

Blitz on banks' exit fee tactics

BANKS that charge unfair mortgage exit fees are facing a crackdown from the Australian Securities and Investments Commission under new regulations that take effect from July 1.

Federal Treasurer Wayne Swan and Financial Services Minister Chris Bowen said yesterday the new powers would make it easier for borrowers to switch to a competitor offering a cheaper interest rate, providing a major boost for competition in the mortgage market.

"Currently, some banks are using mortgage exit fees to lock customers into their home loans," Mr Swan and Mr Bowen said in a statement.

"Exit fees can be so high that there is no incentive to switch to another lender, even if they are offering a substantially lower interest rate.

National Australia Bank quickly welcomed the new regulations, which were revealed in the *Herald Sun* this month.

NAB said the "tough new laws" would benefit not only consumers but financiers charging lower interest rates than their competitors.

NAB chief executive Cameron Clyne went on to say NAB has had the most competitive standard variable home loan interest rate of all the major banks for more than 12 months.

Mr Swan and Mr Bowen said in their statement: "The

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Government is determined to make the banking system work for families, not against them, and these tough new powers are a major step to delivering on that commitment."

From Thursday, ASIC will have the power to take action against any bank for charging an early exit fee considered "unfair or unconscionable".

Consumers will also be able to challenge early exit fees that are unfair.

Mr Swan and Mr Bowen said ASIC was most likely to take action against banks trying to profit from exit fees or establishment fees rather than fees that merely recover a fair level of costs.

Any mortgage exit fee found by a court to be unfair will be declared void, with ASIC able to seek refunds for customers.

"These new provisions strengthen ASIC's ability to challenge unfair early exit fees," ASIC commissioner Dr Peter Boxall said yesterday. "Excessive early exit fees may deter consumers from switching to another mortgage."

Once the laws commence, if a borrower thinks that an early exit fee they have been charged is unconscionable or unfair, they can complain to their lender and, if needed, take the dispute to the lenders external dispute resolution scheme.

They can also complain to ASIC and/or challenge the fee in court.

- with AAP