

# Brokers Under Increased ASIC Scrutiny

MIKLOS BOLZA - 20 Nov 2017

The industry is under higher levels of scrutiny by the Australian Securities & Investments Commission (ASIC), according to one financial services consultancy firm.

In a recent blog post, Sophie Gerber, director of legal and compliance at Sophie Grace, touched on the regulator's recent review on interest-only loans and how this has affected Australian credit licence holders.



“We are seeing an increased level of scrutiny during the ACL licensing process. This includes additional rounds of questions from ASIC and requests for more detailed information, including about the applicant's serviceability assessment tool and the applicant's justification for the net income and interest rate buffers.”

Gerber said that ASIC's focus on ACL applicants may be the cause of large delays in the licensing process which are now taking between nine and 12 months.

Quynh Truong, manager of licensing and compliance, told *Australian Broker* that while the firm had seen the spotlight shone on lenders during the application process, this could apply to brokers as well.

“There have been increased questions about responsible lending practices, ensuring suitability of the product and information on how brokers will ensure that the client understands the details of loan.”

For instance, this includes ensuring that the client is aware of the higher repayments of interest-only loans once the initial interest-only period has expired, she said. It is also important the client knows they will pay more over the life of the loan.

“Mortgage brokers should be aware of all their responsible lending obligations, including verifying client information, in ensuring whether a loan is suitable for a client in particular for an interest-only loan.”

Brokers should also examine circumstances that may affect how clients will meet these eventual higher repayments while also maintaining detailed notes, she said.

<http://www.brokernews.com.au/news/breaking-news/brokers-under-increased-asic-scrutiny-243782.aspx>