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The account switching facilitation package

Introduction

4.1 The Australian Government advocates that while competition in the banking sector has improved over the last decade or so, more could be done to encourage and improve competition in this sector, in particular, removing impediments to competition from new and existing providers. Any improvements to competition in the banking sector would lead to improvements to the financial products on offer and ultimately provide better value for consumers.[1]

4.2 Improving the ability of personal banking customers to switch accounts is an obvious way to improve the competition between suppliers of financial products.

4.3 Internationally, assisting consumers to switch accounts between financial institutions has gained attention and support from the Organisation for Economic Cooperation and Development (OECD)[2] and the European Commission[3] (EC).[4] Both organisations have found

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1 Treasury, *Submission no. 32*, pp. 10-11.

2 The OECD was established by treaty in 1961 and currently has 30 member countries. The OECD collects country economic and social information including monitoring trends, conducting research and examining patterns in areas such as trade, the environment, agriculture, technology and taxation. OECD, viewed 22 October 2008, <www.oecd.org>.

3 The EC was established by treaty in the 1950s and is the executive arm of the European Union, responsible for implementing the decisions of the European Parliament and the Council which includes managing the routine of business of the European Union,

that there is 'scope to enhance competition by helping customers to more easily move between providers.'[5]

4.4 The switching rate in Australia's transaction account market is approximately three percent. This represents about half that of the United Kingdom of Great Britain (UK) and is below the European Union[6] average.[7]

4.5 Members Equity Bank (ME Bank) stated that most bank customers are unhappy with their bank, but find it difficult to exercise personal choice and switch banks. ME Bank stated:

> The average consumer in the Australian banking system is unhappy as publicly available data shows, but they are not switching, it must be too hard. If people are unhappy with their carrier in their mobile phone service they switch. Almost every other industry has higher satisfaction ratings and that is why we get this phenomenon called bank bashing. What I really support is policy intervention to make sure that it is easy for people to switch so that they can exercise the choice when they are dissatisfied.[8]

4.6 Professor Joshua Gans summed up the crux of the argument for facilitating switching and the cascading benefit of greater consumer choice creating greater competition in the personal banking sector, stating:

> It is not a matter of rocking in to a new bank and taking advantage of a deal, let alone trying to investigate and work out what is best for you. It would be a lot of work. Moreover, for what return? When it comes down to it—especially now—we do not have too many options regarding different pricing models and different things from the major banks. Would

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implementing its policies, running its programs and spending its funds. EC, viewed 22 October 2008, <http://europa.eu/institutions/inst/comm/index/_en.htm>.

4 Treasury, *Submission no. 32*, p. 11.

5 Treasury, *Submission no. 32*, p. 11.

6 The European Union (EU) was established in 1992 by the Maastricht Treaty and is the economic and political partnership of 27 democratic signatory European countries operating under the Euro currency. Governance of the EU includes the European Commission, the Council of the European Union, the European Parliament, the European Court of Justice, the Court of Auditors, the European Economic and Social Committee, the Committee of the Regions, The European Central Bank and the European Central Bank. EC, viewed 22 October 2008, <http://Europa.eu>.

7 Ms E Freeman, CHOICE, *Transcript*, 21 August 2008, p. 75.

8 Mr A Wamsteker, Members Equity Bank, *Transcript*, 19 September 2008, p. 66.

> you get a sufficient amount of return to make that switch? It is unclear. That is part of the problem as well. But without the potential for it, the market cannot do its job. So really there is a value to spur of the moment ability to switch between providers that can keep people disciplined. We have it more or less now in telecommunications; we have had it for years in your corner store, your petrol station or anything like that. As we get more and more stuff being relied upon—and it is an increasing problem with the banks—I think we need to look at it now, because basically there is a web of interlocking transactions that you need to move now in order to switch banks, and that is difficult, not to mention the spectre of things like exit fees on mortgages and so on.[9]

Account switching

Background

4.7 In late 2006 on the request of the then Treasurer,[10] the Australian Payments Clearing Association (APCA)[11] set about devising and coordinating the implementation of an 'Account Switching Facilitation Package' (the Switching Package).

4.8 The need for a switching package evolved from an initial investigation conducted by the Australian Bankers' Association (ABA) into the barriers encountered by consumers wanting to change their financial institution. ABA's report found that there were no structural or financial barriers to switching. Rather, barriers to switching were created by the 'perceived hassle of changing accounts due to the large number of steps taken' to switch between financial institutions.[12]

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9 Professor J Gans, *Transcript*, 21 August 2008, p. 73.

10 Hon Peter Costello MP.

11 The Australian Payments Clearing Association was established in 1992 and is the Australian payments industry's principal self-regulatory body and the primary vehicle in Australia for collaboration within the payments industry. APCA is tasked with improving 'the safety, reliability, equity, convenience and efficiency of the Australian payments system. APCA achieves this through industry self-regulation and standards; industry change management and industry policy development and advocacy.' APCA, *Submission no. 43*, p. 1.

12 Australian Payments Clearing Association, *Progress Report on Implementation of an Account Switching Facilitation Package*, 2 April 2008, p. 4.

4.9 To resolve the time and effort experienced by potential switchers, the ABA suggested investigating the option of establishing a central account registry as a repository of financial consumers' direct debit and credit arrangements. In addition to this option, the Treasurer asked the ABA to consider alternative options to 'facilitate the portability of direct credit and debit arrangements.' [13]

4.10 In late 2007, APCA issued a discussion paper in response to the then Treasurer's request which explored switching options for Australia.

The account switching reform agenda

4.11 The Switching Package was announced in early 2008, following public consultation undertaken in 2007 and subsequent discussion between the Treasury, ABA, Abacus Australian Mutuals (Abacus) and APCA.[14]

4.12 The aim of the Switching Package is to improve the efficiency and ease of changing or switching transaction accounts for financial consumers and, in the process, encourage competition.[15]

4.13 The Switching Package specifies that:

- 'the old financial institution will provide a list of the customer's direct debit and credit arrangements over the past 13 months to the customer in order to facilitate the establishment of the arrangements for the new account';
- 'the new financial institution will provide the customer with information and support to help the customer make the switch. If requested by the customer, the new financial institution will assist in notifying the billing or crediting organisations of the new direct debit and direct credit arrangements';
- 'the service will be supported by obligations in industry codes of practice. This will include obligations concerning timeliness and to provide information to customers on how to avoid exception fees, and to deal fairly with customers throughout the account switching process;

13 Australian Payments Clearing Association, *Progress Report on Implementation of an Account Switching Facilitation Package*, 2 April 2008, p. 4.

14 Australian Payments Clearing Association, *Progress Report on Implementation of an Account Switching Facilitation Package*, 2 April 2008, p. 2.

15 Australian Payments Clearing Association, *Submission no. 43*, p. 1.

- APCA is also supporting the efforts of financial institutions by:
  - ⇒ developing generic information and support material for customisation by financial institutions in supporting consumer account switching; and
  - ⇒ developing a costed project plan and member proposal for a database to capture and maintain debit user contact details to facilitate account switching, with an obligation on sponsoring financial institutions to provide this information.
- APCA, through its Low Value Payments Industry Direction Project, will ensure that convenience of switching direct debit and credit arrangements is considered in the development of future payment system proposals.'[16]

4.14 Due to its responsibility for the Bulk Electronic Clearing System[17] (BECS) and the benefit of being able to draw on its extensive membership, APCA undertook to coordinate a consultation process and devised the subsequent Switching Package. The exercise was conducted over four phases: scoping, planning, development and implementation.[18] The scope of the account switching package would be limited to personal transaction accounts and does not include:

- transaction accounts not owned by a personal customer eg. business accounts;
- direct debit and credit arrangements not processed through BECS;
- direct debit and credit arrangements on credit card accounts;
- transactions conducted using the 16 digit scheme debit card number; and
- closing of the customer's current transaction account.[19]

16 Australian Payments Clearing Association, *Submission no. 43*, pp. 1-2; Australian Payments Clearing Association, *Progress Report on Implementation of an Account Switching Facilitation Package*, 2 April 2008, pp. 2-3.

17 The Bulk Electronic Clearing System is the main method used for the processing of direct credit and debit transactions within Australia. APCA, *Progress Report on Implementation of an Account Switching Facilitation Package*, 2 April 2008, p. 2.

18 Australian Payments Clearing Association, *Progress Report on Implementation of an Account Switching Facilitation Package*, 2 April 2008, p. 5.

19 Australian Payments Clearing Association, *Progress Report on Implementation of an Account Switching Facilitation Package*, 2 April 2008, p. 6.

4.15 Since late 2007, APCA has produced four interim reports on the status of the implementation process. The Switching Package was implemented on 1 November 2008.

4.16 Until the Switching Package was implemented, interim arrangements had been left up to individual financial institutions to manage and were not reported on.[20]

4.17 The Treasury commented that the current Switching Package is a significant step forward, will empower consumers and is tailored to Australia's payment system.

> The current switching arrangements have been very much designed to fit within Australia's current payment system architecture. That is important. They are a significant advance on the current arrangements. Some of the banks have had arrangements in place, but the winning bank,—I guess you would call it—has maybe had a switching pack in place that assists a customer who has come into them to switch. However, this will impose obligations on the losing bank to get all the direct debit and credit arrangements for the customer. The customer then goes to the new bank, and they are under an obligation if the customer requests to re-establish all those direct entry arrangements. That is a significant step. Once it is in place from 1 November, the obligations will be contained in what is called the bulk electronic clearing system regulations of the Australian Payments Clearing Association. Consumer complaints can be actioned through what is now the financial ombudsman service. There will be some bite to them. It is a significant advance. It is really looking to address that consumer inertia problem or the hassle that has been identified not only in Australia but also internationally.[21]

4.18 In addition to the Switching Package, the government is advocating changes to other elements related to competition in the personal banking sector. This includes simplifying the products available, improving product disclosure requirements[22] and, through the Australian Securities and Investments Commission (ASIC), investigating mortgage entry and exit fees.

20 Australian Payments Clearing Association, *Progress Report on Implementation of an Account Switching Facilitation Package*, 2 April 2008, p. 4.

21 Ms K Wijeyewardene, Treasury, *Transcript*, 14 August 2008, p. 34.

22 Treasury, *Submission no. 32*, p. 11.

Card scheme inclusion

4.19 Including card schemes in the switching process would have the benefit of creating greater flexibility for consumers and promote competition. In many cases, mortgage holders also have credit cards with their mortgage provider and so may believe they are locked into a particular card scheme as a result.

4.20 In March 2008, APCA invited card schemes to identify ways to facilitate easy switching of 'direct debit and credit arrangements made through credit and debit cards'. The Treasurer also urged card schemes to participate in the 'switching' process. APCA has since held discussions with Visa International and Mastercard to facilitate the process. [23] Diners Club and Amex have also indicated their interest in participating.[24]

4.21 Abacus commented that there is already significant switching between card schemes with 35 percent of credit cards switched within three years. Abacus commented:

> In terms of the credit card question, I think one of the key issues to remember is that in fact there is already quite a degree of switching within the credit card market. Datamonitor put out a report quite recently that suggested about 35 per cent of credit cards are switched within three years, so that is a fair degree or proportion of credit cards. It is also important to remember too that in the credit card space there are some issues around the card schemes, and their ability to get the card schemes to come on board with account switching proposals. I guess the point there is that the implementation issues do not all sit with financial institutions. There are some card scheme issuers there as well. And the APCA working group that has been working on account switching has been engaged with the card schemes to see what is possible in that space.[25]

23 Australian Payments Clearing Association, *Second Progress Report on Implementation of an Account Switching Facilitation Package*, 30 April 2008, p. 3.

24 Mr C Hamilton, Australian Payments Clearing Association, *Transcript*, 21 August 2008, p. 30.

25 Mr M Degotardi, Abacus Australian Mutuals, *Transcript*, 21 August 2008, p. 8.

Progress on the switching package

4.22 The Switching Package was implemented on 1 November 2008.[26]

4.23 In addition to arriving at a Switching Package, APCA monitored the switching progress of participating members through member's regular reporting.[27]

4.24 APCA stated that during the consultation process that it addressed new issues that arose resulting in continuous improvement.[28]

4.25 APCA has indicated that the success of the Switching Package will depend on the third parties that 'generate regular payments to and from consumer accounts through their own financial institution.'

Conclusions

Card scheme inclusion in the switching regime

4.26 The committee supports the combined effort of the government and APCA to encourage card schemes to participate in the new switching regime.

4.27 The committee accepts that it is relatively easy for consumers to switch between card schemes. However, the committee notes that a consumer that holds a mortgage may also hold a credit card with the same mortgage provider and so may feel inhibited from switching between card schemes.

Recommendation 6

4.28 **The committee recommends that consideration be given to including card schemes in the Account Switching Package.**

26 Australian Payments Clearing Association, *Fourth Progress Report on Implementation of an Account Switching Facilitation Package*, 31 August 2008, p. 5.

27 Australian Payments Clearing Association, *Fourth Progress Report on Implementation of an Account Switching Facilitation Package*, 31 August 2008, p. 5.

28 Mr C Hamilton, Australian Payments Clearing Association, *Transcript*, 21 August 2008, p. 25.

Account number portability

4.29 The idea of account switching is gaining momentum in Australia with double-digit growth annually of electronic direct debit and credit transfers. This is because the use of electronic payments is relatively easy to establish and use and available through any financial institution.[29] It is in this environment that the prospect of gaining greater efficiency through the portability of account numbers is being considered.

4.30 Portability of an account number relates to a customer's ability to retain a particular number which identifies a particular account (or their account number) when moving from one financial institution to another.

4.31 Proponents of account number portability argue that the added benefit of moving towards account number portability will provide flexibility for consumers and improve competition across the personal banking sector.

4.32 The Switching Package has been engineered around BECS and any measures to introduce account number portability would mean making changes to the present payment system.

Australia's Bulk Electronic Clearing System

4.33 Australia's BECS was established in 1994 and is the 'unified self-regulatory framework for the exchange and settlement of direct credit and debit transactions amongst banks, building societies and credit unions.'[30]

4.34 BECS allows Direct Entry Users (DE Users) to electronically credit and debit large numbers of accounts regularly. DE Users are those business or personal entities given permission to credit or debit a person's account through their financial institution. DE Users include 'businesses offering repayment facilities, bodies such as health insurance companies offering monthly repayments of premiums or employers paying salaries to employees.' [31] As at June 1997, more than

29 Mr C Hamilton, Australian Payments Clearing Association, *Transcript*, 21 August 2008, p. 26.

30 Australian Payments Clearing Association, *Payments Industry Consultation Paper: Aspects of Account Switching*, September 2007, p. 6.

31 Australian Payments Clearing Association, *Payments Industry Consultation Paper: Aspects of Account Switching*, September 2007, pp. 6-8.

219 000 organisations were registered as DE Users. Currently, direct credit and debit transactions account for 32.1 percent of total non-cash retail transactions and 81.5 percent in value.[32]

4.35 BECS has evolved to be used for internet and telephone banking transactions and is 'considered to be highly cost-effective and an efficient mechanism for handling high volumes of mostly low value electronic payments.'[33]

4.36 BECS operates through 'a decentralised infrastructure with payments bilaterally exchanged through computer links between financial institutions.' This is different to countries such as the UK, the Netherlands and New Zealand where credit and debit transactions are processed through a 'central processing switch'.[34]

4.37 The differences between a decentralised and a centralised payments structure and the resulting impact on enabling switching is further discussed in relation to account number portability and the proposal for the establishment of a central account registry.

Account number ownership

4.38 The process of taking your account number with you when changing financial institutions has been compared to the process that exists when a mobile telephone customer changes telecommunication providers and opts to keep their telephone number.[35]

4.39 APCA was of the view that it is not appropriate to compare the process that introduced mobile telephone number portability to that of account number portability as the telecommunications industry is very different to that of the retail-banking sector.

4.40 APCA stated that creating account number portability is complicated and costly and as stated by Abacus would involve changes to the current Bank State Branch (BSB) number system, which is used to identify various parts of an institution. Further, APCA stated that there would have to be changes to an individual institution's software

32 Australian Payments Clearing Association, *Payments Industry Consultation Paper: Aspects of Account Switching*, September 2007, pp. 6-8.

33 Australian Payments Clearing Association, *Payments Industry Consultation Paper: Aspects of Account Switching*, September 2007, p. 8.

34 Australian Payments Clearing Association, *Payments Industry Consultation Paper: Aspects of Account Switching*, September 2007, p. 9.

35 *Transcript*, 21 August 2008, pp. 30 and 64; Members Equity Bank, *Transcript*, 19 September 2008, p. 57.

systems creating an initial cost for a large number of private and public entities. APCA stated:

> In Australia the BSB number is part of the identity of the relevant part of the institution. It is used for cheque clearing; it is used for a great many internal processes. The entire financial systems of the institution—it varies from institution to institution—are quite often built around the fact that their business is organised into BSBs as it were, so it is much more fundamental than routing payments. [It is] … like a post code. It is more like saying that that is where to send this particular payment and it is used for a whole bunch of other purposes. If you want to move houses, asking to take your post code is challenging and does not make a huge amount of sense. … the reality is that one has to look at the underlying structure rather than look at the amount.
>
> In terms of the number of digits mobile phone numbers basically all had the four-digit prefix and then the six digits following that. Account numbers actually had different lengths with different financial institutions. Immediately there you start to create problems in terms of the numbers of individual characters. Quite often financial institution software is built around those specific protocols. If an institution says that a certain type of account number is a certain length, then the systems will only be able to deal with that certain length of an account number too. Again, that is quite often built into the software of people who may pay into that bank as direct credit users.
>
> For instance, government agencies that pay into accounts in those organisations or businesses or employers who pay into those accounts are likely to have software that is set up to say that if the BSB identifies a certain financial institution then the length of the account number will be eight numbers, nine numbers or 10 numbers. So right there you have to start thinking about rewriting all of that software and making those changes, which again—and I think this is the important point that we need to realise—is not just about banks flicking a switch. It is also about getting government agencies and employers to spend a lot of money on their own systems to make sure that they can pay into bank accounts for

> individuals, whether it is government benefits, wages, salaries et cetera.[36]

4.41 In contrast to the previous views about potential problems with account number portability, Professor Gans is a proponent of account number portability and found that portability would enable efficient switching and promote greater competition between financial institutions. Account number portability would mean giving consumers 'ownership' of their account number.[37]

4.42 Professor Gans advocated that the cost of setting up a system to support account number portability should not be an impediment to the process and cites the example of the costs encountered when mobile telephone number portability was implemented. Professor Gans stated:

> The chief objection that comes up is: it is going to cost a fortune; think of what it will do to us. Let me react to that in two dimensions. First of all, that is exactly what the telecommunications companies told us. They told us it was going to cost billions of dollars and would pretty much make Telstra, for instance, bankrupt if it were imposed without subsidisation costs, people being charged for the move and so on. Government said, 'Forget it. You'll do it anyway.' It did not even show up on their balance sheets; it was literally another line in the database, as it turns out. At the moment we have ACCC sanctioned and authorised standard-setting bodies for working out cooperative deals on payment systems and electronic transfer and all those things. These cooperative arrangements have been a hallmark of the banking system forever. The banks can do it in much the same way. I would be willing to take the punt that it is not going to cost them very much at all if they are forced to do it.[38]

4.43 ING Direct also favoured account portability as a means to allow for easy switching and highlighted the ease of switching between superannuation funds as an example.

> I always refer to a far more significant one in superannuation. I could—I wish!—potentially transfer hundreds of thousands

36 Mr C Hamilton and Dr B Pragnell, Australian Payments Clearing Association, *Transcript*, 21 August 2008, pp. 29-30.

37 Professor J Gans, *Transcript*, 21 August 2008, p. 64.

38 Professor J Gans, *Transcript*, 21 August 2008, p. 65.

> of dollars by giving an authorisation to one of the funds managers to transfer to the other, as easily as snapping my fingers. Yet switching my gym membership is far more difficult. I think there is an irony there.[39]

4.44 One option put forward to simplify 'switching' was to create a central account registry independent of any financial institution.

Portability of account numbers in the UK

4.45 Within Australia, there is support for the UK model that provides for portability of account numbers.[40]

4.46 In Australia, a customer that changes financial institutions is responsible for notifying the DE User of the change as the DE User holds the customers authority for crediting or debiting their account.

4.47 Compared to Australia the UK has an inverse relationship between the DE User and the customer's financial institution. The UK system provides that the customer's financial institution holds the customer's authority.

4.48 BankWest advocates that adoption of the UK system would allow for greater efficiency in notifying DE debit users of any changes in account details.[41]

4.49 Abacus counters this view by stating that the UK system creates inconvenience for customers at the front end of the process instead of at the back end of the process. Further, Abacus was of the view that adopting the UK system may make it more difficult to establish financial transactions as the current Australian system for account identifiers would have to be changed. Abacus stated:

> …there are more things to be considered, I guess, than just the difficulty of changing direct debits at the end of the day. In the UK example, for instance, to set up a direct debit you have to go to the bank and the merchant, and that is a bit of a pain for consumers at the front end. What we would hate to see is that proposals to make it easier to switch accounts in

39 Mrs L Claes, ING Direct, *Transcript*, 16 October 2008, p. 6.

40 Bank of Western Australia Ltd, *Submission no. 29*, p. 9; Professor J Gans, *Submission no. 2*, p. 2.

41 Bank of Western Australia Ltd, *Submission no. 29*, p. 9.

> fact make it hard to set up financial transactions generally in the first place.[42]

A central account registry

4.50 During the course of its investigation into switching, APCA reviewed switching arrangements in place in countries where clearing and settlement of direct credit and direct debit occur via a central processing switch such as in New Zealand, the Netherlands and the UK (unlike Australia which has a bilateral arrangement).[43]

4.51 An extension of Australia's Switching Package has been suggested through investigation into the establishment of a central account registry similar to the Dutch *Interbank Switch Support Service*.[44]

4.52 BankWest justified establishing a central account registry, as 'in turn this would facilitate the portability of' account switching and promote competition.[45]

4.53 Professor Gans cited the telecommunications industry as the forerunner for implementing number portability and efficient switching between providers, thereby improving competition through a central registry type arrangement.[46]

4.54 In response to the proposition of establishing a central registry, APCA stated that it would be very costly because of the difficulty in transmuting Australia's BECS. APCA argued that BECS operates in a different way to that of the European payment system and cannot be compared. APCA stated:

> The other observation to make—and I think this has been made to you several times—is that the structure in most European payment systems is quite different from the structure here. It is neither better nor worse—both have strengths and weaknesses—but the reality is that that makes a central registry framework here harder to implement and

42 Mr M Degotardi, Abacus, *Transcript*, 21 August 2008, pp. 8-9.

43 Australian Payments Clearing Association, *Payments Industry Consultation Paper: Aspects of Account Switching*, September 2007, pp. 12 and 14.

44 Bank of Western Australia Ltd, *Submission no. 29*, p. 10; Professor J Gans, *Transcript*, 21 August 2008, p. 65.

45 Bank of Western Australia Ltd, *Submission no. 29*, p. 9.

46 Professor J Gans, *Transcript*, 21 August 2008, p. 64.

> ratchets up the cost side of the equation a little bit. There is no question that that is a solution which can be looked at, and indeed it was looked at. Our judgement was that a similar level of benefit, if you like, could be obtained from a much more cost-effective implementation—one, importantly, which was cost-effective not only for financial institutions but also for that very large number of business and government users of the payment system.[47]

4.55 APCA noted that the cost of the Dutch switching system cost approximately 10 to 20 million Euros for initial implementation and 2 to 3 million Euros per annum to maintain. Account number portability cost financial institutions in the range of approximately 500 million Euros. APCA made the point that setting up a similar system in Australia would cost far more than the set up costs for the Dutch system.[48]

4.56 APCA stated that the issue of a central registry had been investigated and that the current switching package was the best solution. APCA stated:

> The judgement of the group working on this was that there is a solution which is feasible here, which has a material improvement for consumers, which ameliorates the account-switching stickiness, if you like, and which does not have the same cost and inconvenience for the broad community. I am thinking not just about financial institutions, obviously, but also about that broad community of users of the system.[49]

4.57 The Treasury explained that a central registry option had been explored but was not practical because of the cost involved and the need to have merchant participation.

> The reason we did not go down that path was because of the way that direct entry arrangements are held in Australia. Direct debit and credit authorities are actually held by the merchants, whether it is your gym membership or whatever. They hold those arrangements. To establish a central registry would require not just the banks to be involved, but also

47 Mr C Hamilton, Australian Payments Clearing Association, *Transcript*, 21 August 2008, pp. 27-28.

48 Dr B Pragnell, Australian Payments Clearing Association, *Transcript*, 21 August 2008, p. 28.

49 Mr C Hamilton, Australian Payments Clearing Association, *Transcript*, 21 August 2008, p. 28.

> every merchant in Australia that holds direct credit and debit arrangements. That would be quite costly. They would have to voluntarily or compulsorily participate in this system. Potentially to do so would increase the cost of their services and increase the cost to consumers.[50]

4.58 Abacus[51] and National Australia Bank (NAB) were of a similar view to ME Bank in relation to the proposal for a central registry and recommended waiting to see the results of the Switching Package before proposing the establishment of a central registry. NAB stated:

> Our view would be that it is a little premature to be talking about what needs to be done beyond the current system because we are still going through the process of implementing the current changes. The formal process, of course, is not taking effect until 1 November. We have put in places, as other banks have, interim measures to make it easier for people to move their accounts between banks. The short answer would be, let us allow the system to get in place before we talk about what else needs to be done. There is no doubt that it is a complicated thing to do because of our structures, particularly with direct debits and the arrangements that are made with merchants, rather than directly with banks, but to change that is also a major re-engineering exercise involving a lot of banks and a lot of merchants who provide the direct debit services. We would hesitate before rushing into making those very fundamental changes. Our view would be to wait and see how the current system works before we embark on something a bit more ambitious.[52]

Electronic facilitation of switching

4.59 There were a number of proponents advocating moving to an electronic system of account information exchange. This would save time and effort and improve competition through efficiency of delivery of information.

50 Ms K Wijeyewardene, Treasury, *Transcript*, 14 August 2008, p. 34.

51 Ms L Petschler, Abacus Australian Mutuals, *Transcript*, 21 August 2008, pp. 9-10.

52 Mr S Munchenberg, National Australia Bank, *Transcript*, 19 September 2008, p. 7.

4.60 CHOICE was in favour of switching, wanted to see an automated or electronic system to facilitate the process, and advocated this as a role for the government.

> More broadly, we would like to see the banking industry commit to developing an automated system, one that means a consumer can make a single request to their new financial institution to change their payment details. The system should be free to customers and remove the risk of penalty fees applying as a result of problems with timing. A simple, consumer friendly, account switching system is essential for competition in the transaction account market. But, ultimately, if the industry cannot deliver simple switching then it is up to the government to step in to achieve that.[53]

4.61 ING Direct was also in favour of an electronic system to facilitate switching and stated:

> Rather than going through the triangle of transfer, the reforms APCA is recommending or that are to be implemented in November force banks to give a list of the debits and credits for the last 13 months. If that could be done electronically, with the customer's consent of course, to the incoming bank that would certainly oil the wheels of switching and open up competition in this very active space.[54]

4.62 ME Bank advocated the simplest approach would be to implement the Switching Package first and then move to a system where information could be exchanged electronically. ME Bank stated:

> I would go for the simplest approach first. To me, that is the simplest and most straightforward to start with. I think that will work in practice. It is very similar to being allowed to take your phone number when you change carriers. The banks have the data. You need to give them a bit of lead time for all of us to get it all together. We will, in the end, find a quick and convenient way to exchange it electronically and off you go.[55]

53 Ms E Freeman, CHOICE, *Transcript*, 21 August 2008, p. 75.

54 Mrs L Claes, ING Direct, *Transcript*, 16 October 2008, p. 3.

55 Mr A Wamsteker, ME Bank, *Transcript*, 19 September 2008, p. 57.

Conclusions

4.63 The committee acknowledges and supports the work undertaken by the government and industry to arrive at a Switching Package.

4.64 The committee accepts and supports that the Switching Package may assist consumers to exercise personal choice, thereby positively affecting competition in the personal banking sector.

4.65 The committee received conflicting evidence about the ease of implementing a system that would allow for account number portability. The committee acknowledges that account number portability would be very convenient for the consumer and would assist consumers to switch easily by cutting down the number of steps taken to execute a switch.

4.66 The committee accepts evidence, which suggests that a central account registry could improve the efficiency of switching between financial institutions, but also understands that there may be significant costs in moving from a bilateral to a more centralised system.

4.67 The committee would like to see an examination of the costs and benefits of implementing a system, which could support a more centralised account switching process which would allow financial institutions to undertake this process on behalf of the consumer. The committee also believes that privacy considerations need to be taken into account under such a model.

4.68 The committee is aware that Australia's payments system operates differently to that of the Netherlands. However, the committee would also welcome a thorough investigation of the costs and benefits of implementing a switching system similar to that of the Netherlands.

Recommendation 7

4.69 **The committee recommends that after 12 months in operation, the Treasury review the Account Switching Package with consideration being given to any areas in which it may be enhanced, including consideration of the costs and benefits of a more centralised account switching system, such as those in operation in the UK and the Netherlands.**

Other issues

ASICs review of mortgage entry and exit fees

4.70 In addition to examining switching, the Australian Government requested ASIC to review mortgage entry and exit fees and the information provided to customers about such costs.[56]

4.71 While not part of the Switching Package, entry and exit fees can create barriers to competition acting as a disincentive for consumers wanting to change from the financial institution providing their mortgage product to another with a better interest rate.

4.72 As part of its review, ASIC examined all fees applicable, for the first three years to an average home loan borrowed with a repayment life of 25 years. These fees included entry fees, ongoing monthly or annual fees, discharge fees and any early termination fees that may apply if the loan 'were terminated or refinanced just short of three years.'[57]

4.73 ASIC identified four types of mortgage fees that are charged: entry fees, ongoing fees, service fees and exit fees.[58]

Entry fees

4.74 Entry fees, which are loan set up charges imposed by the lender or broker, range from $0 to $1,760 and include:

- application fees – charged to consumers when they make a loan application;
- establishment fees – charged to consumers when the mortgage facility is created;
- valuation fees – charged to consumers for the valuation of their property;
- legal fees – charged to consumers for the preparation of necessary paperwork; and

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56 Treasury, *Submission no. 32*, p. 13.

57 Australian Securities and Investments Commission, Report 125: *Review of mortgage entry and exit fees*, April 2008, p. 2.

58 Australian Securities and Investments Commission, Report 125: *Review of mortgage entry and exit fees*, April 2008, p. 3.

- settlement fees – charged to consumers for the lender's attendance at the property settlement transaction.[59]

Exit fees

4.75 The lender charges exit fees if a mortgage is terminated or refinanced. There are three main types of exit fees:

1. **Early termination fees** (also known as deferred establishment fees or early repayment fees) are charged for variable rate loans terminated in the first five years and in some cases beyond this timeframe. Termination of the loan may be either through early repayment of the full loan or through refinancing with another lender. These fees can be a fixed dollar amount, a percentage of the original loan amount or a multiple of the standard monthly repayment. In addition, 'some lenders apply a sliding scale for early termination fees' or the earlier the termination during the life of the loan, the higher the fee.[60]
2. **Early termination fees** (also known as break costs) apply to fixed rate mortgages terminated before maturity. These fees are 'calculated by reference to the gap between the fixed interest rate and the prevailing market interest rate at the date of early termination over the remaining term of the loan.' Where a consumer terminating such an arrangement has a lower rate than the market rate, the break fee will be lower than a consumer who does the same, but where the fixed rate loan has a higher interest rate than the market interest rate.[61]
3. **Termination fees** (also known as discharge fees) apply for the discharge of a mortgage and include the 'release and update of the property owner's certificate of title.'[62]

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59 Australian Securities and Investments Commission, Report 125: *Review of mortgage entry and exit fees*, April 2008, p. 3.

60 Australian Securities and Investments Commission, Report 125: *Review of mortgage entry and exit fees*, April 2008, p. 4.

61 Australian Securities and Investments Commission, Report 125: *Review of mortgage entry and exit fees*, April 2008, p. 4.

62 Australian Securities and Investments Commission, Report 125: *Review of mortgage entry and exit fees*, April 2008, p. 4.

The Australian experience

4.76 In Australia, mortgage fees are higher than those charged in the UK and the United States of America (US). Recent turmoil in international credit markets has contributed to an upward trend in such fees. [63]

4.77 In its review, ASIC found from a report produced by Fujitsu Consulting and JP Morgan that 'Australian consumers are not always presented a clear picture when assessing mortgage products. There are a wide range of fee variations in the Australian market and consumers need to make a trade-off between interest rates and fees, with a lower headline rate having the potential to attract higher fees for application, valuation, legals and settlement.'[64]

4.78 In comparison to the UK and US, Australia has the lowest entry and discharge fees and the highest early termination fees. However, the difference in termination fees between Australia and the UK is attributable to the regulatory regimes operating in each country.[65]

4.79 ASIC found that where there is prevalence for refinancing, consumers could be disadvantaged with increases in higher fees and interest rates. Interestingly, ASIC also found that 'approximately two-thirds of refinancing in Australia involves no change of lender'.[66]

4.80 In Australia, consumers are faced with a complex raft of home loan products described in different ways, often creating difficulty[67] and confusion. Compared with the UK, Australia does not have a 'standardised nomenclature for the features of these products, particularly the fees.'[68]

63 Australian Securities and Investments Commission, Report 125: *Review of mortgage entry and exit fees*, April 2008, p. 21.

64 Australian Securities and Investments Commission, Report 125: *Review of mortgage entry and exit fees*, April 2008, pp. 10 and 16.

65 Australian Securities and Investments Commission, Report 125: *Review of mortgage entry and exit fees*, April 2008, p. 11.

66 Australian Securities and Investments Commission, Report 125: *Review of mortgage entry and exit fees*, April 2008, p. 13.

67 Australian Securities and Investments Commission, Report 125: *Review of mortgage entry and exit fees*, April 2008, p. 15.

68 Australian Securities and Investments Commission, Report 125: *Review of mortgage entry and exit fees*, April 2008, p. 15.

The impact of mortgage entry and exit fees on switching and competition

4.81 Consumers will only face the prospect of an exit fee when they choose to terminate their loan early. Depending on the saving that may be acquired versus the cost of the exit fee, consumers may decide not to switch to a better deal. This in turn would lock a consumer into a particular loan with a financial institution and where this situation is reproduced on a large scale in turn would negatively affect competition in the sector.[69]

4.82 ASIC found that exit fees range from $400 to just under $6,000 depending on the type of credit provider and in some cases exceeds this amount.[70]

4.83 The Consumer Action Law Centre (CALC) highlighted a recent case where one consumer did not switch to a better value mortgage because of the $14,000 exit fee that would have been incurred on switching.[71]

4.84 The RBA stated that the structure of Australia's mortgage fees was no better or worse than in other countries.

> … by international standards we have relatively high exit fees on mortgages but we have very low entry fees. That is just the way in which banks price things here. There are advantages and disadvantages in both systems.[72]

4.85 Further, the RBA stated that the mortgage fee structure operating in Australia is not an impediment to switching between mortgage providers. The RBA stated:

> …on international standards we have quite low loan establishment fees and we have relatively high exit fees. If you reduced the exit fees I do not think it would be unreasonable to assume that the entrance fees would rise. Ultimately, banks have to cover the cost of establishing the loan during the credit assessment origination and doing the legal work. In Australia they say to the borrower, 'At the beginning of the loan we will not charge you for those costs,

69 Ms E Freeman, CHOICE, *Transcript*, 21 August 2008, pp. 75-76.

70 Australian Securities and Investments Commission, Report 125: *Review of mortgage entry and exit fees*, April 2008, p. 9.

71 Ms N Rich, Consumer Action Law Centre, *Transcript*, 8 August 2008, p. 21.

72 Mr R Battellino, RBA, *Transcript, 14 August 2008*, p. 14.

> but if you leave us within a short period we will recoup those costs.' For some reason they were not able to do that. I do not think it is unreasonable that they would increase the loan establishment fees, which you would then have to pay if you went to the new borrower. I do not think that is an issue here because you will either pay it at the beginning or you will pay it at the end. If you switch you cannot pay it at the end; you will pay it at the beginning for the new lender. I do not really see that as a major issue. If you take the sum of the loan establishment fees and the exit fees, you find that, broadly speaking, they are in line with what we see overseas.[73]

4.86 ANZ made the point that the deferred establishment fee has not limited refinancing with new providers. ANZ stated:

> The prevalence of the deferred establishment fee in the mortgage market has not restricted the ability of customers to refinance to new providers. This is shown in data from the Australian Bureau of Statistics, which suggests that the proportion of all loans advanced accounted for by refinancing has remained around 30 per cent per month since August 2003.[74]

4.87 The RBA reiterated that significant switching is taking place adding that consumers' switch based on differences in interest rates rather than fees. Banks are conscious of this and concentrate their interest rates 'around a very narrow range' as a result.[75]

4.88 Treasury made the point that regulating entry and exit fees cannot improve competition, but rather competition can be improved through an informed consumer.

> … at the end of the day we want to get the best result for the consumer. Oftentimes regulation distorts markets and does not get the best result for the consumer. We have looked at a chart showing each of the banks' rates and tried to work out what is more competitive and what is a better price on these mortgages. The point is whether the consumers really understand what they are getting into. You would hope when

73 Mr R Battellino, RBA, *Transcript, 14 August 2008*, p. 14.
74 Mr M Rowland, ANZ, *Transcript*, 8 August 2008, p. 38.
75 Mr R Battellino, RBA, *Transcript, 14 August 2008*, p. 18.

> you are signing up for a mortgage, which is a substantial commitment, you really understand the fees and charges.[76]

4.89 Treasury added that a consumer should look at the whole loan package to ascertain whether they are getting the better deal. Treasury noted work undertaken by CANNEX and commented that it 'found that some products that did charge exit fees were actually better overall in their ratings compared to some that did not because of the balance of all the different features. It is not necessarily in fact that a product with an exit fee is not competitive or not a good product for a consumer.'[77]

4.90 Abacus advocated providing consumers with clear, upfront information would be beneficial.

> … we think that having a clear and upfront comparable outline of what fees you would incur in a number of set standard circumstances and bringing that forward in terms of disclosure for consumers would be a very beneficial outcome, and it would bring those issues that no-one wants to think about, with regard to things going wrong or trying to move later, to the forefront of the decision-making process.[78]

The social impact of entry and exit fees

4.91 The Consumer Credit Legal Centre of New South Wales (CCLC) drew attention to the hardship faced by financially vulnerable consumers. CCLC argued that a combination of the continuing US sub-prime crisis and Australia's lack of regulation relating to predatory lending were to blame.[79]

4.92 CCLC put the case that the lack of comprehensive regulation in relation to lending has allowed 'predatory lending to thrive at the fringes'.[80] This has encouraged practices where loans are targeted at financially vulnerable groups and are then loaded up with fees making repayment impossible. CCLC stated:

> This practice, sometimes referred to as equity stripping, involves luring potential borrowers in financial difficulty with the unrealistic promise of saving their home, placing

76 Mr J Murphy, Treasury, *Transcript, 14 August 2008*, p. 35.
77 Ms S Bultitude, Treasury, *Transcript, 14 August 2008*, p. 36.
78 Ms L Petschler, Abacus Australian Mutuals, *Transcript*, 21 August 2008, p. 7.
79 Consumer Credit Legal Centre, *Submission no. 33*, pp. 14-15.
80 Consumer Credit Legal Centre, *Submission no. 33*, p. 16.

> them in expensive loans on which they are destined to default and loading up the loan with tens of thousands of dollars of set-up and default costs, which are realised at the almost inevitable sale of the home.[81]

4.93 CHOICE stated that, in addition to such examples, because of interest rate rises some exit fees have almost tripled.[82]

4.94 The Wesley Mission found that the price of loan products did not necessarily drop when there was a decrease in the cost of funding for financial institutions. This was also contributing to the inequality faced by consumers.

> When I was a boy in a different country, when the chip shop put up the price of chips it was always argued: 'That's because the new potatoes have come in. They have to go up.' But when the new potatoes finished and we were back on the old the price never came down. I think that I learnt something about social justice through that that follows through in this whole area too. If in fact the cost of the money that is available to the banking institutions has dropped, it seems to me that to not pass it on, knowing that we face insuperable debt problems and social issues in Australia, is a case of injustice, and it has to be addressed—and it has to be addressed very soon.[83]

4.95 The Credit Ombudsman also highlighted the trap that people who are 'desperate' to purchase a home often fall into with entry and exit fees. In particular, the availability of high cost loans to those who may not wholly be able to afford a mortgage.

> One thing that we have noticed is that if someone wants a loan they will get it. There is no doubt about it. We see a lot of cases where people are quite desperate for a loan. We do have cases where the broker has actually said, 'You are not ready for this loan; don't touch it' and they move on to someone else. It is understandable that when someone is worried about the sheriff knocking on the door that they will try to refinance the loan. It is probably the worst thing they can do, because at the end of the day the repayments will be higher and the

81 Consumer Credit Legal Centre, *Submission no. 33*, p. 16.

82 Ms E Freeman, CHOICE, *Transcript*, 21 August 2008, p. 76.

83 Rev Dr K Garner, The Wesley Mission, *Transcript*, 21 August 2008, p. 56.

> costs will be higher because of the exit and entry fees and higher interest rates et cetera.[84]

4.96 The Credit Ombudsman identified consumers' financial illiteracy as a contributing factor to the financial hardship experienced by some consumers who enter into unsuitable loan arrangements.

> I suspect this is the whole problem. We are not financially educated in Australia through our school system. We see very often that we are dealing with people who have no idea how to read a bank statement. A lot of our complaints are as a result of people misunderstanding the processes, misunderstanding how things work in the conveyancing process and misunderstanding how things were calculated and things like that. So, to answer your question, I suspect that a number of people do not read their contracts, do not care to read them or do not understand them.[85]

Regulation of entry and exit fees

The Uniform Consumer Credit Code

4.97 In Australia, household lending is regulated through the Uniform Consumer Credit Code (UCCC). The UCCC does not 'apply to lending for the purchase of investment properties', so while the UCCC regulates the 'relationship between a borrower and lender' it does not apply to intermediaries such as mortgage and finance brokers.[86]

4.98 The UCCC allows for the imposition of fees and charges as long as they are 'authorised by, and disclosed in, the [mortgage] contract'. Exit fees are covered by section 72 of the UCCC which provides for the imposition of 'reasonable and proportionate fees or charges… to reflect the loss that credit providers suffer'.[87]

84 Mr R Venga, Credit Ombudsman, *Transcript*, 21 August 2008, p. 45.

85 Mr R Venga, Credit Ombudsman, *Transcript*, 21 August 2008, p. 46.

86 Australian Securities and Investments Commission, *Report 125, Review of Mortgage entry and exit fees*, April 2008, p. 21.

87 Australian Securities and Investments Commission, *Report 125, Review of Mortgage entry and exit fees*, April 2008, p. 21.

4.99 In addition to the UCCC, ASIC under its establishing Act 'has limited jurisdiction in relation to credit, but does not regulate disclosure in relation to mortgage products.'[88]

4.100 ASIC found that the UCCC is applied so that the sum of entry and exit fees is not required to be disclosed to the consumer at the time of entering into a loan contract.

> This disclosure regime appears to envisage a situation where the method of calculation of a fee payable under the loan contract, for example an early termination fee, is not ascertainable and therefore not able to be disclosed at the time of contracting.[89]

4.101 This includes that credit fees or charges and exit fees are not included in the mandatory comparison rate (which is included under Part 9A, Division 2 of the UCCC to 'assist consumers to identify the true cost of credit').[90]

4.102 ASIC noted that under section 72 of the UCCC, entry and exit fees are 'subject to challenge by the debtor or guarantor on the grounds that they are unconscionable'.[91]

4.103 To date only one case has tested the notion of 'unconscionability' as it applies to establishment fees (*Director of Consumer Affairs Victoria v City Finance Loans and Cash Solutions (2008), VCAT*). Justice Morris ruled that 'there is no implied obligation to refrain from charging an unconscionable establishment fee, rather, that a lender is at risk if it charges an unconscionable establishment fee.'[92]

4.104 ASIC suggested that there may not have been further cases testing 'unconscionability' as under the UCCC, state government consumer agencies have no power to make applications in relation to establishment or early termination fees.[93]

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88 Australian Securities and Investments Commission, *Report 125, Review of Mortgage entry and exit fees*, April 2008, p. 23.

89 Australian Securities and Investments Commission, *Report 125, Review of Mortgage entry and exit fees*, April 2008, p. 22.

90 Australian Securities and Investments Commission, *Report 125, Review of Mortgage entry and exit fees*, April 2008, p. 23.

91 Australian Securities and Investments Commission, *Report 125, Review of Mortgage entry and exit fees*, April 2008, p. 22.

92 Australian Securities and Investments Commission, *Report 125, Review of Mortgage entry and exit fees*, April 2008, p. 23.

93 Australian Securities and Investments Commission, *Report 125, Review of Mortgage entry and exit fees*, April 2008, p. 23.

Improving regulation

4.105 Interestingly, the Credit Ombudsman examined the issue of high mortgage exit fees through the Consumer Credit Code and found that in most cases high exit fees were justifiable because of the lack of economies of scale for smaller mortgage providers.[94]

4.106 The Credit Ombudsman advocated standardising the financial terminology used as a way for improving financial literacy.[95] The Wesley Mission[96] and CHOICE[97] reiterated this view. This issue is addressed in the following chapter.

4.107 Abacus questioned the high rates of some exit fees and has recommended that they be examined as barriers to switching.

> …it is difficult in some instances with those higher fees to see that there is a reasonable basis for them being charged at the levels that they are at. And we would encourage regulators to have a look at whether some of those fees and charges might be moving into the unconscionable realm. We think there are some opportunities to look at high-end fees where they are in our view operating as a definite brake on the ability of consumers to leave, particularly if you are looking at fees in some instances close to $10,000. That is a significant competitive brake.[98]

4.108 To combat any unfair lending practices, CCLC advocated implementing a 'comprehensive regulatory framework for all types of lending.' This would include 'licensing and conduct provisions and compulsory external dispute resolution.'[99]

4.109 CCLC argued that this approach would empower regulators 'to identify and exclude predatory conduct and other inappropriate conduct or product innovations that create unhealthy competitive pressure to decrease lending standards.'[100]

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94 Mr R Venga, Credit Ombudsman, *Transcript*, 21 August 2008, p. 45.
95 Mr R Venga, Credit Ombudsman, *Transcript*, 21 August 2008, p. 47.
96 Dr K Garner, The Wesley Mission, *Transcript*, 21 August 2008, p. 57.
97 Ms E Freeman, CHOICE, *Transcript*, 21 August 2008, p. 76.
98 Mr M Degotardi, Abacus, *Transcript*, 21 August 2008, p. 8.
99 Consumer Credit Legal Centre, *Submission no. 33*, p. 16.
100 Consumer Credit Legal Centre, *Submission no. 33*, p. 16.

4.110 CHOICE supported 'the introduction of unfair contract laws in the consumer credit market' as a way of 'challenging high early exit fees'.[101]

4.111 Since August 2007, the Ministerial Council on Consumer Affairs has been investigating, consulting and considering amendment to the UCCC. Amendments under consideration would allow for:

- review of interest, fees and charges;
- the ability of courts to take into account 'the objective of reasonableness of costs incurred in establishing or terminating a loan' where applicable;
- the term 'unconscionable' would be replaced with 'unreasonable'; and
- Government consumer agencies would be granted 'standing to represent the public interest, or individual debtors or groups of debtors.'[102]

4.112 Further, research has been commissioned 'into pre-contractual disclosure with the goal of developing a new disclosure model better addressing the needs of consumers'.[103]

4.113 Other areas where reviews and or changes have been suggested include: to unfair contract terms, mandatory comparison rates and the regulation of finance brokers and credit providers.

4.114 In addition to these, in December 2007, the Productivity Commission released a draft report on Australia's Consumer Policy Framework. The report suggests that government take responsibility for finance brokers and finance providers through adoption of the UCCC including the introduction of a 'licensing system for finance brokers and registration system for credit providers.'[104]

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101 Ms E Freeman, CHOICE, *Transcript*, 21 August 2008, p. 76.

102 Australian Securities and Investments Commission, *Report 125, Review of Mortgage entry and exit fees*, April 2008, p. 26.

103 Australian Securities and Investments Commission, *Report 125, Review of Mortgage entry and exit fees*, April 2008, p. 26.

104 Australian Securities and Investments Commission, *Report 125, Review of Mortgage entry and exit fees*, April 2008, p. 27.

Conclusions

4.115 The committee is uncertain whether there is a definite, across the board, negative impact on competition caused by the imposition of entry and exit fees on mortgage products.

4.116 The committee finds that it cannot draw this conclusion because different financial providers have very different financial products on offer, which may have either a high entry fee or a high exit fee. In the current financial environment, consumers are likely to be hit by either if switching.

4.117 The committee finds that the issue is complicated further as in the pre-implementation period of the Switching Package there is a high level of switching from one mortgage provider to another. The committee believes that the impact on competition will be evident only after the Switching Package has been in operation for a minimum of 12 months.

4.118 The committee was concerned at the level of fees that credit providers may 'reasonably' charge, which can lead to and has in certain circumstances lead consumers to default on their loan and lose their home. More disturbing is the fact that under the present regulatory environment, credit providers may have targeted vulnerable consumers creating consumer financial hardship.

4.119 The committee acknowledges that there is community concern about the current level of entry and exit fees on some mortgage products.

Recommendation 8

4.120 **The committee recommends that, as part of the adoption of responsibility for the regulation of credit and the introduction of a national consumer policy framework, the government consider mechanisms for making entry and exit fees more transparent and for addressing unfair entry and exit fees.**