Position Statement

CONSULTATION PAPER 313
Product intervention power

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Key Issues with the idea of Product Intervention Power

MTA members have no issue with the concept of intervention in cases of unquestionable consumer detriment. However, they question whether ASIC, on its own, is the most appropriate authority to determine the exact point when intervention should occur. Should there be a ministerial appeal process within a set period? What is the proposed oversight process in this scheme?

The flex commission intervention may well prove to be a great case study highlighting how an intervention with lack of oversight could go awry instead of going any way to fix the issue addressed. The financiers now control rate setting and therefore control what was previously the dealer margin. High risk consumers still pay the same high interest rates because the lending institutions were never prepared to fund them at the dealer cost of finance level.

Lending institutions agreed with ASIC because they ultimately became the beneficiaries of the change, not the consumers. Internal discussions with members have uncovered the fact that overall customer rates have not changed since the financiers took control of rate setting, despite significant reductions in the wholesale cost of finance.

In the absence of any oversight provisions there is a risk of a similar outcome as with flex commissions. The MTA submits that further consideration on this matter should be given to ensure suitable outcomes for consumers and industry.