

MFAA: One system for credit regulation is best bet for businesses and borrowers

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The Mortgage and Finance Association of Australia (MFAA) has called for the Federal Government to step up to the plate and take responsibility for all credit products and credit regulation, rather than dividing responsibility for lending and personal finance between the States and the Commonwealth.

The calls were part of the MFAA's submission to the Federal Government on its Financial Services and Credit Reform Green Paper released by Minister for Superannuation and Corporate Law, Senator Nick Sherry earlier this month.

"The Commonwealth has an opportunity to simplify and improve the law, reduce business costs and provide better protection for consumers. This opportunity should not be missed, but can only be achieved by well considered Commonwealth legislation covering all consumer broking and lending," said Phil Naylor, CEO of the MFAA.

"The MFAA believes that the only viable option is for the Federal Government to take control of the regulation for all credit facilities, including personal loans, mortgages and credit cards."

The Federal Government's Green Paper proposed three different options for regulatory reform: maintaining the status quo; regulation of all credit by the Commonwealth; and the third Option, which involves the Commonwealth only taking control of mortgage credit, with the status quo remaining for all other credit.

"The MFAA strongly opposes any regulatory system that splits the responsibility of credit providers between the States and the Commonwealth. This will create a more complex and unworkable regulatory regime than currently exists," said Mr Naylor.

"Instead of simplifying the system and removing complex layers of regulation, the third option put forward in the Green Paper would add an additional level of regulation, adding the hodge-podge of state laws.

"We are also vehemently opposed to the Government dumping lenders and brokers into the existing FSR regime. This would be wholly inappropriate as selling or providing credit is fundamentally different to providing or advising on investments," said Mr Naylor.

"Instead, we would like to see a national licensing system for finance brokers as proposed by the NSW draft Finance Broking Bill, released in November last year. We also support compulsory membership by lenders of an ASIC approved alternative dispute resolution (ADR) and the Commonwealth taking over the Uniform Consumer Credit Code regulations.

"We have been working towards a nationally consistent approach to regulation of our industry since 2002. We want a system that is workable and successfully weeds out any mortgage and finance brokers doing the wrong thing."