

Easy credit no more: how shocks from Australian banks' inquiry may squeeze a nation

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By Jonathan Barrett and Tom Westbrook

SYDNEY (Reuters) - Australia's biggest banks are imposing stricter lending conditions on borrowers as damaging disclosures at an inquiry into financial-sector misconduct prompt fears the economy will be the victim of a new era of subdued credit growth.

Australia and New Zealand Banking Group last week said that in the wake of the Royal Commission, which has uncovered wide-spread examples of careless and at times fraudulent lending practices, it would likely be harder for customers to borrow money.

And National Australia Bank said net interest margins on its all-important mortgage book were falling, while Westpac Banking Corp told Reuters it had recently increased scrutiny of borrowers' living expenses, including asking them to disclose such items as gym memberships and pet insurance, when making loan assessments.

The inquiry has come at a time when there was already a push for increased controls on lending and new capital requirements. Those had helped spark a wave of divestments of cash-intensive wealth management, insurance and financial planning arms.

Borrowers have begun to feel the squeeze, according to Sydney real estate agent Peter Wong, as banks dig through credit histories and ask borrowers for bigger deposits.

"The residential sector has become very, very cautious and so, obviously, they're making sure that they dot their i's and cross their t's, and before it wasn't like that," said Wong, who runs an agency in inner-city Chinatown.

"I've got property on the market and I've had it on for over three months whereas previously, being a popular area, people would buy fairly quickly."

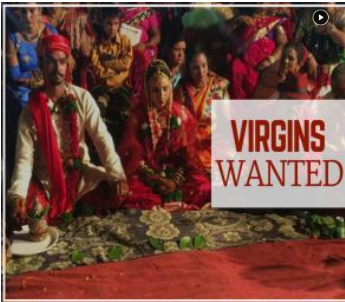
Australia has an oligopoly banking system - Commonwealth Bank of Australia sits alongside Westpac, NAB and ANZ making up the so-called "Big Four" - which collectively dominate property, investment and business lending, giving Australians limited options when seeking credit.

The banks withstood the financial crisis, and found ways to increase revenues and profits even during times when regulations were ratcheted up, such as a 2012-13 crackdown on investment and insurance product-selling practices.

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