

The Options List and Bespoke Solutions Part 1

It will come as no surprise to regular readers that, as always, I'm running late on my deadline. This time of year is doubly challenging as the pending holiday break brings forward the next deadline and thus, two articles fall due almost simultaneously.

As is my habit the framework of these bulletins is laid out in the most unreliable repository imaginable. That is, my head. More precisely, a rambling set of imaginings coerced into some semblance of an idea while sitting on my ride on mower on a Saturday arvo. That said mower has a stubby holder goes without saying. It is a miracle of the creative process that the more I mow the more brilliant my ideas become and more gifted a conveyor of wisdom I seem to be. Of course, the following morning with the crop circles in full view and the beer fridge depleted all that can be recalled is a vague sense of a brilliant idea squandered by the passage of sleep.

The fact is that my most enlightened thoughts and subsequent memory loss occur in summer and appear to have a statistical link to rainfall and the rate with which grass grows. Surely a mystery yet to be solved.

In any event a miracle has occurred. Maybe not a Christmas miracle but a miracle to be sure. It's Monday after a weekend of gardening and I know what I'm going to write about. Yes, it's that old favourite, the banks. More to the point, why banks are afraid to value add and charge for it.

We Aussies love bank bashing. It's a national pastime and in my view a national disgrace. The mindset almost certainly stems from the easy target the banking sector presents for politicians, consumer activists, sectors of the press and the terminally aggrieved. Of course, the banks have a history of doing themselves no favours by failing abysmally at explaining why they do stuff and how they actually make money. For reasons now lost in time there seems to be a mindset that these public companies should be viewed through the prism of almost government ownership overlaid with NGO like charitable objectives. Now throw in climate change and environmental virtue signalling credit policies, a fear of taking credit recovery action in certain sectors and an insane level of legislative and regulatory compliance and mix well. Yep, it's a recipe unlikely to appeal to a significant number of borrowers and investors.

Add the outcomes of a royal commission with a demonstrable lack of understanding of the real world and a set of recommendations almost designed to remove all responsibility from borrowers. Now the recipe, previously almost inedible, is positively toxic.

Then, like a bolt from the blue, along comes Covid and the banks get a chance to step up and show their stuff. And blow me down, they do! Freed from the shackles of subservient compliance by an economic and health crisis for the ages the banks have been near flawless in their approach. Some a bit slow to be sure but all with one aim. Let's not send millions of personal and business borrowers into default. It's been an eye opener to say the least.

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Covid has also given our treasurer a compelling reason to water down some of the more nanny state recommendations of the banking royal commission and that's a good thing. As I've mentioned in previous articles there's a place for consumer advocacy and protection for bank clients. However, we desperately need an opt out option for borrowers who simply wish to take responsibility for their decisions without the need to hide behind limited responsibility provisions if things don't go to plan.

In fact, I think there's an opportunity to provide bank clients with an entirely bespoke experience. The challenge will be to convince customers who demand great service but don't want to be pay for it that you can't have it both ways.

Next month, the race to the bottom and custom solutions. Stay tuned.....

PS: Fining Westpac \$1.3B in the middle of the most challenging health and economic crisis in living memory. Unsophisticated application of punitive punishment defined.

PPS: Virtue signalling on climate policy via credit policy. Will ANZ decline my home loan application if I don't drive an electric car and run my house on a windmill?

PPPS : I got the word bespoke into an article! You know who you are.

A safe and Covid free Xmas to you all. Best wishes and good luck.

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