

MEDIA RELEASE

Mortgage broking industry takes lead on good customer outcomes

Representatives of Australia’s mortgage broking industry have prepared a landmark reform package that will improve consumer outcomes and confidence in mortgage broking.

The reform package is the result of unprecedented engagement between industry bodies, lenders, mortgage brokers and their representatives, aggregators, introducers, and consumer groups, who have worked together since May 2017 as the Combined Industry Forum, and follows consultation with regulators and Federal Government.

The paper is in response to the proposals outlined in ASIC’s Review of Mortgage Broker Remuneration, and takes into account the third party recommendations of the ABA’s Retail Banking Remuneration Review.

The industry has agreed on six principles that will be implemented to ensure better consumer outcomes and improved standards of conduct and culture, while preserving competition in mortgage broking:

- The standard commission model will avoid financial incentives that encourage consumers to borrow more than they need or will use, for example by basing commissions on facility draw down net of offset;
- Volume-based and campaign-based commissions paid by lenders and aggregators are recognised as raising potential conflicts of interest and poor customer outcomes and are expected to cease;
- Non-monetary benefits will only be given based on a balanced scorecard and good customer outcomes, and benefits given by lenders will be capped;
- Ownership models and commercial relationships will be made clear on all marketing materials, including websites, where ownership is greater than 20 per cent, so consumers have the right information to make informed choices;
- ASIC and consumers will be given clearer information on where loans are written, commissions paid and interest rates, to increase transparency and accountability in the industry;
- The industry will introduce an improved Governance Framework that monitors for, and identifies risks, and requires the industry to take action and continuously improve where issues are identified.

In drafting these reforms, the industry has also for the first time set a standard definition for ‘good customer outcomes’, which looks at the size and structure of the loan, affordability, responsible lending requirements and individual customer needs.

Combined Industry Forum Chairman Anthony Waldron said the release of the report this week was a significant milestone and laid clear foundations for industry-led transformation.

“We are genuine in our commitment to not only meet the proposals put forward in ASIC’s review of mortgage broker remuneration, but to raise the bar on the expectations of stakeholders from all corners of the industry,” Mr Waldron said.

“We hope to lead by example by taking a proactive position in those areas where our industry has the opportunity to deliver even better customer outcomes.”

Combined Industry Forum Deputy Chairman Mark Haron said: “For a diverse range of key stakeholders to come together to deliver a meaningful package of industry-led reform is unprecedented in the financial services sector. The mortgage broking industry introduced true competition to Australia’s lending landscape



and this, in itself, has delivered vastly better outcomes for consumers. With that said, there will always exist areas for continued improvement in any industry and the measures set out today mark an important step in setting a new and superior standard in mortgage broking.”

Australian Banker’s Association Deputy CEO Diane Tate said: “We have put customers at the centre of this important package of reforms. The industry will be holding itself to a new standard, set higher than the law requires, when assessing good customer outcomes. The banking industry is committed to implementing this reform package, and to monitoring the impact of the reforms to ensure they are delivering benefits for customers.”

MFAA CEO Mike Felton said: “It has been tremendous to be a part of an industry that has united in its commitment to ensuring that broker remuneration is targeted at promoting strong consumer outcomes and the sustainability of our industry. It is a credit to all industry participants and representatives that they have embraced the task of self-regulation and delivered this suite of genuine reforms in such a timely and comprehensive manner.”

FBAA Executive Director Peter White said: “The undertakings and endeavours of the Combined Industry Forum has been an extensive exercise in co-operation and mutual respect between those who are not always necessarily aligned on matters. It has been a rewarding time to see how we as an industry and competitors can work together for the good of an industry we hold dearly, and to ensure good consumer outcomes are continued to be maintained by our actions. It is an honour to be a part of this group and the journey will continue into the future as we continue to work with government and our regulators on these outcomes.”

Australian Finance Industry Association (AFIA) CEO Helen Gordon said: “Our members are focused on financing Australia’s future including for home ownership and investment. Mortgage brokers play a pivotal role in facilitating consumer choice and access to that finance. AFIA has welcomed the opportunity to work through the Combined Industry Forum with key industry players to propose action to address consumer risk areas raised by ASIC, while enabling home buyers to continue to have access to a competitive mortgage market.”

Customer Owned Banking Association (COBA) CEO Michael Lawrence said: “The Combined Industry Forum has focused on improving outcomes for consumers and this package of measures is aimed at delivering on that objective. The broker channel is a big segment of the home loan market, with brokers representing more than 50 per cent of home loans written.”

The Combined Industry Forum will report on its ongoing progress to ASIC, Treasury and the Government on a regular basis.