

Responses to

INQUIRY INTO REGULATION OF PROPERTY INVESTMENT ADVICE

For the Parliamentary Joint Committee on Corporations and Financial Services.

The following responses are based on variations of extracts from responses to the questions asked by the MINISTERIAL COUNCIL ON CONSUMER AFFAIRS WORKING PARTY in their report on property investment advice 2004.

a) The effectiveness of current regulation

Current regulation is clearly ineffective as it does not prevent 'property spruikers', two-tier marketers and other unscrupulous organizations from consistently damaging the otherwise good name of a credible industry.

b) Whether it is appropriate for property investment advisers to simultaneously sell an interest in property and financial products enabling such purchases.

As long as the client has signed a document stating they are aware if the adviser is/ is not a qualified 'property and financial investment' adviser and if not, that they should first seek advice from someone who is.

c) Advantages and disadvantages of possible models for reform of the property investment advise industry including;

In our view any person advising on property investment in an official capacity should be qualified by undertaking a 'property and finance investment' course or stream that fits within the PS 146 guidelines similar to a stream in a current diploma of financial services. Anyone without the qualification who wishes to advise on any property investment or property related financial product needs to advise their client that they are not qualified, and the vendor or buyer would then need to sign an official form stating that they have been informed of such. They can then choose whether they wish to seek a qualified adviser before continuing or not.

The relevant training would need to be federally controlled as in PS 146 diploma of financial services. This would not affect the current status of real estate agents. They can choose to become a qualified 'property investment adviser' or refer their clients on if the client chooses to seek advice from someone qualified. It can also be stipulated that the adviser cannot provide alternative real estate agents.

The issues of stamp duty and other property related taxes must be considered when assessing the reasons why property as a product and ultimately an investment product is still state controlled. There is no reason however, why all property investment training and advice cannot come under federal control whilst all transactions remain state controlled.

Prepared by:

John Nicoll
Business Development Manager
Property Investment Research

(03) 96707767
john.nicoll@pir.com.au