

Australian Mutuals History Oral History Program 2023

Interview with Paul Thomas of Gateway Bank

Interview conducted by Ben Woods on 16 August 2023

Ben Woods (BW) 0:04

Ben Woods Archivist, Australian Mutuals History, interviewing Paul Thomas 16th of August 2023. Paul, could you tell us a bit about your education, high school and university?

Paul Thomas (PT) 0:22

I went to Marist College at Pagewood and finished up there in 1975 and went straight into the workforce. A few years later, I found myself in the building society sector. In 1982, I undertook a two year Diploma in Financial Services course, which was most enjoyable. And then, mid-career, in my late 30s, I undertook a Master of Business Administration degree at the University of New England. That took four years, and I graduated 5th out of a class of 170 students. And then in 2017, I undertook the company directors' course and graduated from the Australian Institute of Company Directors.

BW 1:18

Okay, what was your first job?

PT 1:25

My first job began on the 19th of January 1976, when I joined the ANZ Bank in Sydney.

BW 1:34

Were you looking to get into finance? Did you have a goal there?

PT 1:47

I'd been telling a lie if I said I had a passion for finance, what actually happened in 1975, the bank came around to what was then called sixth form at school [Year 12] and they set up shop. There were a number of banks who came and said to a number of students, including myself and my twin brother, if you pass your HSC, you're pretty much guaranteed a job with the bank, whatever bank it was. Both my twin brother and I matriculated. For reasons I still can't explain we chose ANZ over the other offers and the rest, as they say is history.

BW 2:23

In 1980 you worked for the New South Wales Building Society as Branch Manager. Could you tell us a little bit about that?

PT 2:35

Sure. Well, I stayed with ANZ for five years. There I discovered two things about myself, firstly, that I truly do believe in customer service. And secondly, I'm not good in big bureaucratic

organisations. So, I left ANZ and got a job with NSW Permanent. I was sort of headhunted because the local branch manager of NSW Permanent at Rose Bay, banked with the ANZ and said I'd be the perfect person to work for the building society. At the time, I think I was about 23, I was the youngest building society branch manager in Australia. Essentially, I did lending all day but I really liked the building society, it was much smaller and much more customer focused.

BW 3:21

And what has become of that building society today?

PT 3:28

From memory it ultimately merged with St. George. Of course, St George is now part of Westpac. With all the rationalisation which has occurred across banks, building societies and credit unions it can be hard to remember the antecedent organisations.

BW 3:50

Yes. Okay. You worked with Torrens Credit Union. How did that come about?

PT 3:59

Sure. Well, I was at the building society, and I was happy, but I saw an ad in the Sydney Morning Herald, and this was way back when the Sydney Morning Herald used to make a fortune from the classified ads. I applied for the position, I was interviewed by the board and was successful. I was initially engaged as the Assistant General Manager of Torrens Credit Union. And I joined in I think it was around June 1983. Not long after I joined, six months maybe, the General Manager/CEO took ill and after 18 months retired. And so, at the very tender age of 27, I was made CEO of Torrens Credit Union in Sydney.

BW 4:49

Okay, by this stage you've worked for a little while with the credit union and you've had experience with a building society. Could you tell us about the difference between working with the bank and the mutuals and the difference between the building society and the credit union?

PT 5:18

Sure, well, obviously the difference between the ANZ Bank and the two mutuals was quite stark. And this is still the case today, very large organisation, through my eyes, very bureaucratic, and through my eyes, not customer focused. But the building society and the credit union were organisations that walked the talk and were very customer focused. But I found the credit union even more customer focused than the building society. And so, I discovered that that was my natural niche, being in an organization that was flexible, adaptable, and truly did put the customer first.

BW 5:59

What was the building society like at that time compared to the bank and credit union in terms of products and what did the work involve? Were you mostly offering home loans?

PT 6:22

Yes, I was in a branch, and I had a team of people and yes, we had customers withdrawing and depositing. But as a Branch Manager, you pretty much did home loans from nine o'clock to five o'clock. On a busy day, you probably did six, maybe sometimes seven interviews and each took an hour. But that was the nature of the role. And it was certainly something that I enjoyed because I got a kick out of helping typically younger people buy or build their first home, and there's a real buzz to helping people.

BW 7:01

Okay, and Torrens Credit Union. Can you tell us a bit about the origins of that, and what was Torrens like in the early 80s?

PT 7:14

Well Torrens was in the Land Titles Office. As you know, all properties are held under Torrens title. So that's where the name Torrens comes from. It was a much smaller credit union. But I joined Torrens at a time when it really needed to be modernised. It was an institution that had been around for a number of years. It was well run and had a volunteer board. It was basically a savings and loans institution. If you wanted to save some money, they had some savings accounts. If you wanted to take out a loan, they had some personal loans. That was pretty much it. And by the time I left, after five years, we put in Visa Cards, we put in Redicards. And we put in a range of other products, including member chequing. So, what I did was really to modernise the organisation and give it a suite of modern products and services.

BW 8:07

Okay, and so from there, you went to Cuscal. At that time Cuscal was the credit union national peak body. And at that time credit unions and finance more broadly went through significant changes. You were involved in a great many things at Cuscal such as GST implementation. Also, through that period there were tax changes in the credit union sector. I think we'd better start with how you got involved with Cuscal?

PT 8:51

Well, when I joined, it was actually called AFCUL [Australian Federation of Credit Union Leagues] and of course, being the manager of Torrens, you got to go to regular district meetings, and you got to meet people. And one of the individuals I met in my travels was Reg Fowler. And at that time, Reg was the Executive General Manager of AFCUL Services and he reported directly to Reg Elliot. Reg Fowler took me out for lunch one day and said, look, there are some openings at AFCUL Services, do you think you could make a contribution. I came on board and I was originally Manager of Card Services. And one of the things that I did and now doesn't sound a big deal, but we introduced personalised Redicards. Up until that stage you could have a standard Redicard which was just red, but we allowed people to put their own logos and their own colour designs. Then Reg said look, we need to help credit unions with some lending products. So, I developed some lending products, but specifically a thing called the cash buyer car loan product. After that Reg said, look, we need to improve what we do within Cuscal. It had converted to Cuscal [from AFCUL] at that stage, and I was in charge of quality for Cuscal overall but still reporting to Reg. At that stage Cuscal had probably just over 800 staff so in some respects, I was working with all 800 staff to improve our products and services and delivery. Then I moved on again under Reg Fowler to corporate lending. We

formed a company that securitised mortgages. It was called MMA - Members Mortgage Australia. People find this hard to believe but it actually beat Aussie Home Loans' John Symond to the market by about three months. So that was very innovative, and very successful for credit unions. And after that, Reg Elliot retired and Vern Harvey came on board, Vern restructured, he was keen to put some senior relationship managers in the field and I was among a group of people that went out and provided strategic and consulting advice to credit unions. We enjoyed that. And prior to my departure from Cuscal, GST came in. I'm not a GST expert, or an indirect taxation expert, never was, but I was seen as someone who got things done. And we needed to get credit unions across the line in terms of their implementation and I was in charge of that project.

BW 11:29

And during that period, you mentioned the change from AFCUL to Cuscal that came out of Project Renewal. Can you tell us a little bit about that change?

PT 11:51

The change was led by Reg Elliot, a man who I respect and have immense regard for, to me as one of the best executives at Cuscal at the time. It was just sensible, we just couldn't continue to have a national body, a range of state bodies, and then credit unions. It's a bit like my view that we don't we need state governments in Australia. I didn't think we needed state organisations. So, to me, it was sensible. I wasn't directly involved in that process, people like Reg Elliot, Reg Fowler and Graham Loughlin were. They worked very hard. It was very difficult. A lot of credit unions were against it. They saw it as nationalisation of all power to a federal body. But it got through, Reg Elliot retired, Dr. Vern Harvey came on board. I think, since that time, people would say it was a very sensible thing to do.

BW 12:44

And it was sensible because it de-bureaucratised despite the fears, would you say?

PT 12:56

Absolutely, for example, when I was a Manager of Card Services at AFCUL and Manager of Product Development, I was not allowed as an employee of AFCUL to write to credit unions. It was forbidden. I had to write to the state associations around Australia and say, Oh look, AFCUL has just resolved that we will allow credit unions to have personalised Redicards. The state organisations would take our memo, often they wouldn't change a word and just retype it on their letterhead. And they would say we've been advised by the national body that you can now have personalised Redicards. Everything we did had to be routed through a state body, which made the bureaucracy so much more difficult. Once Project Renewal came in, we were free to write directly to credit unions. It was only two in the communication and not a third organisation.

BW 13:59

You just talked about Cuscal having 800 employees, COBA today probably has less than 20. What do you make of that? I guess the culture, the economy and technology in the days of Cuscal is a lot different than today. It's a big question, I suppose.

PT 14:31

That's a really big question. Yes, we did get up to 800 people and some credit unions thought that was too big and they wanted the organisation slimmed down and that happened. The technology that most credit unions used was supplied by an organisation called FCS and that was part of the Cuscal umbrella and that was sold off. Don't hold me to this but I think something like over 100 employees disappeared. So, slimming the organisation down did take some time, but ultimately when it was achieved many credit unions said oh look, we've trimmed too much. Not only have we trimmed the fat we've trimmed the bone. It's very hard to go back. That's the answer to number one, answer to number two is when I joined AFCUL many years ago, the reality was we didn't have the mega size credit unions and mutual banks we have today. And so Cuscal's job was to do collectively what credit unions couldn't do individually due to their lack of critical mass but people like Reg Fowler and Reg Elliot 20 years ago said, look guys, there'll come a stage where credit unions will merge and merge, they'll become bigger, and they'll quite understandably form the view that they can actually do these things on their own. We don't need to go through a central aggregated body. And that was the other reason that Cuscal found itself slimming down.

BW 16:00

Is it still a movement? What I mean is, I was recently asked to provide some information on credit union firsts. Going back credit unions have been responsible for a lot of firsts such as the first ATM in Australia etc. What I found in a lot of cases was the firsts were produced by state bodies, in particular the NSW Credit Union League. Obviously, when credit unions were smaller it was necessary for the leagues to drive things. The power was collective. Now things have changed because of technology and regulation and all that. But is there enough working together now or is that irrelevant?

PT 17:12

It's been four years since I've retired, so I've probably lost touch a little bit. Although when I was at Gateway, we were still members of COBA and worked with Cuscal. But as I indicated earlier, I think as credit unions have grown and developed in asset size and critical mass, the need for a central body has diminished. And so, the role of organisations today supporting credit unions is different to what it was when I first joined the movement 40 years ago.

BW 17:43

That leads into the next question I have to ask, because it's been pointed out that the taking away of the income tax exempt status was a big thing. It's been said that it both gave and took away, but it led to the situation where mutuals have been able to grow quite big and therefore it hasn't been necessary to come together so much. But it was controversial and how did you find that? You were at Cuscal at the time it happened, I believe.

PT 18:21

I was and Graham Loughlin was the Executive General Manager in charge of that, a man I still have enormous respect and regard for. He along with Dave Taylor fought very hard and lobbied very hard to maintain our 23G income tax exemption. But the big banks fought even harder and said, well, credit unions can't claim on one hand they want a level playing field, they want to issue cheques, they want access to the payment system. But on the other hand, they want

to be a protected species. And ultimately, the latter argument won the day and the 23G tax exemption was eliminated. And that's no failure of the movement. But it was interesting to see the reaction, some people thought it was the start of the end. Vern Harvey joined not long after that. Dr. Vern Harvey said it is just an expense. Treat it like anything else, it's an expense. All of our competitors have that expense called taxation. You guys just have to get used to it. But the reality is you needed to become more efficient, and part of that efficiency was having critical mass.

BW 19:24

How did you become involved with Gateway? You were there for quite a while and saw a lot of change.

PT 19:41

I was there for 14 years. I was working at Bridges Financial Services, which I'm sure you know, was for many years actually owned by Cuscal. It was sold by Cuscal in the year 2002 to the New Zealand based Tower Group. And whilst I was working for Bridges, I received a call out of the blue from a headhunting firm saying they'd been engaged by Gateway looking for a CEO and asked whether I wanted to throw my hat into the ring. The story of this is that I ultimately said yes. And ultimately, I was the last man standing. I was appointed as the Gateway CEO, its eighth in their 50-year history.

BW 20:29

Can you take us through some of the changes you saw through that period? What would have been some of the biggest challenges and the big successes?

PT 20:41

Well, let me explain something, Gateway is very unique. Gateway used to be called the Commonwealth Bank Officers Association Credit Union. As far as I know, we were the only credit union in the world set up by bankers, for bankers. And at one stage, before my time, Gateway was the largest mutual in the southern hemisphere, and consistently the fastest growing mutual. Every new employee that joined the Commonwealth Bank had to join the credit union and the bank, for the first 45 years of CBOA Credit Union history, the bank forced bank employees to join the credit union, so it could not help but grow. And then three years before I arrived, for some reason, I don't know why, David Murray one day announced that he no longer wanted the bank to support its credit union. He wanted all current staff and all new staff to bank with the bank. Now, that was extremely challenging for the management of Gateway Credit Union. And it's fair to say by the time I arrived, the organisation had enormous challenges in front of it and had to reinvent itself. Almost overnight, we went from a situation of having a sponsoring host employer to use the old language, which is what they used to talk about in terms of bonds of association, a sponsoring host employer that guaranteed our survival, to overnight, having Commonwealth Bank, which was and remains the single biggest retail bank in Australia, as our number one competitor. And it's fair to say that the credit union didn't cope with that. The credit union never had to market before I arrived because people were forced to join. And so, my job was to reinvent Gateway and enable it to stand on its own two feet.

BW 22:52

You can understand them opening up for different reasons. But why would they do that? Do you have any insight into the thinking behind that decision?

PT 23:11

Three of my directors in 2005, when I joined were General Managers at the bank, and even that was frowned upon by David Murray. He tried to push them off the board, he basically threatened them. No one can really say what changed David Murray's mind. But essentially overnight, he said, we will no longer be forcing our staff to bank with the credit union. In future you're going to come to us, and they made it very difficult. Three years prior to my arrival, the credit union had relationship managers that were free to walk around branches of the bank and that almost stopped overnight. The Commonwealth Bank intranet that had a range of links to supportive organisations was cut off. And so I really can't give you a straight answer except David made up his mind that his staff would bank with his institution and not with the credit union. And that's one of the reasons that Gateway had to change its name from CBOA to Gateway because David Murray apparently wanted no association with the institution and changing its name was part of that change process.

BW 24:30

What does David Murray do today?

PT 24:33

David Murray was the boss of the Commonwealth Bank and was extremely successful. During the global financial crisis, I think he was one of the key banking and economic advisors to the Treasurer Wayne Swan. More recently, he was I think, the Chairman of AMP Society. I need to add that certainly my directors had the highest of regards for David and would say he was the smartest banker in Australia, and no one was critical of David. I only ever met him once. But certainly, his decision to say we're not going to support the credit union was quite dramatic. As I tried to explain to a group of credit unions once, whether they were teachers credit unions or police credit unions, imagine if the police commissioner phoned you up today and said, from tomorrow, you're no longer welcome into police stations, or from tomorrow, you're no longer welcome into schools, that's virtually what happened. From tomorrow, you can't get into the Commonwealth Bank branches. There used to be this myth when I joined Gateway and the myth was, we have no branches. We were a huge credit union, which they were, we have never merged, which is true and still remains true today, Gateway has never merged. When you look at some of the biggest credit unions or mutual banks today, they've had about 60 or 70 mergers. That was true, but the claim that they never had any branches was an interesting one. Because at face value, it was true Gateway just had one administrative office. But the reason they were so successful is the costs were so low, and the costs were so low because virtually every branch of the Commonwealth Bank in Australia was a free branch for the credit union. And there were deposit and withdrawal forms in each branch. So, it was an amazing business model that was very successful for 45 or 46 years, until it came to an abrupt halt.

BW 26:34

What about the global financial crisis? I know Australia didn't have the same problems as overseas but still it was difficult for you?

PT 26:53

It was difficult, but I think it was difficult for every institution. I was fortunate because my chairman at the time was a guy called Steve Carritt. He was General Manager of Treasury for Commonwealth Bank and an extremely bright guy. I met with Steve once a week for my first five years at Gateway, and he was Chairman during the global financial crisis. So to be able to pick his brains on a weekly basis about where the market was going, which funding lines might turn off, was a source of enormous help. But it was a challenge for all credit unions, and we all survived unscathed. A great result.

BW 27:40

Did anything in particular you did that might have helped with that, you think?

PT 27:47

Well, again at Gateway, it was different because most credit unions had their banking with Cuscal or the state association. Gateway didn't, certainly when I arrived all of our banking was still done through the Commonwealth Bank. And they gave us guaranteed lines and facilities, and they were never under threat. I know there's a contradiction. On one hand, David Murray didn't want staff to bank with the credit union, I get that. But on the other hand, he was happy for the bank to provide services to Gateway, the institution and their funding lines were secure. And they were never in doubt throughout the entire global financial crisis.

BW 28:32

Okay, and what about the change to become Gateway Bank?

PT 28:42

We were asked about this, because even though Gateway wasn't the first to do it, we were an early mover. In fact, myself, and Mark Bouris of Yellow Brick Road met with the Treasurer just before the global financial crisis, and we talked about becoming banks, and he was very supportive of that. At the end of the day, we ultimately decided to move that way. We didn't think it was important to be a first mover. I mean, some people were critical, because the attitude was, you've called yourself a credit union for years, and now you're a traitor and you want to call yourself a bank. And I say to everyone, if you and I today were to go to any school in Australia, and talk to a group of 10-year-old kids, and we asked them, can you tell us what a bank is? 99% would tell us what a bank is. If we ask that same group of kids today, what a credit union is most would struggle. And the reality is it's that ignorance of credit unions that carries forward into adult life. The reality is that being a bank, what a bank is, is known around the world and so it's not a level playing field. So yes, we adopted the name bank, but we didn't behave as a bank and certainly for Gateway it opened up markets, perhaps we wouldn't have had, and it certainly made our marketing much easier.

BW 30:12

So that's the main reason for the change, the name recognition that comes with being a bank?

PT 30:20

I could say this that's a positive thing. I knew Bruce Williams of Police Credit Union. He used to say to me, when we now go into police stations around New South Wales, instead of saying, well, I'm Ben, and I'm from Police Credit Union, and they sort of screw up their face instead I say, I'm Ben and I'm from Police Bank. Oh, there's a special bank for police officers. So, the name bank resonates with Australians very easily.

BW 30:54

Okay, what's the importance of mutualism? And is it still important?

PT 31:13

I'm still one of these old fashioned guys. I still believe in cooperation. I still believe in cooperatives. I still believe in not for profits. Some people think that's old hat. I think the problem is, when you start to have two masters, your mission becomes blurred. As a mutual you've only got one category of shareholder and that's your members. If you start to become a listed entity, then you've got your shareholders, you've got your customers and I think that blurs the lines of division. And I think it makes your job a lot more difficult.

BW 31:45

And how do you see the future? Do you think mutuals have a good future?

PT 31:54

It doesn't matter what sector of the business world you look at, the competition is tough, and it's getting tougher. In every business, there are new entrants or disruptors. You really can't say this business will be around for a long time. Credit unions have survived in Australia for about 80 years. Even when I joined 40 years ago, people used to say credit unions won't be around in five to ten years. Well, we're still there and you didn't need to be Einstein to know that there'd be less of us and there'd be more mergers. And I suppose that'll continue to be the case. But I hope in my lifetime, I never see a situation where there are no mutual financial institutions around because I still think they provide a much-needed service to Australians and delivered in a different form.

BW 32:42

Is there anything that they could do differently? Or perhaps they could have done differently in the past and into the future?

PT 32:55

I do have an answer to that and I've given it many times and I seem to upset people. At a Cuscal conference, 20-25 years ago there was a breakout session on credit unions and mergers. And I made a statement at the podium that got me into trouble. And I remember saying, wouldn't it be sensible if all of the teachers credit unions around Australia merged to form one big teachers' credit union? And wouldn't it make sense if all the various police credit

unions around Australia merged to make one big police credit union and the military one big credit union? Well, I mean, I realised what I was saying, but boy, the pushback was amazing. And I came to understand, sadly, this may still be the case that some of the police credit unions in Australia see their counterparts interstate as competitors, some of the military, like the army doesn't like the navy. And so, the simple answer is, if we had cooperated more, I think we'd have bigger institutions in Australia – dedicated to police - dedicated to fire fighters. But that didn't happen. And some of the mergers, as far as I can tell, in terms of bond and category of members really didn't make a great deal of sense. And even though this is very controversial to say, there were some people out there who were just into growth for growth's sake and that saddened me, and it continues. One of the things I'm proud of is that Gateway has never merged. You might say that's a very strange thing to say Paul. I didn't say we didn't have merger discussions. I never said to you, we weren't looking to merge with others. A couple of things happened. First and foremost, those credit unions that we thought were a natural fit with Gateway and shall remain nameless, but we couldn't get the CEOs even to have a chat. And secondly, a couple of other credit unions that would've been a fit and I don't know how to say this nicely but we weren't going to get into a bidding war and the desire to grow from some boards and CEOs would be such that they'd put offers on the table that I just thought, look I don't know how they can put them on the table and I don't think they should be there and I'm not in a position to match them. I'm being a bit circumspect because I have to. What am I saying? In short, I don't think if you examine all the mergers over the last 40 years, you'd say all made sense. I know in a couple of cases, I saw mergers and I thought my god, credit union A has merged with credit union B, but frankly, credit union C would have been a much more sensible fit with credit union A, why didn't that happen? Sometimes what ought to happen and what does happen are two different things.

BW 35:38

So, you think, as people have said before, that mutuals need to maintain an identity so it's a natural fit for members?

PT 35:53

If you grew up in the era that I did, where there were bonds of association, a natural fit. At a very early stage, there was a credit union executive called Helen McIntyre and her husband, John. Everyone knew John and Helen, and Helen started working for a smaller state government credit union, and she pretty much gobbled them all up and it became State Government Employees Credit Union. I'm not critical of that, it actually made a lot of sense, in fact, she knocked on the door of Torrens for us to be part of her much bigger institution, but she was very focused on one category of member, state government employees. And that made sense and I commended her for that. But in the case of others, it was just gobble anyone up to get a critical mass to survive another year.

BW 36:40

Well, that's very interesting. Is there anything else that you'd like to say?

PT 36:49

Something very honestly, I thoroughly enjoyed my 43 years in banking and finance and 33 of those were in the broader mutual sector. I love credit unions. I have tremendous memories. I still think they are very, very needed institutions and it's my hope they continue to survive.

BW 37:08

Okay, thanks very much.