

Media Release

Contact: **Immacolata Bollella**
Phone: 8204 9512
0417 815 800



Education and Information Services

Level 1 Chesser House
91-97 Grenfell Street
Adelaide SA 5000

GPO Box 1719
Adelaide SA 5001

Telephone (08) 8204 9516
Facsimile (08) 8204 9509
www.ocba.sa.gov.au

14 January 2005

Concerns with practices of finance and mortgage brokers

Consumers are not always directed to the cheapest or best loans by finance or mortgage brokers. Sometimes, in a conflict between the interests of the consumers and the interests of the broker, they are encouraged into loans that maximise only the commission payable to the broker.

The Commissioner for Consumer Affairs, Mark Bodycoat is inviting South Australians to have their say about regulation in the finance and mortgage industry, by commenting on a national discussion paper.

“Consumers have turned to finance and mortgage brokers to assist them with their financial choices. Finance and mortgage broking in Australia has experienced rapid growth in the past ten years. This growth has also been accompanied by significant concerns about consumer protection.”

The complex nature of credit and credit products has generated an estimated \$630 million in revenue for the industry (2002-03). There are no barriers to entry, and few specific regulatory controls. Some fringe operators have engaged in fraudulent and misleading practices.

“We have heard some horror stories about brokers inducing consumers to enter into expensive loan arrangements. The brokers make these recommendations to maximise their commissions. Consumers may not be advised of the best deal for them and will be left out of pocket as a result.”

Consumers using brokers can be dependent on them for advice because of the confusing range of loans and providers. Some brokers are prepared to exploit that dependency.

“In order to identify options for possible government intervention, we are keen to hear from members of the public and relevant authorities who want to share their experiences about finance and mortgage brokers and give their views on appropriate regulation for the sector.”

For a copy of the discussion paper, visit www.ocba.sa.gov.au. Submissions are due Tuesday 15 February 2005.



Government
of South Australia