

## Landmark deal in Landmark case. Just in time for Bank RC?

### Summary:

ANZ CEO Shayne Elliott is not expecting any surprises at the Royal Commission. He feels that almost every aggrieved customer has been remediated. We'll see about that. There is a big difference between what a bank thinks is justice and what really compensates a ripped off client.

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## Royal commission to probe treatment of farmers after Landmark deal: ANZ

ANZ expects the banking royal commission, which will examine business lending during its next round of hearings, to probe its treatment of farmers following the Landmark acquisition during the financial crisis. But chief executive Shayne Elliott says he is not expecting any surprises, given almost every aggrieved customer has been remediated.

ANZ's purchase of the Landmark loan book from the Australian Wheat Board in 2009 was a key focus of the parliamentary inquiry into loan impairments which reported in 2016, along with Commonwealth Bank's acquisition of Bankwest in 2008.

The committee heard evidence from a handful of Landmark's 10,000 customers that ANZ had engaged in deliberate impairments or defaults of performing loans, but said in its final report it was not able to conclusively determine this had occurred.

The treatment of farmers by ANZ, and of developers by Bankwest and CBA, were the main motivation for members of the National Party to threaten to cross the floor of the Parliament late last year to initiate a royal commission into the banks, which forced the government to do so, according to government sources.

After delivering ANZ's half-year profit results on Tuesday, Mr Elliott was asked by The Australian Financial Review whether the next set of royal commission hearings, which begin on May 31, will look into ANZ's treatment of Landmark borrowers.

'We were wrong'

"It will," Mr Elliott said.

"My understanding is business lending will include the agricultural sector, it will include farms. And clearly, we did have some failings with respect to the Landmark portfolio that we acquired.

"We acquired it, most of the problems we had came with that acquisition. We were not resourced sufficiently, to first identify the real problems, and then to deal with them in a timely manner. We were wrong. We have said that, and we have remediated (customers)."

"The good news on that is, to my knowledge, we have remediated all outstanding issues. There may be one or two that are still ongoing, but the vast, vast bulk are behind us, and customers have been remediated and we have moved on."

ANZ's approach contrasts with that of the CBA, which has also been accused of engaging in "constructive defaults" by borrowers from Bankwest, an issue explored in an investigation published in the Financial Review on Monday.

Class action

CBA has been embroiled in litigation with several former Bankwest borrowers, alleging they were misled by the bank about the status of their funding and loan security. One of these cases, a claim by property developer Luke Sacaceni relating to his \$500 million Raine Square in Perth, is being heard in the Western Australia Supreme Court.

Ross Griffiths, a risk-management executive at CBA at the time of the global financial crisis, is due to begin giving evidence in the Sacaceni trial on Thursday.

Meanwhile, more than 100 Bankwest borrowers are part of a class action being conducted by Shine Lawyers in a trial due to start next year.

The Financial Review understands counsels assisting the Hayne royal commission have met with representatives of some Bankwest victims in recent weeks, for briefings on the history of the Bankwest allegations, and may be in the process of identifying a case study to present to the commission in its business lending hearings.

Mr Elliott's comments suggest the commission is also preparing to put a Landmark borrower in the witness box. In 2015, former ANZ chief executive Mike Smith was featured on the 60 Minutes program apologising to Charlie Phillott, an elderly Queensland farmer and Landmark borrower. The bank attempted to force him off his outback property when land valuations fell, even though he never missed an interest repayment.

Mr Elliott said on Tuesday he expected the royal commission "will use, quite rightly, our experience [over Landmark] to inform them about the role of incentives, the role of governance, the role of breach reporting et cetera."

But he added: "I don't expect anything from Landmark to be confronting or particularly shocking to the public, because it has been a well-publicised failing on our part."

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BRN Comments - two scandals - ANZ Landmark and CBA Bankwest. There won't be justice till the victims are fully compensated. This will be a test of the Royal Commission.

One thing is for sure - the previous CEOs Mike Smith and Ian Narev will need to be called in. Will Hayne do it?

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