

Market Release

5 February 2019

Royal Commission final report and Government response

In response to the Final Report from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, which was released yesterday afternoon, the Government recognised the importance of competition in the home lending sector. The Government commented that it would proceed carefully, and in stages, with the recommended reforms related to mortgage broker remuneration to ensure the changes do not adversely impact consumers' access to lenders and competition in the home lending market.

Susan Mitchell, Chief Executive Officer, said "The recommendations regarding broker remuneration need to be thought through carefully by the decision makers. The proposed changes could have a large impact on the mortgage broking industry and therefore competition within the home lending sector. Ultimately they could give more pricing power to the major banks which would lead to less choice, less access to credit and higher interest rates for consumers".

In response to Royal Commission recommendations, the Government has proposed to ban trailing commissions on new loans from 1 July 2020, while the trail on existing loans will remain unaffected. The Government has also proposed a further review of broker remuneration in conjunction with the ACCC and the Council of Financial Regulators in three years to consider the effects of the above changes and the implications on consumer outcomes and competition of moving to a borrower pays structure as recommended by the Final Report. These are potentially significant changes which will require careful consideration to ensure they do not have counterproductive consequences for the home loan market.

There were also a number of recommendations relating to financial advice, in particular the removal of grandfathered commissions from 1 January 2021. The impacts of the financial advice recommendations to the Mortgage Choice Financial Planning business are likely to be minimal as our model has no reliance on grandfathered commissions.

"Mortgage Choice is committed to working with industry policy makers to ensure that consumers will continue to have access to competitive pricing, choice and the expertise they have come to expect from their mortgage broker. Mortgage Choice is also committed to supporting the small businesses across Australia that make up the mortgage broking industry and supporting the vital role that they play," Ms Mitchell said.

Ends.



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About Mortgage Choice

Mortgage Choice is an ASX listed company that seeks to help Australians with all of their financial needs. Established in 1992, Mortgage Choice was originally established to help Australians improve their financial situation by offering a choice of home loan providers, coupled with the expert advice of a mortgage professional.

Since that time, the company has grown and developed into a fully-fledged financial services provider.

Today, Mortgage Choice helps customers source car loans, personal loans, credit cards, commercial loans, asset finance, deposit bonds, and risk and general insurance.

Further, the company offers Australians access to real, relevant and affordable financial advice through our qualified financial advisers.

Mortgage Choice has no balance sheet or funding risk, and consistently delivers strong profits and attractive yields. It listed on the ASX in 2004 (MOC) and is a member of the Mortgage & Finance Association of Australia (MFAA). Mortgage Choice holds an Australian Credit Licence: no. 382869 and Mortgage Choice Financial Planning Pty Limited holds an Australian Financial Services Licence: no. 422854. Both licences are issued by ASIC.

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