

Loan, Nick

From: Adler, Damien
Sent: Tuesday, 21 September 2010 11:34 AM
To: Douglas, Justin
Cc: MG FSD Bank Competition Unit; Dickson, Tom; Cook, Katherine
Subject: RE: Consumer Competition Measures ~~[SEC=PROTECTED]~~

Security Classification: ~~PROTECTED~~

Thanks Justin,

I have checked the May 2010 competition minute and can't find the issue you are referring to. However a similar issue did arise in our discussions with First Title. They claimed that they had some trouble refinancing mortgages because the losing bank would often play games to slow down and frustrate the process. One tactic they highlighted was banks not accepting general mortgage discharge forms, and requiring forms with their logos to be used, even though the substance of all forms is the same.

The issue seems to have merit and I think it could be considered/canvassed in the work we are doing in the improved disclosure and standardisation space. We will look into the issue further.

Regards, Damien

From: Douglas, Justin
Sent: Tuesday, 21 September 2010 12:19 AM
To: Adler, Damien
Cc: MG FSD Bank Competition Unit; Dickson, Tom; Cook, Katherine
Subject: Re: Consumer Competition Measures ~~[SEC=PROTECTED]~~

Classification: [SEC=PROTECTED]

There was also a competition measure involving standardising the legal documentation that is used with mortgages. It was a back office measure that consumers wouldn't see anything from directly, but would make it easier for banks in lodging new mortgages and being able to check that the old one has been discharged when a consumer refinances or buys a property from someone who had a mortgage. Can't recall who was lobbying for it, but it was supposed to knock a couple of hundred \$ off legal fees incurred by banks, which should flow on to reduced entry and exit fees. Seemed like a no brainer to me at the time, if the claim was true, but Jacky and Susan were looking after competition then, so I don't know what the conclusion was when they looked into it. I thought it was in the most recent competition minute, but can't check on my blackberry?

From: Adler, Damien
To: Douglas, Justin; Lonsdale, John
Cc: MG FSD Bank Competition Unit; Dickson, Tom; Cook, Katherine
Sent: Mon Sep 20 15:09:55 2010
Subject: RE: Consumer Competition Measures ~~[SEC=PROTECTED]~~

Hi John,

Please find below a summary of the two consumer measures for inclusion in the 5 point plan.

The attached document also provides a few further measures which could be considered.

Cheers Damien

1. Improved disclosure and standard terminology for fees and charges

Require mortgage providers to:

- use **standardised terminology for fees and charges** (i.e. all mortgage exit fees must be called exit fees, not 'deferred establishment fees', 'set up recovery fees', 'break costs', etc...); and
- provide **standardised and simple "key facts" document** to potential customers to allow consumers to more easily compare products.

2. Account number portability /

Consider the feasibility of mandating account number portability, including working with industry to encourage the development of private sector solutions.

Account number portability would reduce some of the inconvenience associated with switching banks, as each customer would have a unique bank account number which can be transferred to another institution if the customer chooses to switch banks. While initial industry estimates suggest that the cost of implementing account number portability in Australia is likely to be extremely high, it is worth undertaking further analysis. It also should be noted that prior to mobile phone number portability being implemented, ^[Section 45] provided cost estimates that were later proved to be extremely pessimistic. _{Breach of confidence}

There are also a number of industry driven solutions which may be able to be harnessed and/or fast tracked (such as

[Section 45
Breach of
confidence]

Section 45 Breach of confidence
paragraph 47(1)(b) commercially valuable information

From: Adler, Damien
Sent: Friday, 17 September 2010 4:51 PM
To: Douglas, Justin; Lonsdale, John
Cc: MG FSD Bank Competition Unit; Dickson, Tom; Cook, Katherine
Subject: Consumer Competition Measures [SEC=PROTECTED]

Hi John/Justin,

Please find attached a document which outlines the possible measures which could be included in the **Consumer Package**.

It provides a brief explanation of the proposals, and relevant areas of responsibility. We are also starting to fill out the next steps section.

Happy to receive any comments,

Thanks Damien

Damién Adler
Analyst

Financial System Division
The Treasury, Langton Crescent, Parkes ACT 2600

phone: (02) 6263 2553

email: damien.adler@treasury.gov.au

BANK COMPETITION: SUMMARY OF PROPOSALS & OPTIONS

Proposal	Description	Timing/steps	Contact
Mandating standard terminology for fees and charges	Require mortgage providers to use standardised terminology for fees and charges. i.e. all mortgage exit fees must be called exit fees, not 'deferred establishment fees', 'set up recovery fees', 'break costs', etc...	Requires consultation with industry	BCU
Mandating early disclosure through a standard key facts document	Require mortgage lenders and brokers to provide a standardised and simple "key facts" document to potential customers to allow consumers to more easily compare products.	Requires consultation with industry	BCU
Government website			BCU
Option A - Upgrade Fido	Work with ASIC (provide funding) to upgrade and promote the existing FIDO website, including providing more calculators, such as the remortgage calculator.	Talk to ASIC – they may already have plans to update the website.	
Option B – Comparison website	Provide a Government based mortgage comparison website which allows consumers to easily compare products from different lenders	Talk with Cannex, etc.. is there anything we could do to assist them and make their websites better?	
Option C - My Mortgage	Mandate a standard simple mortgage product. If lenders meet certain criteria then they get a the Gov stamp, and their product is listed on a Government website for consumers to compare between lenders	Requires significantly more research/analyses – is there one mortgage product that would suit the majority of people?	
Account number portability / <i>section 45</i>	Consider the feasibility of mandating account number portability, including working with industry to encourage the development of a private sector solution. <i>section 45 Breach of confidence</i> <i>paragraph 47(4)(b) commercially valuable information</i>	Consult with industry, RBA, APAC – commission a study? <i>section 45 breach of confidence</i>	BCU
Other Measures			BCU
- Banking Commissioner	Establish the position of Banking Commissioner at the ACCC.	Further discussion/consideration	
- CFR membership for the ACCC	Expand the CFR to include ACCC to increase the importance of competition related matter in the deliberations of the CFR.	– most of these measures would not require cabinet consideration	
- Statement of Expectations from TSR	Treasurer to send the financial system regulators revised statement of expectation that includes specific reference to competition considerations. (was last done by Costello in 2007)		
- Banking Summit or conference	A one-off or annual conference of forum could be hosted by the Government to allow a sharing of view on banking sector matters, and competition concerns.		
- Financial System Advisory Board	Reconstitute the FSAC as a non-statutory advisory body charge with contributing a business and boarder community perspective to improving the design of financial system and related legislation.		
Mutual's Package			IMU/BCU?
- public awareness campaign	Campaign about the prudential regulatory framework applying to all ADIs – i.e. mutual's are also safe.	Consult ABACUS – they have written on numerous occasions (see 2010-11 PBS) on these ideas and are likely to have further proposals/ideas.	
- 'Authorised <u>B</u> anking Institution'	Change ADI to ABI in Banking Act		
- allowing terms 'bank' and 'banking'	Allow all regulated banking institutions unrestricted use of the terms 'bank' and 'banking'.		