



Australian Securities and Investments Commission
by email

20 March 2020

Dear Madam/Sir

Re: ASIC Consultation Paper 327 and Draft Regulatory Guide 000 Mortgage brokers: Best interests duty

In response to the opportunity to submit responses to the above two documents, Purple Circle Financial Services Pty Ltd (Australian Credit Licence 486112), advises that it is in general agreement with the Best Interests Duty proposals detailed in both. We provide commentary in relation to one aspect of the proposals:

The thrust of RG000.101 and 102 suggests that mortgage brokers will be expected to have an awareness of the most price competitive products on the market and the general features and products that may be available. Such awareness will enable the broker to engage in informal benchmarking with the options available to them across their own lender panel. It is further suggested that brokers may look beyond their own lender panel when considering whether other products exist that better suit customers' needs.

We submit that it is not practically feasible for brokers to be widely familiar with lenders and products that are not directly accessible to them i.e. lenders not on the broker's lender panel. The diversity of credit providers in the Australian consumer credit market and the extensive product range (now totalling in the thousands) that they offer present significant challenges for any broker seeking to maintain an awareness of what is available. It is important to note that many lenders elect to not deal with the broker channel, while others may deal with a limited range of broker groups only. As a result, it is particularly difficult for brokers to obtain information about product attributes, pricing and credit policy in respect of lenders with which they have no affiliation. To expect them to do so and be familiar with a constantly changing data set is unreasonable and unrealistic. We note that such corresponding obligation is not being proposed to be imposed on credit providers themselves, resulting in an inherently inequitable standard within the credit industry itself and providing consumers with an unbalanced experience, depending upon the channel which they elect to use.

As an alternative, we suggest that it be required of all brokers to provide prospective borrowers, prior to the provision of credit assistance, with a clear statement that any lender and product recommendations that will be provided by the broker are limited to the lenders and products that are available to the broker from the lenders with which the broker is accredited and authorised to offer products. Such advice would be appropriately accompanied by a statement indicating

that there may be more competitively priced products available on the market, which the consumer is free to research and compare with the recommendations provided by the broker.

If you require further input or clarification, I can be reached at [REDACTED] or on [REDACTED].

Yours faithfully

Tim Donahoo

Tim Donahoo
Compliance and Risk Manager