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Hello Richard

Thank you for the invitation to comment on the Third-line- forcing notifications involving the Mortgage and Finance Association of Australia.

I see every day the anticompetitive, self-interest and political games that are allowed to be played by major players in the financial services industry in Australia. My view of the situation is there is no real competition in Australia.

“Free enterprise between businesses” is a nonexistent reality for the majority of small business operators in Australia. ☞ You are too small to deal with, so go away, unless you want a commercial contract whereby we control all your market movements. Take our offer or take a chance of surviving in **our** marketplace. Work like a Trojan, build up your business into a lucrative efficient organisation and we will buy you or stamp you out.

The recent Inquiry into competition within the Australian banking sector resulted in an Australian Senate video which says. “...The enquiry was set up to investigate whether the four banks who dominate the market are offering consumers enough choice of product and services...” ([http://www.aph.gov.au/senate/committee/economics\\_ctte/banking\\_comp\\_2010/banking\\_video/index.htm](http://www.aph.gov.au/senate/committee/economics_ctte/banking_comp_2010/banking_video/index.htm)). So the enquiry was not what the general public were lead to believe it was to be. It was a sham.

The notifications in question demonstrate that “big business whims” are supported while a large number of individual’s right to deal with whom they want to be denied.

Bigger businesses are allowed to eliminate competition by “buying up” the industry via takeovers, equity purchases and sponsorship deals. They use unethical and bullying tactics to gain volumes of business from individuals and; make it unprofitable for smaller players to stay in business by having third party “one sided” “across the board” remuneration and accreditation contracts in place.

Ten years ago, an individual did not have to be a member of any association to obtain accreditations to introduce new business to credit providers. The accreditation was granted after a potential candidate attended the credit provider’s specific training sessions, satisfactorily passed their assessment process and other fit and proper tests.

Today the major players own the accredited loan consultants industry. They believe it is their right to determine how independent small business operators run.

Commonwealth Bank owns Bankwest and a 30% share of Aussie Home Loans and at least 17% of Mortgage Choice. National Australian Bank owns Homeside, Advantagedge, PLAN, Choice and FAST Aggregation groups. Westpac owns St George, RAMS and Bank of Melbourne, Macquarie Bank own 10% of Australian Finance Group.

Over the past decade the independent finance broker has been eliminated and replaced with big business controlled loan writers. This evolution is detrimental to the public as they across the board are less able to access independent to credit provider information and advice. It is detrimental to

small finance broking businesses as they are less able to enhance competition and command efficiency in lending service provision.

It is my opinion that the notifications do not enhance competition and offer **no** real public benefit.

The notifications are nothing more than a demonstration of “cushy” relationships between mates and have a direct goal of eliminating small players who could, if given a fair chance, enhance competition and make bigger players accountable for their performance.

The MFAA was formed to be a mortgage manager and mortgage aggregator (often called mortgage brokers) representative body. Most accredited mortgage consultants would not be a member if it was not insisted upon to obtain an accreditation to introduce business to lenders. Many are scared they will lose their career if they do not continue to be a member due to the reliance of the accreditation process to operate in the industry.

The Australian Institute of Professional Brokers (AIPB) was founded after a huge cry from the smaller players that there was no industry body fairly representing their point of view. They wanted issues such as clawback of remuneration, accreditation volume hurdles; inefficient turnaround times, being able to work part-time and from a home office brought to the surface and debated. Their rights were being squashed by lender domination.

While many brokers wanted AIPB representation they could not justify the additional cost of paying two membership subscriptions. Many are not highly paid.

The AIPB was unable to build a strong membership base as a broker representative body due to brokers being directed by major players to be a member of the MFAA, or maybe as a less preferred option the FBAA. If a broker chose the AIPB as their representative body of choice they were ostracised and not allowed to introduce new business to the majority of credit product providers.

In practical effect the lenders in this country control the broker distribution channel. This is detrimental to small independent businesses and the user of credit products.

In the case of the notifications, for the user of the MFAA product, the compulsory membership is a forced expense without any chance to walk with your feet if you are dissatisfied with the product. If you read the industry forums you will see that there is a great deal of dissatisfaction of performance by the organisation.

The MFAA as an organisation has conflicts of interest in a number of areas which include:

1. It represents both the “accreditor” (credit provider) and the “accreditee” (loan writer) in the finance/mortgage broking industry.
2. It was, until recently, a registered training organisation on one hand and an industry body on the other hand. It demands a VET diploma qualification as a condition of loan writing membership and then would only accept VET qualifications from their preferred supplier list. This is against the grain of a competitive environment and imposes additional assessment and cost for individuals who choose a RTO based on their own personal judgement of best education provider. If the MFAA had its RTO hat on it could not discriminate against a qualification issued by another RTO whether or not they chose to apply for the “preferred list” status. Yet as an industry body it could.
3. It is funded by membership subscriptions and financially reliant on large industry player sponsorships.
4. It is an industry body supposedly representing its member’s interest yet it spends millions of dollars in media advertising suggesting to consumers that if they use an MFAA member’s service they will obtain a higher standard of performance than if a non MFAA member is used. There is no mention of the compulsory membership criteria in the advertising and they are a self appointed adjudicator of another’s performance that has not been measured.

With the introduction of the National Consumer Credit Protection Act (NCCP) 2009, the MFAA is redundant and not needed for consumer protection (it never was really).

I suggest that the ACCC examines the introduction of new business loan accreditation system and the aggregation model to enhance competition and bring a better outcome for the general public.

Feel free to contact me if you require clarification of any aspect of this communication or want to discuss further.

Maria Rigoni