporations Act) and the *Australian Securities and Investments Commission Act 2001* (**ASIC Act**) to allow for the proactive issuance of scheme and dual network debit cards to assist bank customers impacted by COVID-19.

The ABA has also written to the BCCC notifying them of this initiative and advising that, in some instances, the issuance of debit cards may breach Clause 24 of Chapter 11 of the Banking Code, which requires signatories to provide the terms and conditions of a banking product to the customer before, or when, the contract is made with that customer.

For further information on the ABA's application, please see the attached ASIC's no action position letter and signed relief instrument at Appendix 2 and 3, respectively.

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Potential further issues

ABA member banks have sought to ensure appropriate customer safeguards, while rapidly responding to significant changes to the accessibility of banking for older Australians and other passbook customers. The ABA believes that the industry has struck a balance which is fair and reasonable in these extraordinary circumstances. However, we anticipate that the card issuance on such a large scale could trigger potential complaints and disputes and we would be pleased to meet with AFCA to discuss possible complaint scenarios and other feedback.

If you have any questions or would like to discuss this correspondence in further detail, please contact either myself or Amanda Pullinger on 0439 255 195 or at amanda.pullinger@ausbanking.org.au.

Yours sincerely,

Anna Bligh AC
Chief Executive Officer

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Appendix 1 – List of participating Member Banks

Australia and New Zealand Banking Group Limited

Arab Bank Australia Limited

Bank of Queensland Limited

Bendigo and Adelaide Bank Limited

Commonwealth Bank of Australia

MyState Bank

National Australia Bank Limited

Suncorp Bank

Westpac Banking Corporation

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Appendix 2 – ASIC no action position letter – ASIC Act

Appendix 3 – Relief instrument – Corporations Act