

## HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

### REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS - FINANCIAL ADVICE SECTOR

#### Australian Finance Group Ltd (AFG)

**AFG01QON:** **Dr LEIGH:** You don't seem to share my concern about this issue – my fear that this is a part of the standard which could well be breached. Commissioner Sean Hughes suggested the problem is a big one for the best interest duty. Simply putting it into a webinar doesn't cut it, in my view. Have you got any statistics on the incidence with which brokers turn away customers not because they wouldn't be getting any loan but because they should be getting it via someone else?

**Mr Bailey:** No, we would not have that information.

**Dr LEIGH:** It would be incredibly rare, though, wouldn't it? We're talking about snowflakes in hell.

**Mr Hewitt:** We don't know the answer to that.

**Dr LEIGH:** Can you undertake to get some evidence on this, to do some internal inquiries and find out the number of times in which this has happened and some denominator for that trigger?

**Mr Bailey:** We can attempt to. It's probably something we haven't been able to track at this point in time, but it's something we can consider, moving forward, in terms of how we can try and track and measure that statistic. We will go back and look at our statistics and systems and see if there is anything that could be indicative. At this point in time, we don't have that data available.

**Answer:** AFG notes that Regulatory Guide 273: *Mortgage brokers: Best interests duty* released by ASIC on 24 June 2020 (**RG 273**) (issued just six days before the standing committee) provides updated guidance on the issue raised in Dr Leigh's question relating to the range of credit providers and products available to mortgage brokers. The relevant paragraphs of RG 273 are set out below.

**RG 273.112.** As a mortgage broker, you must be satisfied that the credit products you can access and recommend are sufficient to allow you to act in your consumers' best interests. Having an awareness of the products and features that are available in the market, and periodically comparing them to those you can access and recommend, may help you to determine whether your panel and accreditations are sufficient for you to act in your consumers' best interests.

**RG 273.113** You should be accredited with a reasonably representative panel of credit providers. The number of credit providers on your panel may vary, including based on the market you operate in. For example, if you operate in a market with fewer credit providers and products, your panel may be smaller. We expect that you will use your judgement to determine whether the composition of your panel is sufficient to meet your consumers' best interests.

**RG 273.114** You are not necessarily required to recommend a specific product outside your panel. If a consumer is interested in a product from a credit provider that is on your aggregator's marketing material, but you do not have access to that provider, you should tell the consumer this.

**RG 273.115** If you are not satisfied that the products and credit providers you can access and recommend will allow you to act in a consumer's best interests, you must not provide credit assistance to that consumer. In declining to provide credit assistance, it may be helpful to refer the consumer to another mortgage broker who would be better placed to assist them.

AFG's view is that the onus is on the aggregator to provide its brokers with access to a lender panel sufficient to meet consumers' best interests.

Noting that the mortgage broker best interests duty laws do not come into effect until 1 January 2021, AFG does not currently maintain records of instances where a mortgage broker has referred a customer to another mortgage broker or has turned a consumer away because their lender panel composition did not allow them to act in the consumers best interest.

A core pillar of AFG's business model is providing choice for brokers and their customers by retaining and expanding the number of lenders, especially non-major lenders, on its lender panel. AFG currently has 42 lenders on its residential lending panel.

We do, however, permit credit representatives operating under AFG's credit license, with our approval, to submit loan applications outside of our panel. Last financial year we approved 28 such requests to the total value of approximately \$10M in loan applications.

AFG accredited brokers operating under their own or someone else's credit license are free to deal with lenders outside of AFG's panel and submit loan applications directly with those lenders.