

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 194

Topic: Exit Fees

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Senator Bushby asked:

Senator BUSHBY: There are lots of things I would like to ask, but I am not going to have time to. At the last estimates, in answer to question on notice AET 128, Mr D'Aloisio noted that ASIC had commenced a review of early exit fees involving contacting the top 20 lenders to assess how exit fees had changed in response to ASIC regulatory guide 220. Where is that review currently at and do you have any results from that review yet?

Mr Medcraft: I am delighted that there is something for Mr Kirk.

Mr Kirk: The review is under way. We got data from all of those 20 lenders and analysed it. Because of different business models that different lenders had, that has led to some further questions. So we have gone back to a number of them for more data. That is in the process of coming in and being analysed. We would expect to have all of the information and do the analysis by July and probably get a report out soon after that.

Senator BUSHBY: From the preliminary findings that you have received, is it looking like lenders are changing their attitudes to exit fees in response to the regulatory guide?

Mr Kirk: Certainly there has been very significant changes to exit fees. Whether or not that is in response to the regulatory guide is a difficult question because, parallel to the regulatory guide, there has been the subsequent ban on exit fees. That is not in place, but in light of the fact that that is coming, an increasing number of lenders have gotten rid of their exit fees already. So it is very hard for us to say whether we caused or whether the coming ban has caused it.

Senator BUSHBY: The regulatory guide, though, applies to existing situations whereas the ban will only apply to new contracts entered into after 1 July, assuming it is all—

Mr Kirk: That is correct.

Senator BUSHBY: And that will be a ban, whereas this imposes fair contract terms, essentially, onto the use of exit fees. So there could be a different response by a financial institution to how it deals with those exit fees that will be ongoing and those exit fees from 1 July. Have you seen any evidence of that?

Mr Kirk: It is certainly open to institutions to have a different response for existing contracts as opposed to new contracts after July. At the moment, I do not know enough about the detail of the material we have had back to say whether they are making that distinction or whether, when lenders are getting rid of their exit fees, they are getting rid of them across the board.

Senator BUSHBY: I will ask more questions about that next time. In answer to question on notice AET 128, you noted that you had, up until 28 February of this year, received 65 complaints about exit fees. Can you update that number today?

Mr Kirk: I am not in a position to update that figure. I suspect, based on my own observations—and I would become aware of most of the complaints we get in that area—that has not greatly increased. We have not been getting large numbers.

Senator BUSHBY: Can you take it on notice and give me the actual figure?

Mr Kirk: I am happy to do that.

Answer:

As at 23 June 2011, ASIC has received 70 complaints in relation to exit fees.