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ASIC WARNS BANKS IT WILL USE NEW POWERS TO CONTROL UNFAIR TERMS

Mortgage fee battle

Olga Galacho

THE banks' peak body was preparing to "strongly resist" Federal Government plans announced yesterday to pursue banks over unfair mortgage exit fees.

In a prepared statement, the Australian Bankers Association (ABA) reacted defensively against the new powers the corporate regulator will be able to use from Thursday "to tackle unfair terms".

The Australian Securities and Investments Commission yesterday released a guide on how it would regulate exit fees and said it would consult with the banking industry before it developed its enforcement framework.

The Government said ASIC would most likely take action against



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— ABA's Steven Munchenberg (left)

lenders that tried to profit from exit and entry fees, rather than fees that merely recovered a fair level of costs.

"Any mortgage exit fee or other term found to be unfair by a court will be declared completely void and ASIC will be able to seek refunds on behalf of customers," it said.

Some individual banks, however, did not react as aggressively as the ABA to the proposals. The National Bank of Australia said it "generally supported a government plan to target mortgage exit fees". "New powers granted to the corporate regulator on the fees should

benefit lenders offering the most competitive interest rates," NAB said in a statement.

Westpac corporate affairs chief David Bell was also more gracious, saying his bank welcomed the opportunity to comment on the Australian Securities and Investment Commission's proposal.

"We are not kicking up a stink over it, because we believe a light should be shone on the charges levied by non-bank lenders, which are 45 per cent greater than our early discharge fees," Mr Bell told *BusinessDaily*. Commonwealth Bank could not be reached for comment and a spokeswoman from the ANZ said her bank's reaction was articulated by the ABA.

The ABA said banks' exit fees were "appropriate and justifiable" because Australia had low entry fees for mortgages compared to countries such as the United States and Britain. ABA chief executive Steven

Munchenberg told *BusinessDaily* some overseas banks charged entry fees that were up to 50 per cent more than Australian lenders charged.

However, Mr Munchenberg said the sector was unlikely to mount an advertising campaign against the Government's proposal, similar to the one the mining sector rolled out in protest against the proposed resources super profits tax.

"It's not going to come to that. . . at this stage, there is nothing to fight other than the implication that there is something wrong with charging exit fees, and we don't agree with that view," Mr Munchenberg said.

Asked if the ABA could provide a total of exit fees charged by the sector each year or how the proposed regulations would affect bank's bottom lines, he said he did not have the statistics on hand.