

Transcript: Shayne Elliott on ABC AM – 09/07/20

Sabra Lane: The emergency action by Australia's major banks to extend loan repayment deferrals by another four months is a lifeline for around 800,000 borrowers in financial stress because of the pandemic. But when the new 10-month deferral period ends late March next year, will it be a dangerous new cliff? Shayne Elliott, the chief executive of the ANZ Bank, says while many customers are getting back on their feet, the Melbourne outbreak is a setback and he concedes that some businesses will go under and some people might lose their homes. Our senior business correspondent Peter Ryan is speaking here with Mr Elliott.

Peter Ryan: Well, Shayne Elliott, first to the lockdowns in Melbourne and the border closure between Victoria and New South Wales. That's surely a deeply concerning escalation in this crisis.

Shayne Elliott: This is a bit of a setback. I mean, I don't want to overplay it. I mean, it's six weeks. Yes, it's going to be tough. But the important thing here is the government, federal and state and the banks have the capacity and the willingness to be as supportive as we can be. While not related, the extra deferrals, the four months we've all agreed to, while it wasn't related to the six-week lockdown, that's certainly going to help.

Peter Ryan: Banks like the ANZ have been doing the sums on defaults for the last three months. Do you expect to see even more demand for deferrals given the six-week lockdown in Melbourne?

Shayne Elliott: Probably. We'll probably see another short-term spike in those deferrals. The reality is, when we first announced the deferrals, we didn't have things like JobKeeper right? So people were really scared and quite rightly reached out for help. What we found is since then, a lot of people actually didn't need it and either called their banks and said "look, actually don't need it", or people even with a deferral have continued to be able to pay. But I imagine there'll be a little bit of a spike. I don't think it's going to be overwhelming though.

Peter Ryan: Banks have agreed to an additional four months loan repayment holiday when the original six month ends in late September. Is that an admission that the cliff was real, serious and potentially catastrophic?

Shayne Elliott: No, I don't think so. I think it's just the nature of this beast. This is not a time where you just set and forget policies.

Peter Ryan: But was there any consideration heading towards the September cliff of telling borrowers that time's up, the loans have to be repaid now?

Shayne Elliott: The concern was, well, hang on a minute, we've got this risk that, not only does JobKeeper and JobSeeker finish, but these deferrals all finish at about the same time. How do we talk to literally hundreds of thousands of customers across the industry, across the banking industry, and decide which ones are back on their feet and which weren't? So this essentially allows for an orderly transition, if you will. It gives us an extra four months.

Peter Ryan: How many of your customers at the ANZ are simply telling you that they can't resume their loan repayments now?

Shayne Elliott: Not too many at all, actually. And the reality is partly because they don't know themselves, right? So it's not like people have given up. Frankly, it's a very, very small number. Most are hanging on and they need a bit of time.

Peter Ryan: You've averted the so-called cliff for now, effectively and slowly stepping away from the precipice. But clearly there'd be no winners without the four-month extension.

Shayne Elliott: The four-month extension is critically important. We believe that a lot of them will say, "hey, I can get back on and start paying". Instead of having 10 years left on your mortgage, you need 15. Maybe we need to talk to you about the right package. Whether it's interest only or maybe we can give you a better rate on your mortgages. And we just need some time to work that through. And we think four months is more than sufficient time to do that.

Peter Ryan: There's about 260 billion dollars in loans on deferral from all banks. And if properties were thrown onto the market in forced sales or foreclosures without that additional four months, surely that would be a new level of fear in the property market. So how real are the concerns or were the concerns about a property collapse?

Shayne Elliott: It's not in the banks interest to do that. It's not in our customers' interests. It's in nobody's interest to do that. I don't see that being a realistic option for anybody to consider. That doesn't mean there won't be some cases where that will sadly be an outcome. We can't save everybody, but we can save a lot of people. The people who have really positive prospects of getting back on, into employment and getting their businesses back started again. We're not tying our hands here. We'll do what's right.

Peter Ryan: The banking regulator APRA has signed off on the four-month extension until the 31st of March next year. So deferred loans wouldn't be counted as arrears or impairments. So is it now clear that at the end of March, all bets will be off and banks might have to make very hard decisions that could include foreclosures on loans?

Shayne Elliott: If we believe that through our analysis that you really don't have a prospect of paying back your loan. We have an obligation to, in our lingo, impair that loan and work with you on a solution. So this is not a get-out-of-jail-free card. But if it's the right thing to do, I'm just using you as an example, to keep Peter in his house and keep Peter paying the mortgage and give them more deferral, and even if it comes at a cost to the bank, we'll do it. We have to do what's right because it's in our best interests as well.

Peter Ryan: So when you reach the end of the line, will that mean loans might be called in? Insolvent businesses will go under and some people might even lose their homes?

Shayne Elliott: Well, that happens today, sadly. And that will continue. That happened before the crisis, that will continue to happen. That is the sad reality of the system we live in. And, obviously there's a fear that it's going to be a bigger number. But if the right thing to do is to call it a day and say, "look, this business isn't viable" or "your home isn't viable". Well it's also sadly our responsibility to have that conversation with our customers as well.

Peter Ryan: So in some sad cases, loan repayments can't remain paused forever. How many of your distressed customers are being advised at the moment that they might not make it?

Shayne Elliott: None at the moment. We can see that about 10 percent of those customers who have a deferral, actually their incomes gone up. So we're checking in with our customers. A lot of our customers, we're confident, can get back to repaying, either now or in September or in March.

Peter Ryan: We've had wage subsidies with JobKeeper and JobSeeker. But could we get to the point where the federal government might have to step in with mortgage subsidies to prevent a housing collapse?

Shayne Elliott: Look, I don't know. I mean, you can never say never to these things. My personal view, that would be an extraordinary move by a government because you are choosing one, albeit significant class of people, to give a subsidy to. Let's not forget, not everybody in Australia has a mortgage.

Peter Ryan: Banks have averted the loan deferral cliff, but we still have the JobKeeper cliff in late September. An extension to that emergency programme seems critical to keeping borrowers from going to the brink.

Shayne Elliott: I think the idea that the government just pulls the rug on September 30th, they're not foolish. They've handled this well to date. And I expect they'll continue to do so.

Sabra Lane: That's Shayne Elliott, the chief executive of the ANZ Bank. He was speaking there with Peter Ryan.