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Friday 29 October 2021

## 21-286MR CBA pleads guilty to criminal charges for mis-selling consumer credit insurance

The Commonwealth Bank of Australia (CBA) has pleaded guilty to 30 criminal charges of making false or misleading representations to 165 customers when selling consumer credit insurance.

The 30 criminal offences relate to CBA's supply of CreditCard Plus and Loan Protection policies as an add-on insurance product sold in branches, by telephone and online.

Between 2011 and 2015, CBA made false or misleading representations to customers that they could make a claim against their insurance policies when some or all of these claims were not available to them.

ASIC Deputy Chair Sarah Court said 'ASIC has been concerned about the consumer harms associated with add-on insurance for some time. ASIC pursued a criminal case against CBA after it was clear customers had been sold insurance that they had no use for.'

CBA's conduct was the subject of a case study by the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry – see [Volume 2 of the Interim Report](#) (page 51-64).

This action forms part of ASIC's priority to address consumer harms in insurance. It follows ASIC's detailed review of the sale of consumer credit insurance by 11 major banks and other lenders. [Report 622, Consumer credit insurance: Poor value products and harmful sales practices](#), published in July 2019, revealed that the design and sale of consumer credit insurance had consistently failed consumers. ASIC found that this insurance was poor value, its sales practices and product design caused consumer harm and consumers were being incorrectly charged ([19-180MR](#)).

'Following a review of consumer credit insurance, ASIC banned the unsolicited sale of this insurance through cold calls, secured over \$250m in remediation for customers and has taken civil action against Westpac. Today we add criminal proceedings against CBA. These interventions were necessary because the industry did not put customers front and centre', concluded Deputy Chair Court.

The matter was prosecuted by the CDPP after an investigation and referral by ASIC.

The matter has been adjourned to a date yet to be set.

### Background

ASIC's [Report 256, Consumer credit insurance: A review of sales practices by authorised deposit-taking institutions](#), published in October 2011, made 10 recommendations to reduce the risk of CCI being mis-sold to consumers.

In April 2021, ASIC filed separate civil penalty proceedings against Westpac Banking Corporation for its selling practices regarding consumer credit insurance products ([21-066MR](#)).

Between October 2011 and July 2015 (period of offending), the maximum penalty for these offences increased from \$1,100,000 to \$1,700,000 per offence.

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