



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

3 October 2019

Manager
Financial Services Reform Taskforce
The Treasury
Langton Crescent
PARKES ACT 2600

via email: ConsumerCredit@treasury.gov.au

Dear Sir/Madam

MORTGAGE BROKER BEST INTERESTS DUTY AND REMUNERATION REFORMS

We support the proposed amendments to the National Consumer Credit Protection Act 2009 (the Act) including the requirement for mortgage brokers to prioritise the best interests of their consumer clients and to neither pay nor receive *conflicted remuneration*. While the scope of the Act precludes credit assistance provided to non-individual borrowers or for commercial loans, our interest lies in the many thousands of mortgage brokers who operate small businesses around Australia.

Mortgage broker businesses provide broader and more flexible finance options than banks to borrowers and we would strongly urge that careful consideration be given before making any regulatory changes that endanger the viability of their business models. The changes would also have the unintended consequence of leaving borrowers (individual or business) to apply directly to the bank branch network. This could pose a competition problem as acknowledged by Treasury,

161. As a key distribution channel for mortgages, and by assisting consumers' search for a better deal, mortgage broking also has a vital role in facilitating effective competition and better outcomes for consumers that needs to be taken into account in assessing reform options.¹

Certainly, mortgage brokers regularly provide a shopfront option in regional, rural and remote communities which may have few or no bank branches. Often they provide credit and finance assistance to other small businesses – the regulation of which falls outside these current reforms.

We support the Government's decision *not* to remove trail commissions from the industry at this time. Should that be considered in the future, we strongly recommend a lead time of 2-5 years to allow small businesses to modify their business models to source replacement income streams, whether that be fee-for-service or ancillary products/services offered.

Thank you for the opportunity to comment. If you would like to discuss this matter further, please contact Louise Stuart-Watt on 02 6121 6796 or by email to Louise.Stuart-Watt@asbfeo.gov.au

Yours sincerely

Kate Carnell AO

Australian Small Business and Family Enterprise Ombudsman

¹ Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, *Submission on Key Policy Issues, Background paper 24*, prepared by the Australian Treasury, 13 July 2018, p40