

There are a range of reasons why a borrower may be unable to meet their mortgage commitments. They may be faced with a life event that adversely impacts upon their finances, such as job loss or relationship breakdown; there may be a lack of financial literacy; or they may have overburdened themselves. Most often it is not the lender's fault but there are cases where it is. There are reportedly an increasing number of cases where lenders and/or brokers are engaging in predatory behaviour aimed at taking advantage of vulnerable borrowers. The regulatory framework for credit should offer consumers protection against inappropriate lending practices and should also provide guidance on lenders' obligations to borrowers in financial hardship. Evidence to the inquiry suggested that the current arrangements do neither of these things as effectively as they could. As such, reform is needed.

The primary instrument for regulating credit is the Uniform Consumer Credit Code. The uniformity it brings to credit regulation is applauded; however, the code has a number of inadequacies which are not easily remedied because the state based code requires jurisdictional amendments. The current regulatory framework has very few controls on the conduct of mortgage brokers. The states and territories have been trying to coordinate a national licensing regime for brokers since 2002, but it is still not in place. The regulation of financial products is generally a Commonwealth responsibility, except in relation to credit. The committee believes this division is illogical and arbitrary and recommends that the Commonwealth assumes responsibility for credit regulation.

If credit were to be defined under the Corporations Act as a 'financial product' it would require providers of credit products and advice to hold an Australian Financial Services licence. Licensees are subject to rules about quality of advice and disclosure and are required to belong to an external dispute resolution scheme. EDR schemes appear to be an effective and low-cost mechanism for resolving consumer complaints, but the schemes' jurisdictional limits could be increased to enable more complaints to be dealt with. The committee recommends that the Banking and Financial Services Ombudsman increase the limit on cases it can consider to \$500,000 and that this amount is indexed annually. It also recommends that other schemes consider the appropriateness of their limits. The committee also examined the effects of the changed lending market from the perspective of the financial system and the macroeconomy. By and large, the developments to date have caused minimal concern.

Finally, I would like to thank all members of the committee for their cooperation, particularly the deputy chair, the member for Cunningham; I also thank the members of the secretariat—Andrew McGowan, Sharon Bryant, Stephen Boyd—for their outstanding

work and professionalism. I commend their hard work, and I commend this report to the House.

Ms BIRD (Cunningham) (1.14 pm)—I endorse the statements of the Chair of the House of Representatives Standing Committee on Economics, Finance and Public Administration on the tabling of this report, *Home loan lending—inquiry into home loan lending practices and the processes used to deal with people in financial difficulty*, and the *Review of the Reserve Bank of Australia Annual Report 2006* report and express my appreciation of the tremendous support we get from the committee secretariat. With regard to the report before us I particularly thank Mr Andrew McGowan for the work that he did.

This was an abbreviated report in that it was always intended to be a short-term process. We took submissions from invited people and had a one-day roundtable within which we had the opportunity to look at some of the issues that had been of some interest to committee members. I think it is fair to say that I had prompted this inquiry—perhaps to take the blame in some way; and the chair might appreciate why I say that—as a result of the fact that in the last 12 months, for the first time in my extensive three years in the parliament, I had had come to my electorate office two cases of people who had come into difficulty in repaying their mortgage and had found it extremely difficult to work through that process with their lender.

It caused me to reflect on the fact that, when I had my second son, which was 18 years ago, and had six months off without paid maternity leave—and it probably would not be too different these days—it became difficult for us to meet the mortgage commitments. We were a young married couple, and I was not a member of parliament then. I was able to wander down to my local bank branch to see the local bank manager, whom I had met on a few occasions. I had a chat with him and said that I had a definite return to work date and that I would be able to get back on top of the payments, and I asked whether we could organise some relief for a short period of time—and that was all very easy to do.

The two people I met with in my office had phone numbers that they rang where they ended up on those horrendous phone trees, saying 'dial 1 for this' and 'dial 2 for that', and they could not actually find their way through to a person to engage with about the difficulties they were having. They were, I would say, not particularly financially educated and so had no idea of the other advocacy organisations that they might be able to go to to get some help. One lady was in imminent danger of losing her home—a home that she had had for 17 years. She had paid mortgage payments regularly without fault for 17 years, had hit, as the chair of the committee identified, a particular life circumstance that had caused some temporary problems

and was about to lose her home as a result. I am very grateful that, with the advice of the ombudsman, we were able to work through to a solution where she did keep her home. A concern in the other case was the fact that the person had been encouraged to withdraw their super funds—and we heard evidence of this situation at the roundtable. My concern is that it is being seen as a too quick and easy resolution in some cases—though in some cases it may be an appropriate response.

That is the sort of thing that we are seeing happen in the community. We all know that credit is much more easily available. I laughed with my committee colleagues about the fact that my sons looked at me like I had two heads when I suggested lay-bying as a useful way of purchasing items—the concept that you had to leave something there and you could not pick it up until you had paid it off. That highlighted to me how the attitudes of the generations had changed to the access of credit. I think that is a good development overall, but it does mean that families are under much more complex financial arrangements in terms of family budgets, and their working world is also much more complex and less reliable than it once was. We have to ensure that those who provide services to them, particularly with things as significant as financing for their home, are committed to making sure that, when there are difficulties, they engage with the borrowers and help work through the issues. I think the committee's recommendation in terms of extending that credit regulation coverage to some of these new players is important, and having them come under an external dispute resolution process will assist advocacy groups like legal centres to better chase up and resolve those issues.

Finally, I would make the point that we did get very interesting evidence on predatory lending behaviour. I made the point that, on the morning of the roundtable when I typed in the words 'mortgage defaults', I got three companies offering to sell me finance products. We know they are out there and we know they are particularly looking into regions and areas where people are having financial difficulty. The legal centres told us at the roundtable that refinancing and refinancing down the chain to less and less regulated lenders is a large part of the problem. I think the committee's recommendations are a first step in saying that this needs to be given serious attention. (*Time expired*)

The DEPUTY SPEAKER (Hon. IR Causley)—Does the member for Cook wish to move a motion in connection with the report to enable it to be debated on a later occasion?

Mr BAIRD (Cook) (1.20 pm)—I move:

That the House take note of the report.

Question agreed to.

The DEPUTY SPEAKER—In accordance with standing order 39, the debate is adjourned. The re-

sumption of the debate will be made an order of the day for a later hour this day.

MAIN COMMITTEE

Economics, Finance and Public Administration Committee

Reference

Mr BAIRD (Cook) (1.20 pm)—I move:

That the order of the day be referred to the Main Committee for debate.

Question agreed to.

COMMITTEES

Electoral Matters Committee

Report

Mrs MIRABELLA (Indi) (1.20 pm)—On behalf of the Joint Standing Committee on Electoral Matters I present the committee's report entitled *Review of certain aspects of the administration of the Australian Electoral Commission*.

Ordered that the report be made a parliamentary paper.

Mrs MIRABELLA—On behalf of the Joint Standing Committee on Electoral Matters, I have pleasure in presenting the committee's second report for 2007, *Review of certain aspects of the administration of the Australian Electoral Commission*. With a federal election approaching, it has been a timely exercise for the committee to review certain aspects of the administration of the Australian Electoral Commission. Although it may not sound like a particularly immediately exciting terms of reference that would excite the media or some who look to the two-dimensional aspects of politics to find something scintillating for a 10-second grab, it is very important and fundamental because it goes to the very question of how the AEC is adequately staffed to perform the very important role that it has in maintaining our electoral rolls and maintaining an adequate workforce in the lead-up to an election.

The terms of reference for the inquiry required the committee to direct much of its focus on the staffing arrangements across the AEC's divisional office network. Currently there are 150 AEC divisional officers in 135 locations around Australia. The AEC is a somewhat unique organisation because its so-called business cycle is influenced by the relatively unpredictable timing of key electoral events and federal elections, which determine workload peaks and impact significantly on staffing requirements. The impacts of the election cycle are a key consideration for the AEC in determining the most appropriate staffing model for divisional officers.

The committee received evidence that raised a number of concerns regarding workforce issues in some AEC divisional offices. These concerns related to employment structure, staffing levels, career opportunities for staff, retention issues and the effectiveness of co-