

22 May 2023

Ms Naomi Menon
Director Competition Exemptions
Australian Competition & Consumer Commission
23 Marcus Clarke Street
Canberra ACT 2601

via **webportal**

Dear Madam

Commonwealth Bank of Australia and Ors application for authorisation AA1000640 – interested party consultation - Submission by Australian Finance Group Ltd ACN 066 385 822

Australian Finance Group Ltd (**AFG**) was founded in 1994, listed on the Australian Securities Exchange in 2015, and has grown to become one of Australia's largest mortgage broking aggregators. Approximately 3,700 finance brokers (of which approximately 1900 are credit representatives of AFG) arrange residential mortgages, personal and asset finance loans, commercial finance, and other loan products through AFG's technology platform and relationships with lenders. AFG also operates a white label and securitised lending division through AFG Home Loans Pty Ltd and AFG Securities Pty Ltd.

AFG welcomes the opportunity to respond to the consultation on the Commonwealth Bank of Australia and Ors application for authorisation AA1000640 (the **Application**) issued by the Australian Competition & Consumer Commission on 1 May 2023. Terms used in this submission have the same meaning as in the Application unless specified otherwise.

General comments on public benefits of the Application

AFG supports the Application and the proposed Aggregator Assurance Program (**Program**) set out in the Application.

AFG agrees with the core public benefits set out in the Application. In particular, the efficiencies and savings for aggregators will be material. AFG estimates its risk and compliance, legal, IT and industry teams spend between 20 to 30 hours per month responding to assurance reviews from multiple lenders (sometimes simultaneously).

If these internal resources are reallocated, AFG will be able to spend additional time training and auditing its own brokers so they can continue to provide an excellent service to their customers.

In addition, consistent assurance standards will ensure that all aggregators are reviewed on the same basis and that best practice across all industry participants can be encouraged by lender partners.

Separate lender reviews

We consider that the Program should include a term that if a lender has opted-in to the Program, they are not able to conduct their own additional review of an aggregator. Further, the Program should be clarified to state that aggregators will only be required to provide one initial response to the ASP conducting the review. We submit that allowing this double-up would defeat the core public benefits of the Program of efficiencies and savings for both aggregators and lenders.

Potential conflicts of ASPs

We note that the entities expected to bid on the ASP role for the Program may have commercial relationships, including as auditors, with participants (lenders and aggregators) in the Program. We submit that the Program should be designed so that potential ASPs can demonstrate adequate information security arrangements so that no actual or perceived conflict between the two separate services provided to participants would exist.

Timing of reviews

We submit that the timing of the review of an aggregator by an ASP should be mutually agreed between the relevant participant lenders and the relevant aggregator. If unrealistic or unworkable timetables are enforced, the aims of the Program are unlikely to be met.

Agreement with aggregators

The Program should be designed so that aggregators have the ability to individually negotiate the relevant agreement with the participant lenders. Each aggregator has a separate and bespoke commercial agreement with lenders which contains specific rights and obligations. AFG submits that any obligations on aggregators in the aggregator agreement under the Program should align, and be no more onerous, than the obligations on that aggregator under their existing commercial agreement with the lender. The Program should not be a vehicle for additional obligations to be placed on aggregators outside of their negotiated position with each of the lenders.

Additional review following issue of report

As noted above, aggregators have individually negotiated commercial agreements with relevant lenders setting out their obligations to lenders. Following the issue of a report by the ASP on an aggregator, if further information by a lender is sought, the identity of the lender should be disclosed to the aggregator so that the aggregator may confirm this requirement for information is an existing requirement under the existing commercial agreement between the parties.

Pricing for lender participants

We agree with the current proposal in the Application that the Program is open to all lenders who would like to participate and that this would encourage the aims of the Program of more consistent industry wide assurance standards leading to better outcomes for consumers. However, in our experience, the structure and internal requirements of each lender for compliance reviews differ depending on the size of the lender. If all lenders participating are required to pay the same entry price, this may discourage smaller lenders from participating. We submit that a two-tiered approach

to pricing may be appropriate with the major bank Applicants paying a larger proportionate fee than smaller lenders.

Please do not hesitate to contact AFG if you require any further detail about the matters raised in this submission or if AFG can provide any further assistance.

Yours sincerely

Australian Finance Group Ltd