



TRADE PRACTICES ACT 1974

UNDERTAKING TO THE AUSTRALIAN COMPETITION & CONSUMER COMMISSION GIVEN FOR THE PURPOSES OF SECTION 87B

BY

UNIVERSITY BUILDING SOCIETY

BACKGROUND

- (1) University Building Society ("UBS"), a terminating building society registered under the *Building Societies Act* (1976) arranges loans between lenders and borrowers in Western Australia and manages those loans.

UBS arranges and manages loans for Keystart Loans Limited ("Keystart").

Pursuant to a management agreement, the business of UBS is managed by St James Finance Corporation Pty Ltd ("St James").

It is an express term of all loans arranged by UBS for Keystart, under terms required by Keystart, that the borrowers take out building insurance and, for the initial years of the loan, mortgage protection insurance.

- (2) In August 1995, Lionheart Insurance Pty Ltd ("Lionheart") commenced writing mortgage protection insurance. From that time, UBS wrote to existing borrowers informing them that mortgage protection insurance could be obtained from Lionheart and that they could take out such insurance with Lionheart in lieu of renewing their existing policy with the other insurer.
- (3) The Australian Competition & Consumer Commission ("the Commission") has recently become aware of the matters outlined above and, following discussions with the Commission regarding its concerns that breaches of the *Trade Practices Act* may have occurred, UBS has agreed to give this undertaking.

UNDERTAKINGS

- (4) UBS hereby undertakes for the purposes of section 87B of the *Trade Practices Act*:
 - (a) that it will not engage in any conduct which might reasonably be thought to cause borrowers from Keystart to believe that, in respect of their loans, they are obliged to take out building insurance with one of a number of insurance companies nominated by Keystart;
 - (b) that in all letters which it writes in the future to borrowers from Keystart reminding them to renew their building insurance, it may provide a list of insurance companies from whom building insurance may be obtained, but will also include in the letters words to the effect that:

A handwritten signature is located in the bottom right corner of the page. It consists of a stylized, cursive script that is difficult to decipher but appears to be a name.

- (i) the building insurance must be effected under the terms of an insurance policy acceptable to Keystart with an insurer who is a party to, or is willing to enter into, a concession agreement with Keystart; and
- (ii) if a list of insurers is provided, the list is not exclusive and any insurer who is willing to enter into a concession agreement with Keystart on the same terms as those in existing concession agreements will be added to the list upon the concession agreement being entered into;
- (c) that it will not engage in any conduct which may cause borrowers to think that, in respect of their loans, they are now obliged to take out or renew mortgage protection insurance with Lionheart or any other specified company;
- (d) that it will require those of the borrowers for whom it or St James arranges mortgage protection insurance to sign a statement that he or she acknowledges that he or she is not required to take out mortgage protection insurance with the insurer with which the mortgage protection insurance is to be arranged;
- (e) that it will write to all the borrowers who have taken out mortgage protection insurance with Lionheart:
 - (i) Informing them that, as the result of discussions with the Commission and after considering generally the material which it previously provided to the borrowers, UBS has decided to write to borrowers clarifying certain matters;
 - (ii) Except in the case of those borrowers who have signed a statutory notice confirming the fact, informing them that an association exists between UBS, Lionheart and St James in that all three companies have some common directors;
 - (iii) Informing them that, as notified in the insurance proposal which they originally signed, St James may earn a fee from Lionheart for any mortgage protection insurance which it arranges with the borrower on Lionheart's behalf.
 - (iv) Informing them that, as provided in clause 1.2 of the Lionheart policy (which was provided to them before they took out the policy), the choice of their mortgage protection insurer was entirely within their discretion;
 - (v) Providing them with a brief analysis of the relative benefits and conditions of the Lionheart policy and the policy which they previously held with another company to allow them to make a more informed choice of mortgage protection insurance in respect of their loan.
 - (vi) Informing them, as provided in the Lionheart policy, they have the option of maintaining their mortgage protection insurance with Lionheart or cancelling their Lionheart policy and receiving a refund of the premium less only the pro-rata deduction for the period of cover provided by Lionheart, subject only to them obtaining alternative cover so as to comply with the terms of their loan agreement.
- (f) that it will obtain the approval of the Commission to the form and content of the letters and analysis referred to in paragraph (e) above prior to dispatch.
- (g) that, within three (3) months of the date of execution of this undertaking, it will make all arrangements necessary to implement a trade practices compliance

program ("the program") for all management and staff of UBS, St James and Lionheart directed at fostering at all levels a culture of trade practices compliance and will also, within the period aforesaid, nominate a senior executive of UBS, St James or Lionheart who will be responsible for the implementation of the program .

- (h) that it will appoint an independent person or body, agreed to by the Commission, to audit the establishment and implementation of the program for a period of three (3) years and to report to the Commission within three (3) months of the execution of this undertaking, confirming the establishment of the program and nominating the senior executive of UBS, St James or Lionheart who will be responsible for the implementation of the program and then to report annually in each of the following three (3) years after the first report.

ACKNOWLEDGMENTS

- (5) UBS acknowledges that the Commission will make this undertaking available for public inspection.
- (6) UBS further acknowledges that the Commission may, from time to time, publicly refer to this undertaking.
- (7) UBS further acknowledges that this undertaking in no way derogates from the rights and remedies available to any person.
- (8) UBS further acknowledges that the reports referred to in paragraph (4) (h) above and the trade practices compliance program in force from time to time will be held with this undertaking on the public register.

IN WITNESS OF THESE UNDERTAKINGS AND ITS AGREEMENT, THE COMMON SEAL OF UNIVERSITY BUILDING SOCIETY WAS HEREUNTO AFFIXED BY AUTHORITY OF THE BOARD OF DIRECTORS IN THE PRESENCE OF:



James I
Director

P. A. Douglas
Secretary

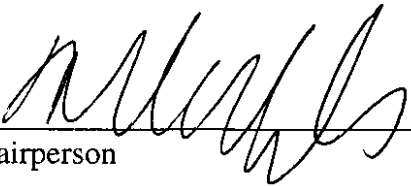
JAMES MICEADA
Name (please print)

PAUL ARTHUR DOUGLAS
Name (please print)

THIS 13 day of June.

1996.

ACCEPTED BY THE AUSTRALIAN
COMPETITION & CONSUMER
COMMISSION PURSUANT TO
SECTION 87B OF THE TRADE
PRACTICES ACT 1974:


Chairperson

DATED this 26 day of June 1996.