



4 July, 2008

Financial Services and Credit Reform Green Paper
Corporations and Financial Services Division
Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam

**FINANCIAL SERVICES AND CREDIT REFORM GREEN PAPER
SUBMISSION BY PLAN AUSTRALIA**

The Professional Lenders Association Network of Australia Pty Ltd (PLAN Australia) is one of the largest finance broker aggregation groups in Australia, and represents more than 2000 brokers. As is evidenced by our image in the industry and identifiable by our name, our professionalism and that of our membership are of prime importance.

From our beginnings we have required our brokers to hold satisfactory insurance cover, and we have required EDR scheme membership and acceptable industry association membership for many years. It is a requirement that each of our members and their loan writing staff hold or gain a minimum qualification of Certificate IV in Financial Services (Finance/Mortgage Broking).

We have always been supportive of fair regulation for our industry so as to increase protection for consumers and thereby protect our industry participants who are by and large professional and ethical.

We are confident of the aims of the Financial Services and Credit Reform Green Paper. Given our position in the financial services industry, we believe it is prudent for us to comment on Section 1 (Mortgages, Mortgage Broking and Non-Deposit Taking Institutions) and Section 6 (Other Lenders). We thank you for the opportunity to peruse the Paper and provide feedback, and our detailed submission is attached.

Should you wish to discuss any of the matters we have raised, or should we be able to assist in the development of the regulatory framework, please contact our Compliance Manager, Julianne McKnight directly on telephone (07) 3806 5591 or via email julianne.mcknight@planaustralia.com.au .

Yours sincerely

A handwritten signature in purple ink, appearing to read 'Ray Hair', is positioned above the typed name.

Ray Hair
Chief Executive Officer
PLAN Australia

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1. Mortgages, Mortgage Broking and Non-Deposit Taking Institutions

Option One – Maintain status quo

Option One offers the least benefit to consumers and the industry.

Regulation of the mortgage broking industry has been inconsistent across the States and Territories for too long and further delays to the introduction of nationally uniform legislation should not be accepted. Compliance costs are higher than need be for those many businesses operating across State and Territory boundaries.

Having said that, the introduction of the draft *National Financial Broking Bill* released for comment late last year would also severely impact a great number of finance broking businesses. Our submission lodged in February 2008 in response to the *National Finance Broking Bill* details our concerns including the substantial increase in the time which would need to be allocated by a broker for each consumer as a result of the requirements generally, and therefore the increased cost without the introduction of any avenue for a broker to seek payment for time spent and services provided if a consumer were to take the information and source finance directly from a lender. We believe the financial impact would be severe enough to affect the financial viability of a great number of finance broking businesses leading to many voluntarily closing their doors and others being forced out. The finance broking industry at large (brokers, lenders whose products are distributed only via brokers, and aggregation groups) could be destroyed. Reduced availability of finance broking services and increased fees for the provision of those services would be to the detriment of consumers and would not meet the aim of regulation of the industry.

Full details of our concerns are noted in the copy of our submission lodged in February 2008 which is attached for your information.

Option Two – Regulate all credit

Option Two is the preferred option as it provides the most benefit to consumers and the industry.

It is stated within the Green Paper that “the primary rationale for the Commonwealth to regulate in a particular area is the existence of a national market consisting of consumers with uniform characteristics and needs”. We are strongly of the opinion that differences in characteristics and needs of consumers seeking credit cards, car loans and other personal loans (consumption credit products) are not related to State and Territory boundaries.

Certainly “the advice and disclosure requirements suitable for these consumption credit products may require specific rules based on their characteristics and the varied needs of consumers” but there is nothing precluding the ability of national regulation of these products.

We strongly believe that all credit could and should be regulated by the Commonwealth with differing requirements for defined different classes of credit products, for example mortgages and consumption credit products. Industry participants could be appropriately licensed for the classes of products with which they deal.

Compliance costs associated with the introduction of national regulation will depend upon the details of the legislation however it is fair to assume they would be less than the costs associated with dealing with the Commonwealth for mortgages and State and Territories for consumption credit products, particularly for those businesses who operate across geographic boundaries.

Commonwealth regulation of all credit would also provide fairer and more level competition between broking businesses by ensuring all must meet the same requirements regardless of their location.

Consumer education would be simpler with one credit regulation regime which meets the objective of a fair, efficient and competitive market and benefit consumers.

Option Three – Regulate mortgages (and consequently mortgage lenders and brokers)

Our notes regarding Options One and Two above (and the attached copy of our submission lodged in February 2008 regarding the proposed National Finance Broking Bill) should be read in conjunction with our comments on Option Three.

It is important to acknowledge that nothing precludes Option Two from including the regulation of mortgage lenders and brokers.

We acknowledge that mortgages “cover the overwhelming majority of the consumer credit market”, however if a job is worth doing, it is worth doing well. And the aims of any regulation of the credit-related financial services industry must be to ensure consumers are provided with sufficient information to make an informed decision, and effective protection from predatory players in the industry. These must be provided without an overwhelming burden on industry participants so as to ultimately result in a fair, efficient and competitive market for the benefit of consumers.

Splitting the regulatory responsibility for the consumer credit market into two will not necessarily result in a lack of sufficient information for consumers or a lack of protection from predators, but it will result in a greater burden on industry participants who will need to deal with more than one regulator (and perhaps many if they operate nationally).

Whilst Option Two is our preference, we cannot applaud enough the statement in Option Three which “ensures coverage of non-deposit taking institutions as well as banks, thereby creating a level playing field”. This inclusion should be automatic in Option Two.

The mortgage industry is a national industry. Brokers, non-bank lenders and banks all participate in the lending industry and ensuring that all participants must satisfy the same regulations in terms of the provision of their services, conduct and advice are paramount so as to provide relative competitiveness and appropriate consumer protection. Any imbalance in the requirements, and therefore an imbalance in the costs of meeting new regulations, may provide one party with the ability to increase market share and raise prices to the detriment of consumers.