

Inquiry to hear gripes against Bankwest, CBA

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Legal teams planning a class action against Bankwest and its owner Commonwealth Bank of Australia will be monitoring proceedings at a Senate inquiry this week as they prepare to push ahead with the claim.

Senior executives at Bankwest and CBA have been called to appear before the Senate inquiry, where many disgruntled customers will also give evidence.

Litigation funder IMF and law firm Slater & Gordon are preparing a class action against the banks, claiming Bankwest charged unconscionable penalty fees on loans that forced borrowers to default.

Some customers have alleged that Bankwest took steps to deliberately trigger defaults after it was taken over

by CBA, a claim both banks have strenuously denied.

"There is a strong likelihood, depending on the sign-up, of a class action funded by IMF against Bankwest on their penalty interest provisions," IMF managing director Hugh McLernon said.

The Senate economics references committee, which is conducting an inquiry into Australia's banking landscape, is holding its first public hearing in Canberra today, followed by two more in Sydney on Thursday and Friday. While the committee's terms of reference are to examine the impact of the global financial crisis on the banking market, the inquiry was prompted by complaints from Bankwest customers.

Tasmanian Liberal senator and committee chairman David Bushby

said yesterday that the interest rates charged by banks would be a key area of interest.

"There has been a lot of focus on the cost of banks' funds as their loan rates diverge from the RBA's official cash rate and I am keen to test the facts in that regard," he said.

CBA bought Bankwest for a cut-price \$2.1 billion in 2008, when its then owner, UK-based HBOS, was teetering during the financial crisis.

Disgruntled customers, many of whom are small property developers, allege their debts were unfairly called in after CBA took over.

Geoff Shannon, who founded action group Unhappy Banking to protest against Bankwest, claims the bank hit customers with high penalty fees, refused to roll over credit facilities and incorrectly reduced property

valuations to manufacture defaults.

Mr Shannon, who will give evidence before the inquiry on Friday, has also claimed that this was motivated by an alleged clause in the purchase agreement for Bankwest, which allowed CBA to claw back some of the sale price if there were impaired loans. CBA has strongly rejected the claim, saying in a recent submission to the Senate committee that it was based on an "erroneous understanding" of the Bankwest purchase agreement.

"We want to have the bank show to the government the share sale agreement or the contract of the merger and what this warranty [clause] was," Mr Shannon said.

About 130 former Bankwest customers have signed up for the proposed class action. IMF is also

funding a separate action by property developer Luke Saraceni, whose \$500 million Perth office tower development was placed in receivership by Bankwest last year.

A spokeswoman for Bankwest rejected accusations the bank had acted improperly.

"The cause of the difficulties experienced by a limited number of customers arose from a combination of economic factors and was not as a result of any inappropriate actions of the bank," she said.

A CBA spokesman said: "These claims are refuted. It is not in any customer or the bank's interests to call in performing loans."

The Senate committee is due to hand down its report on October 31. There are no plans to hold a public hearing in Western Australia.