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EDR Review Secretariat
Financial System Division
Markets Group
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam,

Supplemental submission to the Interim Report: Review of the financial system external dispute resolution and complaints framework

Our submission of 27 January 2017 set out detailed reasons as to why it is necessary for credit representatives to be members of an ASIC-approved EDR scheme.

Further to our discussion with the panel on 13 February 2017, we reiterate that removing mandatory EDR membership for credit representatives will result in significant consumer confusion, an issue the panel explored in its Interim Report in relation to multiple schemes.

The vast majority of mortgage brokers are credit representatives. Collectively, they write and refinance more than half of all residential and investment real estate loans in Australia. In other words, consumers are more likely than not to use the services of a credit representative when applying for a loan. At present, if a consumer has a dispute with a credit representative, the consumer can easily ascertain which EDR scheme the credit representative belongs to.

Both CIO and FOS' websites each have a search engine which allows consumers to search for member financial firms (68% of CIO complaints and 77% of FOS complaints are made online). This allows consumers to search for and lodge complaints against persons or businesses, like credit representatives, without having to know who the relevant licensee is.

If credit representatives are not required to be members of an EDR scheme, the schemes will not maintain records of credit representatives and their details will not be discoverable through the schemes' website search engines. Because consumers are generally not aware that financial firms are required by law to be a scheme member, they are very likely to assume that the scheme is not able to accept their complaint where the financial firm does not show up on a website search.

Even if the National Consumer Credit Protection Act were to be amended to require the credit representative's credit guide to set out the contact details of its licensee's EDR scheme (rather than the contact details of their own), the reality is that consumers do not generally read credit guides. Indeed, our experience is that consumers approach us, via our website or otherwise, without reference to anything contained in a credit guide.

ASIC maintains a record of credit representatives, although it appears that these records are not always up-to-date, given licensees can be tardy in their reporting obligations. More importantly, consumers do not know that information about a credit representative and its licensee may be obtained from these records. The consumer may also not know which licensee, if more than one, the credit representative was acting for.

In short, if mandatory EDR membership for credit representatives is removed, consumers would not know who their complaint should be directed to and from whom redress may be available.

If, however, the panel accepts that ASIC's records (or any other database that may be created for this purpose) would adequately identify the relevant licensee's EDR scheme, then it must also accept that there is no reason for there to be consumer confusion in relation to multiple schemes either.

If you would like to discuss any of the above in more detail, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Raj Venga". The signature is written in a cursive, slightly slanted style.

Raj Venga
Chief Executive Officer and Ombudsman