

# Senate Standing Committee on Economics

## ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

Question No: AET 128

Topic: Exit Fees

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Senator Bushby asked:

**Senator BUSHBY**—I want to ask a few follow-up questions to the questions that were taken on notice. One of them was to do with exit fees, which my colleague Senator Cormann has already touched on in terms of the broader powers. I had asked whether ASIC had used any of the new powers that you have been provided with under the national credit code. You went through and outlined what you had done with exit fees, that you had put out regulatory guide 220, and what that approach was and so forth. What types of fees under that regulatory guide do you consider are reasonable?

**Mr D'Aloisio**—What we have done in the guide itself is to give the principles and some examples. I do not have the guide with me. Essentially we are saying that only losses caused by early termination can be recovered, that fees cannot be a source of profit and cannot be used to pay for general marketing or product development costs and cannot be used to punish borrowers who want to shift. We say that fees cannot result in double-dipping. So costs that are recovered through establishment fees cannot be recovered again through early termination fees. We give that sort of guidance when you look at each situation. So for us this guide is very much about saying to the industry: 'Look, this is a change in the law; this is a serious issue. You have to look at your processes'. Basically exit fees and termination fees are going to be unfair unless they meet the guidelines that I have just mentioned. Last month we commenced an industry review of early exit fees. We are writing to 20 major lenders, and we are going to assess over the coming months just how they have changed and how they are now complying with the changes. At the same time, we are working with industry, because it is a new area, to ensure that there is compliance with the new laws. Clearly, we follow up complaints that we receive. We have not received a lot as yet but we will follow them up as they come.

**Senator BUSHBY**—So you have not received many complaints?

**Mr D'Aloisio**—No. My notes say that we have not received many complaints. I do not have an exact number.

**Senator BUSHBY**—Would you mind taking on notice how many complaints you have received?

**Mr D'Aloisio**—Yes, I will.

**Senator BUSHBY**—You say that you are looking at the top 20 major lenders—  
**Mr D'Aloisio**—We are just saying 20 major lenders.

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Answer:

From 1 July 2010 until 28 February 2011, ASIC received 65 complaints in relation to exit fees on mortgages.