

Re Financial Systems Inquiry

This (albeit late) is from my perspective as a 'small business' user of the banking and finance system.

We are agricultural contractors operating in an intensive, irrigated horticultural (vegetables, vineyard, orchard) region on the inner Adelaide Plains. We have been operating since June 1995 with significant growth in that time (from \$50k per annum turnover in 1995 to \$360 + in 2013). We have had over 12 finance contracts in that time frame.

The system of banking (deposits & payments) seems to work OK,

We use Hire purchase/????? contracts to pay for operational plant. It is an industry that requires a high capital cost in relation to turnover.

We are treated as "high risk" clients as we are in the agricultural (contracting) sector, ie we more often than not get charged penalty interest rates even though each contract in the past has been finalised on the due date.

'Bankers logic' has determined that "high risk" (their interpretation!) be charged penalties, therefore significantly increasing the risk of failure, perpetuating and justifying their 'high risk myth'. Real logic would surely realise that 'standard' charges would enable a business to have a greater opportunity for success leading to a good client/advocate for the finance institution. The risks of loss to the financier are minimal and covered in their finance contracts that generally border on "unconscionable conduct" in terms to the borrower, particularly a small business operator. The use by a financier of above average interest rates/penalties is "gouging", the client has little option to grow their business.

As "small business operators" we are at significant disadvantage and the finance institutions know it, using it to their advantage. Our experience is that 'commercial loans' have no protection with the Finance Ombudsman or the Credit ombudsman, even when the institution lists them as the 'dispute mediator'. Our experience is that they decline, refuse seeking to avoid mediation, (particularly when they are in the wrong!)

We even took it to ASIC in regard to the finance institution's "failure to keep accurate financial records" with ASIC's response being that "it was not part of their legal /legislative responsibility". We then have little regulatory support.

As a small business we were advised to "find a lawyer" as our loans were commercial loans. the ombudsmen would/could not help us. In our case we have now paid out more in legal fees & (replacement) plant hire than the original finance payments would have been on machines removed from us by an institution that has put their claims to justify their seizure of the plant in writing that their own and other third party documentation contradicts!

As small business is the major employer in Australia, with the "owner" expected to be a 'Philadelphia lawyer' to survive in business, finance institutions follow a "might is right" attitude, bullying business proprietors. Why do we miss out on support?

Transaction statements: in our situation we realised there was something wrong ten months earlier. We requested/asked/mailed for six months that we be sent transaction statements (for the HP) contracts. We were totally ignored, only receiving them after the plant was seized. We have asked other finance institutions for transaction statements and have been reluctantly provided. All have protested and reluctantly provided them, claiming that the contracts do not require them to do so. Therefore the financier is at a complete disadvantage.

We have had regular issues with financiers where payments are "lost" in their system resulting in penalties etc to me as the client. When challenged, particularly after obtaining transaction statements, reconciling the records, the institution finds the missing payments! Why is an institutional allowed to lose payments with no regulatory authority attending to it. How much extra profit does this make for the institution? If they do not acknowledge finding the payment the business has to make another payment to catch up.

Direct debits 1. Taking payments early. Resulting fees & charges

We have had issues with finance institutions, with the direct debit system (attempting) to take payments early. We have had attempts ten days prior to the payment. We stopped these payments and now do them manually but the finance institution (and their transfer system) only needs the payment made 24 hours before the due date, the system does work. We have found that "pays" do go through in 24 hours but a finance payment seem to regularly be 'lost' for 3 days, why?, EFT payments to Telstra etc also have this delay!

REQUIREMENTS

1. Regulatory support for "small business" in finance issues and disputes. (ie ombudsman dispute resolution when requested)
2. Penalties for the institution/s taking payments early.
3. investigate institution delays in crediting payments to clients accounts, creating a "penalty" situation. Put in place institutional penalties where this occurs. (we have also found EFT payments to credit cards are delayed in credit to account)
4. Implement a "plain language" finance contract that meets 'conscionable conduct' to the borrower, eliminating the current financier biased contracts.
5. The provision of transaction statements (?electronically? , ?quarterly?) on each and every contract for the client to monitor what is taking place with the contract.

I can be contacted back through this email address or by Phone: xx

Regards

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