

Senate Select Committee on Superannuation and Financial Services

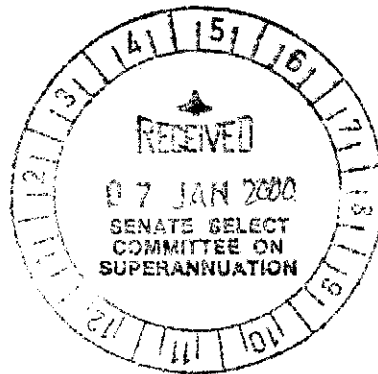
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The Secretary
Senate Superannuation and Financial Services Select Committee
Parliament House
Canberra ACT 2600

By fax: (02) 6277 3130

INQUIRY INTO CONSUMER PROTECTION FOR SUPERANNUATION, BANKING AND FINANCIAL SERVICES.

The Australian Consumers' Association welcomes the opportunity to comment on the Committee's inquiry into prudential supervision and consumer protection for superannuation, banking and financial services.

From the standpoint of consumer protection we regard the financial services arena with an acute sense of concern, namely because:

- The market for superannuation is already being transformed by choice, even in the absence of a legislative mandate.
- Banking remains a seemingly inexhaustible source of consumer discontent, and incorporates many important issues (fee disclosure, allocation of liability for unauthorised transactions, and the ever-present prospect of further bank mergers, to name a few).
- More Australians are becoming active and involved in financial markets, and are becoming consumers of financial services. They're being asked, encouraged and in some cases forced to assume an increasing level of responsibility for their own financial future (witness government policy to reduce outlays, the compulsory nature of superannuation, and the demographics of an aging population), but there's a chance they could lack the right expectations and the right amount of experience and awareness to navigate these waters.

All of this is taking place against the backdrop of a very dynamic marketplace for financial products and services. We're seeing wider access and distribution of financial products and services, and a convergence among products and providers.

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What is an inherently complicated market is becoming even more bewildering and crowded with choice.

For these reasons, we welcome the Committee's pursuit to assess the level of consumer protect in the financial marketplace.

In brief, we commend the Australian Securities and Investments Commission (ASIC) for its work both in terms of consultation and enforcement (eg the Electronic Funds Transfer Code review process and the recent action against Westpac regarding disclosure of financial advisory remuneration).

However, we feel strongly that certain aspects of ASIC's consumer protection role must be improved. More specifically, ASIC should be compelled to revisit its efforts with respect to:

- Dealing with "everyday" consumer issues.
- Educating consumers with respect to choice of superannuation fund.
- Assuming a leadership role on consumer protection issues and policy development.

For more information on the issues raised in the following submission, please contact:

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Dealing with "everyday" consumer issues

Some of the more emotive consumer issues tend to be the simplest and most common. Bank fees are good example. Admittedly, ASIC is not in a position to control or monitor bank fees. Such a task is not within its purview. But other solutions are.

Disclosure of bank fees, for example, is an essential issue and one where ASIC can have a positive impact to improve the standard. Consumers are entitled to see and understand the cost of a bank transaction at the time the transaction is made.

A concerted effort should be made to embrace consumer issues down to the level of, say, fee disclosure at an ATM. We understand that ASIC is planning to address this issue in the early part of 2000, and we look forward to the opportunity to improve this kind of disclosure.

Such measures to address simple "bread and butter" matters would go a long way toward establishing ASIC as the consumer watchdog in financial services (such recognition, such profile and identity -- we might add -- has not yet fully registered with consumers, in part, we believe, because ASIC has not targeted such "everyday" issues).

Educating consumers with respect to choice of superannuation fund

It's widely recognised that choice of superannuation fund is beginning to make inroads to the market, irrespective of whether it's given a legislative push. The market wants this to happen. Providers will see that it does.

For super choice to eventuate in a constructive and fair manner, consumers must be afforded many safeguards, not least of which is an education campaign. We recognise that ASIC has already produced and disseminated quality consumer information regarding super choice, however, we feel that the Government must take further steps to educate consumers. It should be recognised that super choice, in practice, may pre-empt super choice, in Parliament.

ASIC's role with respect to super choice should be strengthened. It should be given clear directives to begin preparing for issues associated with choice. It should also be made an integral part of the Government's overall education strategy (we have recommended that the role of education with respect to super choice be moved from ATO to the consumer affairs division at Treasury, enabling ASIC to play a key role in this effort).

Assuming a leadership role on consumer protection issues and policy development

ASIC should assume a commanding lead role on issues pertaining to consumer protection in financial services. We would like to see more research by ASIC into the key areas affecting consumers in the financial services marketplace, including savings and superannuation, investment and disclosure, as well as the aforementioned "everyday" issues concerning such matters as retail transaction accounts.

Such research will form the foundation upon which ASIC can construct policy objectives and recommendations (eg on commission disclosure in the financial advisory industry).

In terms of policy development, we feel that ASIC should be at the forefront of determining how policy is shaped. It is left to ASIC to enforce policy; it should left to ASIC to help shape the policy.

ASIC is an enforcement agent, but that shouldn't prevent it from informing and making policy – from taking a leadership role on policy development.

This is not to say that ASIC has been absent in all debates over policy. It has pieced together very effective, very inclusive consultative processes to assist in the developments of a revised Electronic Funds Transfer code, for example, and an approval policy on Alternative Dispute Resolution schemes.

With respect to the latter issue, however, it became clear that ASIC was not always in a position to define the outcome of certain aspects of the approval policy – that other departments would be in a position to trump ASIC's intentions (i.e. the move to override ASIC's intentions with respect to the process of appointing consumer representatives to ADR schemes).