



CUSTOMER OWNED BANKING
CODE COMPLIANCE COMMITTEE

Independent Review of the Customer Owned Banking Code of Practice and Charter

Prepared by	Customer Owned Banking Code Compliance Committee
Submission to	Independent Review of the Customer Owned Banking Code of Practice and Charter
Date	1 April 2026
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1. Introduction

We are the Customer Owned Banking Code Compliance Committee (COBCCC), an independent body that monitors compliance with the Customer Owned Banking Code of Practice (the Code).

We welcome the opportunity to contribute to this review. We support its objective of ensuring the Code continues to deliver fair, transparent and customer-focused outcomes that reflect good business practices, community expectations and strong consumer protections.

We are supported by an independent secretariat within the Australian Financial Complaints Authority (AFCA).

Our role is to promote good industry practices, hold the industry to the standards it has committed to in the Code, and support better outcomes for customers.

To do this, we:

- monitor how effectively customer owned banks (COBs) comply with the Code
- identify areas for improvement
- provide guidance and publish insights to educate COBs and customers about Code commitments
- apply sanctions for serious compliance failures
- engage with stakeholders and keep the community informed.

We draw on multiple sources of data and information to identify emerging issues and potential non-compliance with the Code, including:

- self-reported breaches from COBs
- allegations of Code breaches raised with us
- complaints data from COBs and AFCA
- our monitoring and investigations
- engagement with consumers, industry and regulators
- publicly available information.

Through this independent, transparent and proactive approach, we help ensure that COBs meet the high standards expected by their members and the broader community.

The recommendations in this submission are grounded in our monitoring experience, including themes identified through breach reporting, reviews and engagement with subscribers.

In developing these recommendations, we have been mindful of the diversity of size, complexity and business models across the COB sector. Accordingly, they are framed around the outcomes and objectives the Code seeks to achieve, rather than prescribing how those outcomes must be delivered.

This approach gives COBs flexibility to meet their commitments in a way that is proportionate and appropriate to their business, while ensuring the intent of the Code is achieved through fit-for-purpose and effective practices.

The Code has played an important role in setting conduct standards across the customer-owned banking sector. Over time, it has supported greater accountability and consistency in industry practice, reflecting the sector's commitment to self-regulation and consumer protection.

In this context, we strongly encourage COBA to seek approval of the updated Code from the Australian Securities and Investments Commission (ASIC) under [Regulatory Guide 183 \(RG 183\)](#).

ASIC approval is more than symbolic. It would provide an additional layer of assurance about the effectiveness of the Code and its independent oversight, while reflecting the maturity of the framework. It would also strengthen public trust and confidence in the Code as a key element of consumer protection.

2. The role of the Code

Codes of practice play a distinct and important role in Australia's broader consumer protection framework. They should operate as contemporary conduct models, setting standards that reflect evolving community expectations and good industry practice, often going beyond minimum legal requirements.

Because legislation can be high-level and slow to respond to emerging risks and changing consumer expectations, an industry Code provides a more agile way for a sector to demonstrate its commitment to consumers and to higher standards of conduct.

The Code also performs an important complementary function to the law, so any attempt to streamline overlapping requirements should be approached with care. It can expand on general duties, show how statutory obligations apply in day-to-day banking practice, and articulate more specific expectations that strengthen customer outcomes.

The Code is also a clear expression of the customer-owned banking sector's promise to its customers. It translates high-level legal principles into accessible, practical commitments that can be readily understood, implemented and used as a basis for accountability. Preserving that clarity and certainty is critical to maintaining trust and confidence in the sector.

In considering changes to the Code, it is important not to lose sight of the concerns identified by the Banking Royal Commission. That process led to significant strengthening of industry codes of practice and reflected a sector-wide commitment to rebuilding trust and improving customer outcomes.

Although practices have improved since the Royal Commission, serious shortcomings in banking continue to be identified. This underscores the need to maintain momentum. For the customer-owned banking sector, the Code should continue to evolve as a progressive conduct framework, not retreat from the standards established in response to the Royal Commission.

3. The Code and proportionality

The COB sector is diverse, ranging from small community credit unions to large mutual banks with national operations. Those differences affect how each COB meets its Code commitments in practice. While the steps they take may vary according to size, structure and capability, the level of consumer protection should not.

Proportionality allows COBs to meet their commitments in ways that reflect their operating models without weakening consumer protection. It shapes how commitments are met, not what must be delivered. All customers, regardless of which COB they deal with, should experience the same minimum standards of fairness, care and transparency.

Smaller institutions may rely on simpler governance structures and close member relationships, while larger institutions may use more formal systems and greater capability. The Code should recognise these operational differences while preserving universal and enforceable protections.

4. The structure of the Code

The existing structure of the Code — with Key Promises supported by detailed commitments — is common across codes of practice and provides an effective framework. The Key Promises set the overall direction and tone of COBs' commitments to their customers. The detailed commitments then give practical effect to those promises by explaining how they are to be delivered in day-to-day banking operations.

This structure serves an important purpose. It allows the Code to express the sector's values and standards through high-level principles, while also providing enough operational detail to support consistent implementation and accountability. It also allows the Code to set clear standards without prescribing how institutions must meet them, so the obligations can apply regardless of the systems or technologies COBs use to deliver banking services.

Financial services are evolving rapidly, with increasing use of digital platforms, artificial intelligence and automated decision-making. While these developments may change how COBs deliver services, they do not change the obligation to meet the standards set by the Code. A framework focused on clear commitments and outcomes helps ensure the Code remains relevant and effective as delivery models and technologies evolve.

Key Promises

The Key Promises are expressed at a high level and rely on broad concepts such as honesty, fairness, and reasonable care and skill. While these concepts are essential, the current framing does not clearly reflect the full scope of what the Code is intended to achieve.

In practice, the Code places strong emphasis on themes such as accessibility and inclusion, supporting customers experiencing vulnerability or financial difficulty, and providing clear and accountable service. Yet these themes are not clearly reflected in the Key Promises, making it harder for readers to see the link between the Code's overall purpose and the detailed commitments that follow.

Other contemporary industry codes take a more explicit, outcome-focused approach. Their overarching principles clearly signal the outcomes customers should expect — such as inclusive access, proactive support, transparency and accountability — and provide a reference point for interpreting specific obligations. This helps both industry and consumers understand not just the rules, but the purpose behind them, and supports more consistent decision-making and breach reporting.

Strengthening the Key Promises would mean stating those intended outcomes more clearly. This could include, for example, commitments to provide accessible and inclusive services, to identify and support customers experiencing vulnerability or financial difficulty, and to deliver transparent and accountable service. The point is to state clearly and confidently the principles that guide the application of the Code.

Similarly, consideration should be given to Key Promises that do not appear to be clearly reflected in the Code’s detailed commitments. For example, while we recognise the social purpose reflected in the promise to “contribute to our community”, there should be a clear link between that promise and the commitments that follow.

Recommendation 1:

The Code’s Key Promises should be strengthened so they clearly reflect the scope of the Code and guide the commitments that follow.

Third party service providers

The Code would be strengthened by more clearly stating that its commitments apply to all services delivered on a bank’s behalf, including through agents, representatives and outsourced service providers.

At present, the Code does not provide enough clarity on this point. The definitions of “we”, “us” and “our” are limited to the customer-owned banking institution and, in some cases, to its staff assisting the customer at a particular time.

While paragraph B13 refers to staff, agents and representatives, and paragraph B57 states that a bank must ensure “third party service providers are useful, reliable and of value to our customers and subject to regular review”, this is not expressed consistently or explicitly across the Code’s commitments. This creates uncertainty about how those commitments apply when services are delivered through third-party arrangements.

We observed this issue through a recent inquiry with the Banking Code Compliance Committee (BCCC) into Bank@Post services. We examined the arrangements COBs had with Australia Post to deliver banking services on their behalf. The inquiry found that banks had not adequately considered or embedded Code compliance when establishing these arrangements, and needed to strengthen staff training, customer information and oversight.

Thirty-three COBs rely on Bank@Post to deliver core banking services on their behalf, including for customers in regional and remote communities. The inquiry highlighted the risks that arise when Code compliance is not embedded across all aspects of service delivery, including:

- inconsistent application of Code commitments across delivery channels
- gaps in the training and capability of frontline staff delivering services
- reduced visibility and oversight of compliance by the COB
- poorer outcomes for customers, particularly people experiencing vulnerability.

Customers can reasonably expect the protections of the Code to apply equally, regardless of whether a service is delivered directly or through a third party.

COBs cannot outsource their Code commitments. While they may delegate service delivery, accountability for compliance with the Code must remain with the COB. The Code should make this explicit by clarifying that “we”, “us” and “our” extend to services delivered on the COB’s behalf.

Recommendation 2:

The Code should explicitly state that all commitments apply to services delivered on behalf of a COB by agents and other outsourced service providers, and that the COB remains accountable for compliance with the Code.

5. Financial difficulty

The Code establishes an important framework for supporting customers experiencing financial difficulty and reflects the sector’s commitment to assisting customers who are unable to meet their financial obligations.

Effective frameworks benefit both customers and COBs. Early engagement can stabilise a customer’s financial position, prevent arrears from compounding, reduce fees and interest, and support sustainable repayment arrangements. The Code therefore plays a critical role in ensuring that assistance for financial difficulty is accessible, fair and consistently applied.

A key theme emerging from our work and stakeholder feedback is the need for COBs to move beyond early contact to genuine early engagement. Customers often delay seeking assistance due to uncertainty or stigma, while institutions rely too heavily on self-identification. The Code should encourage proactive engagement that helps customers understand their options, access support, and receive timely and consistent assistance.

Delays in communication and gaps in processes can exacerbate arrears, fees and interest, increasing financial stress. Access to genuinely affordable products also plays an important role in preventing financial difficulty from worsening (refer to the section on low-fee or no-fee accounts).

Strengthening the Code to support earlier, more meaningful engagement — through clearer expectations, improved communication and more consistent timeframes — would help ensure assistance operates as intended and delivers fair outcomes.

Recommendation 3:

The Code should require COBs to take reasonable steps to:

- proactively identify customers who may need additional support
- engage early with customers showing indicators of financial difficulty to explore support options
- identify customers who may benefit from more appropriate or affordable banking products, such as low-fee accounts, and support their transition where appropriate.

Recommendation 4:

The Code should require COBs to provide plain-language, publicly accessible information that explains:

- what financial difficulty means in practical terms
- how customers can seek assistance
- the bank’s process for providing assistance
- the types of support available.

Recommendation 5:

The Code should establish clearer expectations for assessing and responding to financial difficulty requests, including defined timeframes for decisions and communication, rather than relying on a requirement to respond “promptly”.

Low-fee or no-fee accounts

Access to genuinely affordable transaction accounts is critical to fair banking outcomes, particularly for low-income customers and concession card holders.

While the Code includes commitments aimed at supporting these customers, they do not always operate consistently in practice. [ASIC’s Better Banking for Indigenous Consumers review](#) found that more than 150,000 low-income customers were in high-fee accounts despite being eligible for lower-fee alternatives, resulting in around \$6 million in avoidable fees, much of it from overdraft and dishonour fees.

ASIC also found that “opt-in” approaches are often ineffective. Customers may be unaware of their eligibility, may not understand product differences, or may not act even when notified. By contrast, proactive identification and migration significantly improved outcomes.

We have observed similar issues in our monitoring work. In one case, a COB marketed an account as “low fee”, but its fee structure did not operate that way in practice. A welfare recipient paid \$233.70 in fees over three months on income of \$1,298.40 — approximately 18%.

Banks must clearly define and label affordable accounts. At a minimum, low or no-fee transaction accounts should include:

- no account-keeping fees
- free period statements
- no minimum deposits
- free direct debit facilities
- debit payment methods at no cost
- free and unlimited Australian transactions
- no informal overdrafts
- no overdrawn or dishonour fees
- clear disclosure of ancillary charges
- free access to account balance information.

Without stronger expectations, many customers will continue to pay avoidable fees, including for accounts presented as low-fee but are not in practice. The Code should ensure these accounts are clearly defined, easily identifiable and actively offered to customers who need them.

Recommendation 6:

The Code should require COBs to define and clearly disclose the features of low-fee or no-fee accounts.

Recommendation 7:

The Code should strengthen expectations for identifying and supporting customers who may need affordable accounts, both at account opening and on an ongoing basis.

Recommendation 8:

The Code should require COBs to proactively migrate eligible customers to low-fee or no-fee accounts (with appropriate safeguards), rather than relying on customer opt-in.

Strengthening debt collection commitments

Debt collection is a critical point of potential customer detriment, particularly for customers experiencing vulnerability.

Financial difficulty frameworks do not remove this risk. Collection activity may resume after assistance ends or when debts are sold, often while vulnerability remains — for example in cases involving domestic violence, elder abuse, long-term illness or other complex circumstances.

The Code provides an important foundation by requiring compliance with the ACCC/ASIC Debt Collection Guideline and setting out pre-litigation steps. It also includes targeted protections, such as prohibiting the sale of debts arising from domestic violence or elder abuse and banning recovery or sale of statute-barred debts.

However, the Code could be strengthened to better address situations where vulnerability is ongoing. In particular, debt collection and sale practices should reflect a customer's circumstances at the point of escalation or externalisation.

The Banking Code provides useful guidance. It restricts debt sale while banks are considering financial difficulty arrangements, while customers are complying with them, and where vulnerability is likely to continue with no reasonable prospect of recovery. It also requires oversight of third-party debt purchasers. These safeguards recognise that debt sale or escalation can significantly increase the risk of harm if not carefully managed.

Strengthening the Code in this way would better align debt collection practices with its broader commitments on vulnerability and financial difficulty, and support more consistent and fair outcomes.

Recommendation 9:

The Code should restrict the sale of debt and escalation of collection activity where a bank is considering financial difficulty arrangements or where customer vulnerability is ongoing, unless there is a reasonable basis to proceed.

6. Supporting vulnerable customers

In recognising that customers may face circumstances that make it harder to engage with banking services or manage their financial affairs, the Code requires COBs to take extra care when dealing with customers experiencing vulnerability.

These commitments reflect the importance of ensuring that customers at greater risk of detriment receive appropriate support and consideration, in line with the Code's intent to deliver fair outcomes.

However, the concept of vulnerability has evolved. It is no longer understood as limited to a fixed set of personal characteristics. Contemporary approaches recognise that vulnerability can be situational and dynamic, arising from temporary life events or changing circumstances such as illness, bereavement, financial stress, family violence or sudden changes in income.

There is also growing recognition that vulnerability can arise from how services are designed and delivered. Complex or inflexible processes, communication barriers, channel or authentication limitations, and system design can all contribute to, or exacerbate, the challenges customers face in accessing support. COBs should therefore consider both a customer's circumstances and the service context when identifying and responding to vulnerability.

The need to consider both the characteristics of the customer and the context in which services are delivered is reflected in international guideline ISO 22458:2022, as well as in the more contemporary framing adopted in the Banking Code. Aligning the Code with this would support consistency across industry codes and meet current expectations.

Adopting a more contemporary definition of vulnerability would improve clarity for both customers and COBs, and support more consistent identification of customers who may require additional care. The Code should also recognise groups that may face distinct structural, cultural and practical barriers when accessing banking services, including First Nations customers and people who are incarcerated.

Once a COB identifies a customer as experiencing vulnerability, it should clearly explain the support available and how it will work with the customer to help them manage their banking safely and effectively.

Current provisions (paragraphs B26 and B27) focus on recognising vulnerability and building staff capability to identify it, but say little about the support a customer can expect once vulnerability is identified. The Code should address this by setting clearer expectations about how COBs will respond, including working with customers to identify appropriate adjustments to their banking and, where appropriate, providing guidance or referrals to support services. This would not create new obligations, but would clarify expectations, promote consistency and align with current regulatory insights.

Evidence from our inquiry with the BCCC into financial elder abuse highlights the importance of clear information about available support and referral pathways. Customers are more likely to engage with their bank — and to do so earlier — when they understand the assistance available. The inquiry also identified examples of good practice where banks provide clear information and effective referrals to specialist services.

Strengthening the Code in these areas would improve practice and help ensure customers experiencing vulnerability receive consistent and effective support. It would also align the Code with contemporary expectations of how financial institutions should respond to vulnerability.

Recommendation 10:

The Code should adopt a broader, more contemporary definition of vulnerability that recognises it can be situational, dynamic and change over time.

Recommendation 11:

The Code should include clearer commitments about the support a customer can expect when a COB becomes aware they are experiencing vulnerability, including commitments to work with the customer to identify appropriate ways to manage their banking and to provide appropriate guidance or referrals to support.

Closure of accounts

Access to a bank account is essential. The Council of Financial Regulators' report, [Potential Policy Responses to De-banking in Australia \(2022\)](#), highlights that losing access to banking services can have significant, and in some cases devastating, impacts on individuals and businesses. It can affect their ability to receive income, make payments and participate in everyday economic activity.

This underscores the importance of fair, transparent and well-managed processes when services are refused or withdrawn.

While banks may have legitimate reasons to decline or cease services, this does not diminish the need for transparency, procedural fairness and appropriate care. The CFR report also emphasises the importance of clear communication and transparency so customers understand decisions and, where possible, can take steps to mitigate the impact.

[Guidance from the BCCC on account closures](#) identifies practical steps that support better outcomes, including timely, clear communication, helping customers understand decisions and their options,

providing reasonable notice, and taking additional care where customers may be experiencing vulnerability.

Strengthening the Code in this area would improve fairness, transparency and customer outcomes, while preserving a COB's ability to manage legitimate risks.

Recommendation 12:

The Code should:

- clarify that commitments apply to all account closures, not only those initiated by the customer
- set clearer expectations for notice periods, particularly for customers in regional and remote locations
- require COBs to provide clear reasons for decisions and outline available options
- make the commitment to promptly return any credit balance explicit
- require tailored support and communication for customers experiencing vulnerability at the point of closure or refusal.

7. Accessibility and Inclusion

Ensuring that banking services are accessible and inclusive is an important part of delivering fair outcomes for customers and maintaining trust in the sector.

The Code recognises that some customers may face barriers to accessing banking services and includes commitments requiring COBs to take reasonable steps to make their services accessible.

Paragraph B18 acknowledges that barriers may arise for customers who speak English as a second language, older customers, people with disability and First Nations peoples. This reflects the need for banks to adapt their services so all customers can engage effectively.

However, community expectations continue to evolve, and there is growing recognition that accessibility and inclusion must reflect the diversity of the communities COBs serve. Expanding the Code's accessibility commitments to recognise a broader range of customer circumstances would help keep the Code contemporary and better reflect the evolving nature of inclusive banking.

Accessibility also depends on customers being able to communicate effectively with their COB when they need assistance. Customers who face language barriers or hearing difficulties may rely on interpreter services or the National Relay Service. While the Code recognises the importance of communication support, it does not clearly state whether interpreter services or access to the National Relay Service will be provided free of charge.

Clarifying that these services will be provided free of charge would remove uncertainty for customers, promote consistent practice, and support accessible banking for those who need assistance.

Recommendation 13:

The Code should recognise that barriers to banking services may affect a broader range of customers, reflecting the diversity of the communities COBs serve.

Recommendation 14:

The Code should clarify that interpreter services and access to the National Relay Service will be provided free of charge to customers.

8. First Nations customers

There is clear and consistent evidence that First Nations customers face significant and systemic barriers when accessing and engaging with banking services, particularly in regional and remote communities.

A [report by the Indigenous Consumer Assistance Network \(ICAN\) on financial abuse](#) highlights vulnerability, low levels of disclosure, and significant barriers to engagement, including mistrust, language differences and limited access to culturally appropriate support. [Data from AFCA](#) also indicates that First Nations customers experience disproportionate challenges where standard banking processes do not accommodate remote living, cultural context or communication needs. More broadly, [research on access to digital services](#) confirms that digital exclusion remains widespread, affecting three in four First Nations people in remote communities.

These issues are compounded by structural barriers, including difficulty meeting standard identification requirements, limited access to interpreters for First Nations languages, and service models that do not reflect the realities of remote and community-based living. As a result, many customers disengage or are unable to access support, leading to poorer financial outcomes and increased vulnerability.

COBs serve a broad and diverse customer base, including First Nations customers across metropolitan, regional and remote Australia. Some, such as Traditional Credit Union, predominantly serve First Nations people. The Code should therefore provide clear and practical guidance to support culturally appropriate, accessible and inclusive services.

The Code currently makes only limited reference to First Nations customers. Paragraph B17 refers generally to taking reasonable steps to make banking services accessible, including for customers who speak English as a second language and other cohorts, but does not explicitly recognise First Nations customers or the distinct barriers they may face. As a result, expectations remain implicit rather than clearly stated, creating a risk of inconsistent practice and missed opportunities to provide appropriate support.

Strengthening the Code to explicitly recognise these issues and set clearer expectations would support more consistent and culturally appropriate practices. It would also help create a safer environment for customers to identify as First Nations people, which is critical to enabling tailored support and fair outcomes.

Recommendation 15:

The Code should recognise the barriers that First Nations customers may face when accessing banking services and include commitments for culturally appropriate engagement, including:

- reasonable steps to identify a First Nations customer so services can be tailored appropriately
- flexible identification processes, consistent with AUSTRAC guidance
- additional assistance for customers in regional and remote communities
- appropriate cultural awareness training for staff
- language support where available, and culturally appropriate alternative communication options where it is not.

9. Lending to small business customers

The Code includes a section dedicated to small business customers, recognising that small businesses face distinct risks and vulnerabilities. However, aspects of the current commitments are limited in scope, lack clarity, or are framed in a way that may lead to inconsistent interpretation in practice.

In particular, the Code provides a narrow basis for assessing a small business customer's ability to repay, with insufficient emphasis on the customer's financial position, account conduct and, where relevant, projected future cash flows. It also does not clearly extend this consideration to guarantors, despite the significant risks they often assume in small and family-run enterprises.

More broadly, there is a lack of clarity and consistency in how key lending and enforcement processes are described. This includes limited transparency in default notices, uncertainty about how and when loans may be enforced (particularly for non-payment defaults), and insufficient explanation of how valuations are used in lending decisions. Certain provisions, including those relating to notice periods and "material impact", are also unclear or undefined, creating scope for inconsistent interpretation.

These issues reduce transparency for small business customers, limit predictability in how obligations are applied, and weaken the effectiveness of the Code in promoting fair and proportionate outcomes. Strengthening these commitments would support more consistent lending practices, reinforce lender accountability, and better align the Code with contemporary expectations reflected in other industry codes.

Recommendation 16:

The Code should strengthen commitments relating to small business lending:

- Ability to repay – require lenders to assess a customer’s ability to repay based on their financial position and/or account conduct and, where relevant, projected future cash flows, and prohibit reliance on third-party certification of repayment capacity.
- Guarantor protections – explicitly require lenders to assess a guarantor’s financial capacity and circumstances.
- Default notices – require lenders to clearly specify the grounds for default when issuing a default notice.
- Enforcement clarity – require loan terms and conditions to clearly set out how and when a lender may enforce a loan for non-payment and other defaults.
- Valuations – clarify the purpose of valuations obtained in connection with small business lending.
- Notice periods – clarify that while shorter or no notice may be appropriate in some circumstances, this should not operate as a blanket position.
- Material impact – adopt a definition consistent with the Banking Code to improve clarity, reduce inconsistent interpretation and support more predictable outcomes.
- Conflicts of interest – provide clearer expectations for identifying, managing and disclosing conflicts, using a more detailed and explicit approach consistent with the Banking Code.

10. Farmers and agricultural lending

COBs play a vital role in regional and rural communities, many of which rely heavily on agricultural industries.

Farmers are a distinct segment of small business customers and often face heightened financial risks due to factors beyond their control, including drought, floods, natural disasters and market volatility. Financial stress in agricultural businesses can arise independently of borrower conduct or decision-making.

These characteristics mean agricultural lending requires safeguards that recognise the volatility and unpredictability of farming operations. Periods of environmental or economic stress can temporarily affect a farmer’s ability to service debt, and fair treatment frameworks should reflect this reality.

The Code currently includes only a limited obligation relating to farm debt mediation — informing farmers of their right to access external dispute resolution. This presents an opportunity to strengthen protections and support more consistent outcomes for farmers.

Commitments relating to farm debt mediation differ across states and territories. Some jurisdictions, such as Queensland, have well-established frameworks, while others have limited or no equivalent requirements. Engagement with the BCCC’s Small Business and Agribusiness Panel highlighted that this inconsistency can lead to uneven outcomes depending on where a farmer is located.

This creates an opportunity for the Code to establish a more consistent, national baseline of good practice. Effective approaches already exist within the industry, including early engagement, clear

communication, and structured mediation processes that support fair and sustainable outcomes. Embedding these practices in the Code would help lift standards across the sector and provide greater certainty for both lenders and farmers.

Strengthened commitments could include:

- clearer expectations for early and proactive engagement between lenders and farmers
- ensuring farmers receive, understand and have adequate time to consider documentation associated with farm debt mediation
- ensuring notices, explanations and mediation processes are delivered in a timely, accessible and straightforward way.

Encouraging appropriate engagement — including face-to-face discussions where suitable in regional areas — may also support better outcomes and reduce stress for farmers during periods of financial difficulty.

Additional safeguards could include commitments not to apply default interest, or fees in lieu of default interest, during periods where farming land is affected by declared drought or natural disaster.

Recommendation 17:

The Code should strengthen protections for farmers by recognising their unique risks and establishing clearer, more consistent expectations for fair treatment, including:

- protections during declared drought or natural disaster events
- enhanced and more consistent commitments relating to farm debt mediation and engagement with farmers.

11. Guarantors

Guarantees play an important role in facilitating access to credit for individuals and small businesses. Our monitoring of compliance with the Code shows that 47 of the 52 COBs currently manage guarantor loans.

However, guarantees can expose individuals — often family members, directors or business associates — to significant personal financial risk if the borrower is unable to meet their obligations. It is therefore critical that prospective guarantors understand the nature and extent of the commitment they are being asked to make.

The Code could be strengthened to better ensure guarantors can make fully informed and independent decisions at the outset. In practice, this requires more than standard documentation. It requires genuine engagement with the guarantor, including clear information about the borrower's financial position, the risks associated with the guarantee, and a meaningful opportunity to ask questions and seek clarification independently of the borrower. These steps are critical to reducing the risk of undue influence and supporting informed consent.

Protections are equally important at the point of enforcement. When a borrower defaults, guarantors may face enforcement action at a time of heightened financial and emotional stress. Clear and

consistent expectations are needed to ensure lenders take a fair and proportionate approach, including by prioritising recovery from the borrower and their assets before enforcing the guarantee, except in limited and justified circumstances.

Strengthening the Code in this area would support better customer outcomes, reduce the risk of disputes, and provide greater clarity and consistency across the sector. It would also align the Code with contemporary expectations of responsible lending and reinforce trust in guarantor arrangements as a legitimate and fair means of accessing credit.

Recommendation 18:

The Code should strengthen commitments to ensure guarantors can make fully informed and independent decisions before entering into a guarantee, including clearer disclosure of the borrower's financial position and opportunities for independent engagement with the lender.

Recommendation 19:

The Code should strengthen commitments to require COBs to adopt clearer procedural safeguards for enforcing guarantees, including an expectation that they prioritise recovery from the borrower before pursuing the guarantor.

12. Deceased estates

When a bank customer dies, their accounts and financial affairs must be managed through the administration of the deceased estate. This typically involves family members, executors or other authorised representatives dealing with the bank to access account information, finalise outstanding obligations and distribute funds in accordance with the estate.

Managing a deceased estate is often complex and emotionally difficult. Families and representatives must navigate legal and administrative requirements while dealing with grief and personal stress. In this context, clear, consistent and compassionate processes from banks are especially important.

Banks play a central role because they control access to the deceased customer's accounts and financial records. How they communicate with estate representatives, process documentation and administer accounts can materially affect how quickly and smoothly estates are finalised.

Poor practices in deceased estate management were highlighted by the [Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry](#), which identified cases where delays, poor communication and unnecessary administrative hurdles caused additional distress for families. More recently, [work by the BCCC on deceased estates](#) identified ongoing issues, including delays in estate processing and inconsistent engagement with representatives. These findings reinforce the need for clear and consistent standards to support fair treatment and timely resolution.

The Code currently contains no specific commitments dealing with deceased estates. While it includes broader expectations about fair treatment and customer service, it does not set dedicated standards for communication with estate representatives, account management during administration or

timeframes for handling estate matters. This gap creates variability in practice and uncertainty for bereaved families and bank staff.

Introducing dedicated commitments would help ensure that families and estate representatives receive respectful, timely and consistent assistance during a difficult period. It would also provide practical guidance for COBs and promote more reliable practices across the sector.

In developing these commitments, the reviewer should consider more detailed frameworks used elsewhere, such as clauses 132–145 of the Banking Code, which set expectations for how banks communicate with representatives, manage accounts and support families throughout estate administration.

Recommendation 20:

The Code should introduce dedicated commitments for managing deceased estates.

13.Branch closures

Banking services across Australia are increasingly delivered through digital channels, and many banks have closed physical branches.

While this reflects broader changes in customer behaviour, the closure of a local branch can have significant impacts on some customers and communities.

Some customers continue to rely on face-to-face banking services, including older people, people with limited digital access, and those in regional or remote areas where alternatives may be limited. For these customers, a local branch can assist with more complex transactions and help maintain trusted relationships with local staff — relationships that support confidence, inclusion and safe participation in the banking system.

Branch closures can therefore have broader implications for communities, particularly in regional and remote areas where banking services may already be limited. Clear and transparent processes are important when banks consider closing physical branches.

Structured protocols for managing branch closures can help ensure decisions are implemented transparently and that affected customers and communities receive appropriate notice, engagement and support. These protocols typically include expectations for advance notice, meaningful community engagement, clear communication about the reasons for and timing of closures, and practical support to help customers transition to alternative ways of banking.

We understand that the Customer Owned Banking Association (COBA) has developed guidance for its members on branch closures. However, this guidance has not been subject to broader consultation and is not publicly available. Including a commitment in the Code to comply with a publicly available branch closure protocol would establish clearer expectations, promote transparency and accountability, and help ensure customers and communities — particularly vulnerable customers — are appropriately supported. The purpose would not be to prevent closures, but to ensure COBs manage them responsibly and with appropriate safeguards.

Recommendation 21:

The Code should include a commitment for COBs to comply with a publicly available branch closure protocol.

14. Governance, monitoring and assurance

Strong governance and effective oversight are essential to maintaining a credible and trusted Code of Practice.

Modern industry codes rely not only on clearly articulated commitments, but also on effective independent monitoring, sound governance arrangements and transparent accountability mechanisms.

This section identifies opportunities to strengthen the governance framework supporting the Code, including resourcing, governance arrangements and ASIC approval of the updated Code.

Resourcing

Effective self-regulation depends on an independent, properly resourced monitoring body with the capability to assess compliance and identify areas for improvement. The Code reflects this principle, with paragraph B186 requiring COBA to ensure we are adequately resourced to carry out our functions.

The Charter establishes a broad monitoring role, including analysing breach and complaint data, engaging with COBs on emerging issues, identifying systemic risks, undertaking reviews and inquiries, and reporting on findings. These activities are central to accountability under the Code, providing assurance to stakeholders, identifying systemic issues and supporting improvements in industry practice.

As the Code evolves, expectations of the monitoring framework increase. Areas such as vulnerability, financial difficulty, accessibility and inclusion, and small business lending involve complex and changing practices that require active, evidence-based oversight. Delivering effective monitoring — particularly through reviews and inquiries — requires sufficient and sustainable resourcing.

While we continue to prioritise our work, limited capacity constrains the scale and depth of monitoring. In particular, it limits our ability to initiate inquiries and conduct broader reviews, which are critical to testing industry practices, identifying systemic risks and strengthening accountability.

We have previously identified the need for additional resourcing to deliver the full scope of activities set out in the Charter, including a more consistent program of reviews and inquiries, and have raised this with COBA in funding discussions. In parallel, we have improved operational efficiency by streamlining processes, strengthening data and analytics capability, and prioritising work programs to maximise impact. However, efficiency gains cannot substitute for sustainable resourcing.

Adequate and sustainable resourcing would support a more mature and effective monitoring approach, strengthen the integrity and transparency of the Code framework, and enhance our ability to hold industry to account and drive continuous improvement.

Recommendation 22:

COBA should increase funding to ensure appropriate resourcing for the full range of monitoring functions set out in the Charter.

Committee appointments

Strong governance and clear appointment processes underpin effective and independent oversight of the Code.

While the current governance model has generally operated well, there is an opportunity to strengthen it by refining aspects of the Charter to reinforce independence, reduce the risk of perceived conflicts, and align appointment processes with those used across other Code Compliance Committees.

In monitoring compliance, we regularly consider sensitive information about breach reporting practices and operational challenges across the sector. Therefore, independent oversight is essential. The Charter currently provides for an industry representative, but to reduce potential or perceived conflicts, that representative should not be employed by a COB. If the representative is employed by a COB, there is a tension in that person having access to information about the compliance practices of competing institutions.

Requiring that the industry representative have relevant sector expertise but not be employed by a COB would retain valuable insight while strengthening independence. This approach is consistent with governance arrangements used across other Code Compliance Committees.

There is also an opportunity to streamline the appointment of the Consumer Representative. In other models, this role is appointed by the Consumer Directors of the AFCA Board. Aligning with this approach would promote consistency and administrative efficiency.

These refinements build on the existing governance framework and would further strengthen the independence, credibility and efficiency of the Committee.

Recommendation 23:

Update the Charter to strengthen the appointment process and requirements for Committee members.

Sanctions powers

The Code should focus on customer-facing commitments, with the mechanics of monitoring and enforcement set out in the Charter, where they can be maintained and adapted over time.

Sanctions, directions, investigations and monitoring activities are governance functions, not customer-facing commitments. Locating them in the Charter preserves the Code as a clear and accessible statement of what customers can expect, and avoids cluttering it with operational detail.

This distinction also supports a more effective governance framework. Oversight tools evolve, and locating these functions in the Charter allows us to refine and update our approach without requiring a full Code review.

Because the Charter can be amended more efficiently than the Code, this approach provides flexibility to respond to emerging risks, trends and stakeholder expectations in a timely way.

Separating Code commitments from enforcement mechanics also aligns with contemporary governance practice. It ensures the Code remains clear and enforceable, while the Charter sets out how compliance is monitored and sanctions applied.

It also preserves appropriate flexibility and discretion, allowing responses to be tailored to the nature and seriousness of non-compliance. Streamlining the Code in this way would strengthen alignment with ASIC's Regulatory Guide 183, which emphasises clear obligations, independent oversight and strong governance, with operational processes sitting within the monitoring body's framework.

Maintaining a structure where the Code sets out COB commitments and customer outcomes, and the Charter sets out oversight, monitoring and sanctions, supports good regulatory design and reflects established practice across industry codes.

Recommendation 24:

The Code should be streamlined by removing detailed operational mechanics for oversight, investigations and sanctions and locating them in the Charter.

Breach reporting

Breach and complaints data are fundamental to effective, risk-based monitoring. Their value depends on clear, consistent and well-designed reporting frameworks.

The Charter currently allows us to consult with COBA and COBs when developing reporting requirements. In practice, we consult to ensure reporting is clear, efficient and capable of delivering meaningful insights.

The Charter could better reflect this approach by establishing a clearer expectation to consult when designing or updating data collection. This would support a more transparent and consistent process, allow industry to contribute to practical reporting settings, and ensure we receive the information needed for effective monitoring.

While consultation should be expected, we must retain decision-making authority to preserve independence and ensure reporting requirements align with our monitoring objectives.

Recommendation 25:

Update the Charter to require consultation with COBA and COBs when developing or amending breach reporting requirements, while retaining our authority to determine final reporting settings.

ASIC approval

Industry codes of practice play an important role in Australia's consumer protection framework, setting standards that operate alongside legal obligations and promote better conduct.

The Code is a mature instrument, with established governance and independent monitoring arrangements, and is already enforceable by contract.

Seeking ASIC approval represents a natural next step in its development. It would provide an additional layer of assurance that the Code meets ASIC's benchmarks for clarity, governance, monitoring and consumer protection.

There is also a broader shift across financial services towards operating within ASIC's approval framework. ASIC has approved the Banking Code, and both the Insurance Council of Australia and the Council of Australian Life Insurers have indicated their intention to seek approval as part of current Code reviews. This reflects growing expectations that industry codes demonstrate their effectiveness against ASIC-endorsed standards.

For the customer-owned banking sector, seeking ASIC approval would reinforce the credibility of the Code and strengthen confidence in its governance and oversight. It would also signal a clear commitment to high standards of conduct, transparency and accountability.

Recommendation 26:

COBA should seek ASIC approval of the updated Code of Practice.

Appendix: Summary of recommendations

Recommendation 1: The Code’s Key Promises should be strengthened so they clearly reflect the scope of the Code and guide the commitments that follow.

Recommendation 2: The Code should explicitly state that all commitments apply to services delivered on behalf of a COB by agents and other outsourced service providers, and that the COB remains accountable for compliance with the Code.

Recommendation 3: The Code should require COBs to take reasonable steps to:

- proactively identify customers who may need additional support
- engage early with customers showing indicators of financial difficulty to explore support options
- identify customers who may benefit from more appropriate or affordable banking products, such as low-fee accounts, and support their transition where appropriate.

Recommendation 4: The Code should require COBs to provide plain-language, publicly accessible information that explains:

- what financial difficulty means in practical terms
- how customers can seek assistance
- the bank’s process for providing assistance
- the types of support available.

Recommendation 5: The Code should establish clearer expectations for assessing and responding to financial difficulty requests, including defined timeframes for decisions and communication, rather than relying on a requirement to respond “promptly”.

Recommendation 6: The Code should require COBs to define and clearly disclose the features of low-fee or no-fee accounts.

Recommendation 7: The Code should strengthen expectations for identifying and supporting customers who may need affordable accounts, both at account opening and on an ongoing basis.

Recommendation 8: The Code should require COBs to proactively migrate eligible customers to low-fee or no-fee accounts (with appropriate safeguards), rather than relying on customer opt-in.

Recommendation 9: The Code should restrict the sale of debt and escalation of collection activity where a bank is considering financial difficulty arrangements or where customer vulnerability is ongoing, unless there is a reasonable basis to proceed.

Recommendation 10: The Code should adopt a broader, more contemporary definition of vulnerability that recognises it can be situational, dynamic and change over time.

Recommendation 11: The Code should include clearer commitments about the support a customer can expect when a COB becomes aware they are experiencing vulnerability, including commitments to work with the customer to identify appropriate ways to manage their banking and to provide appropriate guidance or referrals to support.

Recommendation 12: The Code should:

- clarify that commitments apply to all account closures, not only those initiated by the customer
- set clearer expectations for notice periods, particularly for customers in regional and remote locations
- require COBs to provide clear reasons for decisions and outline available options
- make the commitment to promptly return any credit balance explicit
- require tailored support and communication for customers experiencing vulnerability at the point of closure or refusal.

Recommendation 13: The Code should recognise that barriers to banking services may affect a broader range of customers, reflecting the diversity of the communities COBs serve.

Recommendation 14: The Code should clarify that interpreter services and access to the National Relay Service will be provided free of charge to customers.

Recommendation 15: The Code should recognise the barriers that First Nations customers may face when accessing banking services and include commitments for culturally appropriate engagement, including:

- reasonable steps to identify a First Nations customer so services can be tailored appropriately
- flexible identification processes, consistent with AUSTRAC guidance
- additional assistance for customers in regional and remote communities
- appropriate cultural awareness training for staff
- language support where available, and culturally appropriate alternative communication options where it is not.

Recommendation 16: The Code should strengthen commitments relating to small business lending:

- Ability to repay – require lenders to assess a customer’s ability to repay based on their financial position and/or account conduct and, where relevant, projected future cash flows, and prohibit reliance on third-party certification of repayment capacity.
- Guarantor protections – explicitly require lenders to assess a guarantor’s financial capacity and circumstances.
- Default notices – require lenders to clearly specify the grounds for default when issuing a default notice.
- Enforcement clarity – require loan terms and conditions to clearly set out how and when a lender may enforce a loan for non-payment and other defaults.
- Valuations – clarify the purpose of valuations obtained in connection with small business lending.
- Notice periods – clarify that while shorter or no notice may be appropriate in some circumstances, this should not operate as a blanket position.
- Material impact – adopt a definition consistent with the Banking Code to improve clarity, reduce inconsistent interpretation and support more predictable outcomes.
- Conflicts of interest – provide clearer expectations for identifying, managing and disclosing conflicts, using a more detailed and explicit approach consistent with the Banking Code.

Recommendation 17: The Code should strengthen protections for farmers by recognising their unique risks and establishing clearer, more consistent expectations for fair treatment, including:

- protections during declared drought or natural disaster events
- enhanced and more consistent commitments relating to farm debt mediation and engagement with farmers.

Recommendation 18: The Code should strengthen commitments to ensure guarantors can make fully informed and independent decisions before entering into a guarantee, including clearer disclosure of the borrower’s financial position and opportunities for independent engagement with the lender.

Recommendation 19: The Code should strengthen commitments to require COBs to adopt clearer procedural safeguards for enforcing guarantees, including an expectation that they prioritise recovery from the borrower before pursuing the guarantor.

Recommendation 20: The Code should introduce dedicated commitments for managing deceased estates.

Recommendation 21: The Code should include a commitment for COBs to comply with a publicly available branch closure protocol.

Recommendation 22: COBA should increase funding to ensure appropriate resourcing for the full range of monitoring functions set out in the Charter.

Recommendation 23: Update the Charter to strengthen the appointment process and requirements for Committee members.

Recommendation 24: The Code should be streamlined by removing detailed operational mechanics for oversight, investigations and sanctions and locating them in the Charter.

Recommendation 25: Update the Charter to require consultation with COBA and COBs when developing or amending breach reporting requirements, while retaining our authority to determine final reporting settings.

Recommendation 26: COBA should seek ASIC approval of the updated Code of Practice.
