



Abacus
Australian Mutuals

Association of Building Societies and Credit Unions

22 May 2009

Manager
Consumer Credit Unit
Corporations and Financial Systems Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam

Abacus – Australian Mutuals Submission

National Consumer Credit Protection Bill

Thank you for the opportunity to comment on the draft National Consumer Credit Protection Bill as released by the Government on 27 April 2009.

Abacus – Australian Mutuals is the industry body for credit unions, mutual building societies and friendly societies. Collectively, the 158 Abacus member institutions have more than \$70 billion in assets and serve more than 6 million members.

Mutual financial institutions in Australia play a critical role in delivering competition and choice in the market. Australia has a strong mutual financial services sector, including one of the largest credit union sectors in the world.

As mutuals, Abacus members are committed to responsible and ethical retail banking services that put members, not profits, first.

Our commitment to our members and to responsible lending is clearly demonstrated by our performance. The credit union and mutual building society sector have the lowest arrears of any group in the retail banking sector. Even during the global economic crisis, our sector has experienced extremely limited increases in arrears. This is a testament to the sector's ethical and prudent lending behaviour.

Given our commitment, credit unions and mutual building societies are supportive in principle of the aims of the new federal consumer credit laws. A single harmonised regime, a level regulatory playing field for all credit providers, and access to low cost dispute resolution are all welcome and important steps to provide protection to consumers.

Beyond the high level principles, however, it is critical that the new laws strike a balance between effectiveness and efficiency. There must be a focus on giving consumers the right information at the right time and on ensuring that there are mechanisms to provide redress for consumers. However, it must also be acknowledged that regulation costs regulated institutions and their customers money.

Government and industry have the responsibility therefore to ensure that their resources are well targeted – aimed at protecting the most vulnerable consumers and being careful not to penalise those credit providers that are already behaving responsibly. Using resources effectively is particularly critical for smaller financial institutions such as credit unions and building societies.

It is vitally important that ineffective regulation does not divert our resources away from the outstanding responsible lending practices credit unions and mutual building societies already implement to support and protect their members.

In some respects, the draft legislation achieves the goals of effective and efficient consumer protection regulation. In other respects, it does not – relying too heavily on disclosure and being too vulnerable to prescriptive and over-bearing interpretation by regulators.

Abacus encourages the Government to review the legislation to improve its operation in a number of areas, including:

- training requirements for credit providers and their employees;
- the abolition of unnecessary breach reporting requirements;
- the removal of requirements that would result of multiple credit guides being provided by credit providers to their customers;
- extension of time to provide written assessments to consumers;
- changes to the business purpose declaration presumptions; and
- modification of the punitive and excessive penalty regime.

Detailed comments on the Bill are attached outlining the concerns of our sector.

Thank you again for the opportunity to comment on the draft Bill. If you have any questions in relation to this submission, please contact me on (02) 8299 9053 or at mdegotardi@abacus.org.au.

Yours sincerely



MARK DEGOTARDI
Head of Public Affairs

ABACUS SUBMISSION

DRAFT NATIONAL CONSUMER CREDIT PROTECTION BILL



1. Summary of recommendations

Recommendation 1

That the safeguards set out in LIC167 and LIC212 be protected and that LIC 176(3) and LIC212 (3) be deleted from the Bill

Recommendation 2

The definition in LIC170 (g) be narrowed to ensure that training requirements are only set for employees and directors actively involved in credit activities and then only in respect of those credit activities the employee is involved in (as opposed to all the credit activities authorised by the licence).

Recommendation 3

That any ASIC guidance on training and competency requirements under LIC170 (g) avoid prescriptive approaches and maintains sufficient flexibility that acknowledges the diverse range of credit providers and intermediaries.

Recommendation 4

Abacus recommends that the breach reporting requirements contained in the Bill and the transitional Bill be removed.

Recommendation 5

Abacus recommends that the credit guides required under R230 be abolished. Further Abacus recommends that ^14 of the National Credit Code be reviewed to ensure that all additional information contained in the proposed credit guides are part of the disclosure requirements of ^14.

Recommendation 6

Abacus recommends that credit providers be specifically exempted from the requirement to provide credit guides under R130 where the assistance is being provided in relation to a product offered by the credit provider.

Recommendation 7

Abacus recommends that section R290 be redrafted to recognise that suitability assessments are completed before the offer to lend is made and that considerable time can elapse between the offer of credit and the entering into the formal contract triggered by the signature of the contract by the borrower.

Recommendation 8

Abacus recommends that section R270 be redrafted to extend the time allowed to the credit provider to provide a copy of the assessment to within 5 business days (if the request is made within 1 year of the assessment being created) or within 20 business days (if the request is made any time after 1 year of the assessment being created).

Recommendation 9

Abacus recommends that Treasury convene a working group of consumer representatives and industry representatives (including Abacus) to develop a workable solution for both parties for the operation of the proposed ^11.

Recommendation 10

Abacus recommends that the Government reconsider the scope of its penalty and sanction regime under the proposed Bill to ensure that the focus of sanctions is on rectification of consumer detriment, rather than punitive and excessive penalties for technical non-compliance events.

2. Registration and Licensing

Registration/Licensing Process

Credit unions and mutual building societies support the licensing of all credit providers, brokers and other intermediaries. It is an important step in consumer protection to ensure that all credit providers and intermediaries are licensed and regulated to the same level, having regard to both the nature and complexity of their activities.

We note and also support the interim registration process outlined in the *National Consumer Credit Protection (Consequential and Transitional Provisions) Bill 2009* ("the transitional Bill").

We also support the simplified licensing process for ADIs contemplated under LIC156 of the draft Bill. This recognises the prudential and other compliance requirements already met by ADIs, such as credit unions and mutual building societies.

Our support for these measures is based on the assumption that the prescribed application form developed by ASIC in accordance with LIC150 is simple, as both Treasury and ASIC have indicated will be the case during the course of industry consultations.

Licensing Conditions

Abacus supports the adoption of special procedures for changing licensing conditions for ADIs (LIC167). It is important that the impact of any variation of license conditions on APRA-regulated institutions is carefully considered and that APRA is consulted before decisions are made that could affect the prudential stability of ADIs.

It is concerning therefore that LIC167 (3) in the Bill allows actions taken by ASIC to vary the conditions of a license held by an APRA-regulated institution to remain in force, notwithstanding that ASIC may have failed to comply with the safeguards in LIC 167(1) and (2). Abacus believes this is inconsistent with the policy objective of LIC167, and that LIC167 (3) should be deleted from the Bill. Similar provisions exist in LIC212.

Recommendation 1

That the safeguards set out in LIC167 and LIC212 be protected and that LIC 176(3) and LIC212 (3) be deleted from the Bill

3. Part 2-2, Division 5 - Conduct Obligations of Licensees

Abacus and its members support placing conduct obligations on licensees as part of the consumer protection framework. Regulating conduct (and giving consumers rights of redress for conduct breaches) is a more effective consumer protection tool than mere disclosure.

LIC170 in the draft Bill sets out the high level conduct requirements for licensees, including the requirement for systems to manage conflicts of interest, systems to meet compliance requirements, and internal dispute resolution processes.

Training

LIC170(g) also sets out requirements for licensees to ensure that *"its representatives are adequately trained, and are competent, to engage in the credit activities authorised by the licence"*.

This requirement is problematic in two respects. Firstly, the wording of the sub-section implies that *all* directors and employees (see DEF1 of the Bill for the definition of "representative") are required to be trained and competent in *all* credit activities

authorised by the licence. This interpretation would cause significant and ineffective compliance burdens on licensees.

Recommendation 2

The definition in LIC170 (g) be narrowed to ensure that training requirements are only set for employees and directors actively involved in credit activities and then only in respect of those credit activities the employee is involved in (as opposed to all the credit activities authorised by the licence).

Secondly, LIC170(g) is broad and will be subject to interpretation by the regulator, ASIC. Whilst guidance from the regulator could be a useful tool for some licensees, it is critical that the competency and training requirements set down in the ASIC guidance are flexible, giving institutions the ability to formulate tailored training programs according to their size and complexity.

ADIs such as banks, building societies and credit unions already invest heavily in training for their staff in consumer related areas, such as credit risk assessment and management. It would be counterproductive for consumers and cause significant compliance costs for ADIs if they were required to change effective existing training programs to fit into inflexible guidelines developed under the new legislation.

Credit unions and mutual building societies already train their staff to assess credit applications responsibly and ethically. The evidence from the extremely low arrears experienced by the sector proves that these internal training policies are effective and would easily meet the general conduct requirements envisaged under LIC170 (g). It is critical that any guidance in relation to training and competency requirements be sufficiently flexible, and essentially facilitative rather than prescriptive, in order to allow for different approaches by different institutions whilst still meeting high-level competency standards that will assist in consumer protection.

Recommendation 3

That any ASIC guidance on training and competency requirements under LIC170 (g) avoid prescriptive approaches and maintains sufficient flexibility that acknowledges the diverse range of credit providers and intermediaries.

Breach Reporting

LIC186 of the Bill requires the reporting of a significant breach of the credit legislation or the ASIC Act. It is unclear what value breach reporting will bring to consumer protection in instances where there is no consumer detriment or where the consumer detriment has been remedied. It is also unclear what will constitute a significant breach for the purposes of LIC186 in the Bill.

Serious systemic breaches that cause consumer detriment will be detected through the EDR schemes. These schemes not only find in favour of the consumer, in cases where the credit legislation has been breached and the consumer has suffered financial harm, they are also required to report systemic breaches to ASIC.

The significant nature of the penalties attaching to the breach reporting provisions and the technical nature of the proposed National Credit Code means that responsible and ethical lenders will report every potential breach notwithstanding the fact that there is no evidence of consumer detriment. This approach takes up valuable resources, particularly for smaller financial institutions as well as diverting ASIC resources away from more effective consumer protection activities.

It is likely that predatory, fringe or irresponsible lenders will simply ignore the requirements under LIC186 rendering this section of the Bill even more ineffective.

Recommendation 4

Abacus recommends that the breach reporting requirements contained in the Bill and the transitional Bill be removed.

4. Responsible Lending Provisions

Credit unions and mutual building societies are already responsible lenders and have made some clear commitments to responsible lending in the new Mutual Banking Code of Practice, which comes into force on 1 July 2009.

Accordingly, mutual ADIs are supportive of the Government's proposals to introduce responsible lending elements into the National Consumer Credit Protection Bill.

Credit unions and building societies are also supportive in principle of the two limb responsible lending test, being the requirement to ensure the borrower has capacity to repay the loan and that the loan is assessed for unsuitability. As mutual ADIs, credit unions and building societies exist only to serve their members. Ensuring that a member gets the right loan and that they can repay that loan without hardship is a fundamental part of the existing behaviour of mutual ADIs.

However, as smaller financial institutions, we are acutely aware of the need to ensure that resources are not wasted on ineffective compliance tasks and meaningless disclosure to members. For this reason, we raise a number of issues with the operational and compliance aspects of the responsible lending provisions in Chapter 3 of the Bill.

Credit Guides

Currently R230 in the Bill requires a credit guide to be provided as soon as practicable after it becomes apparent that a consumer is likely to enter into a credit contract. The Guide is required to contain a number of pieces of information as set out in R230 (2), including a range of basic and obvious information about the credit provider. It is not clear what value this guide adds for the consumer, other than providing another set of papers that in most cases will not be read.

Whilst acknowledging that some very small credit providers may be difficult to identify for consumers, the overwhelming majority of loans to consumers are made by mainstream lenders such as credit unions, building societies and banks. There is little in these credit guides of value to consumers that is not already required to be disclosed in the existing pre-contractual disclosure requirements.

Potentially, a credit provider could be required to disclose identical information to prospective borrowers at a number of points along the credit chain. This is simply confusing and irritating for consumers and a waste of resources for credit providers.

A sample credit guide based on the legislative requirements and the Commentary is attached as Appendix A. This has been developed using a broad, liberal interpretation of the requirements, not a prescriptive and cautious approach. Even allowing for this interpretation, the document is not a "one page" document as has been mooted by Government and Treasury at various points of the consultation process. In our view, this document is a prime example of useless and ineffective disclosure to consumers. Credit unions and building societies would prefer to use the resources that would be wasted on this type of disclosure on providing better services and assistance to their members – assistance that will actually help those members make better financial choices.

Recommendation 5

Abacus recommends that the credit guides required under R230 be abolished. Further Abacus recommends that ^14 of the National Credit Code be reviewed to ensure that all additional information contained in the proposed credit guides are part of the disclosure requirements of ^14.

The draft Bill also requires that credit guides are provided in certain circumstances by “credit assistance providers” as defined in DEF7 of the Bill. There is little question that some of the activities of credit providers will be considered to be credit assistance for the purposes of the Bill.

As a result, in the circumstance where an employee of a credit provider is providing assistance to an existing or potential borrower, that employee would be required under R130 to provide a copy of a credit guide. This proposal may be appropriate for brokers and other intermediaries but it is highly problematic for credit providers because:

- there is a lack of clarity about when the guide needs to be provided; and
- there is duplication of disclosure with the likelihood that multiple credit guides will be provided to consumers during the course of a credit application.

Given that credit providers ultimately bear all the responsibility for complying with Part 3-2 of Chapter 3, there seems to be no benefit to consumers in making those credit providers disclose identical information at a different point of a credit transaction. For credit providers, there will, however, be significant costs in complying with this unnecessary, duplicative disclosure.

If the current approach is not modified, consumers will be provided with multiple copies of credit guides, such as those attached to this submission, again causing confusion and irritation and repeating the mistakes of over reliance of disclosure that this industry experienced during FSR.

Recommendation 6

Abacus recommends that credit providers be specifically exempted from the requirement to provide credit guides under R130 where the assistance is being provided in relation to a product offered by the credit provider.

Assessments of unsuitability

As noted above, credit unions and building societies are broadly supportive of the requirement to ensure that a consumer credit contract is appropriate for the consumer – this falls within generally recognised and practiced existing standards of responsible lending.

There is however considerable uncertainty in the legislation in terms of what is considered unsuitable for the purposes of R250 and what might constitute “reasonable inquiries” for the purposes of R260. It is noted that the Commentary attached to the Bill suggests that ASIC may provide further guidance on a range of matters relating to the verification and assessment process.

It is also apparent from the Commentary that more stringent verification procedures may be required for low income earners. Whilst some people from this group may be vulnerable to predatory lending, there is considerable risk that the detailed approach envisaged in the Commentary will make credit less available and/or more expensive for this group of consumers.

Abacus is particularly concerned at the wording of R290, which requires the suitability of the contract to be judged against the debtor’s circumstances at the time the contract is entered into. A credit contract is entered into at the time the credit provider’s offer is signed by the debtor. Quite often there will be a considerable delay between when an offer is made by a credit provider and the time it is formally accepted by the debtor.

Based on its current wording, R290 would require a credit provide to have some due diligence measures in place to ensure the contract remains “suitable” up until its formal acceptance. This places an onerous burden on a credit provider who has already committed significant time and expense to determining the suitability of its offer. Abacus recommends that R290 be amended to reflect current lending practices and practical operational realities for credit providers. Further to this, a credit provider should be entitled to rely on its suitability assessment for a period of 90 days only.

Recommendation 7

Abacus recommends that section R290 be redrafted to recognize that suitability assessments are completed before the offer to lend is made and that considerable time can elapse between the offer of credit and the entering into the formal contract triggered by the signature of the contract by the borrower.

Provision of written assessments

Abacus sees little benefit in the requirement to provide written assessments to consumers at any time during the life on the loan. In the event of a dispute, the onus is on the credit provider to prove that it met with the requirements of Chapter 3. If it cannot meet this burden of proof, the risk lies with the credit provider. It is therefore in the interest of credit providers to undertake an appropriate risk assessment of its portfolio to determine how much documentation it will create and keep to meet the burden of proof in the event of a dispute.

If notwithstanding our views, the obligation to provide written suitability assessments on request is to be retained, the proposed timeframe for the provision of an assessment needs to be significantly extended, in our view. The advice of our members is that the current time frame is far too short, particularly for longer term contracts such as home loans.

Abacus suggests that the consumer’s request for a suitability assessment (if retained) be treated in a similar way to the consumer’s request for a credit contracts under the existing section 163 of the UCCC. Under this proposal, R270 could be amended to require that a copy of the assessment should be required to be provided:

- within 5 business days, if the request is made within 1 year of the assessment being created;
- within 20 business days, if the request is made any time after 1 year of the assessment being created.

Recommendation 8

Abacus recommends that section R270 be redrafted to extend the time allowed to the credit provider to provide a copy of the assessment to within 5 business days (if the request is made within 1 year of the assessment being created) or within 20 business days (if the request is made any time after 1 year of the assessment being created).

It also appears that section R170 has no time limit in regard to the period for which a preliminary assessment must be kept. To avoid confusion, it is recommended that a time limit be introduced into R170.

5. National Credit Code

There has been a number of significant changes to the UCCC as adopted through Schedule 1 of the Bill. Of particular concern are the proposed changes to ^{^11} of Schedule 1 to the Bill.

Business Purpose Declarations(BPDs)

The National Credit Code (NCC) proposes to change the presumptions currently contained in section 11 of the UCCC, that is, under the new NCC provision, lenders will no longer be able to rely on the provision of a BPD to exclude the operation of the new Bill.

Treasury is aware that industry and consumer representatives worked towards a revised BPD provision to try to prevent the misuse and abuse of the provision by a small number of unscrupulous lenders.

The new ^11 of the NCC does not reflect the industry/consumer agreement which balanced the importance of clarity for lenders with the need to provide recourse for borrowers that have been misled into signing BPDs.

Recommendation 9

Abacus recommends that Treasury convene a working group of consumer representatives and industry representatives (including Abacus) to develop a workable solution for both parties for the operation of the proposed ^11.

6. Penalties and Sanctions

Whilst it is important that there are sufficient sanctions and penalties within a regulatory regime to ensure that there is motivation to comply and to provide regulators with the necessary tools, it is also important that sanctions and penalties are appropriate to the nature of the breach. The risk with too onerous a penalties regime is that it prevents institutions from “confessing” to breaches and rectifying consumer detriment of their own accord.

The standard penalties in the proposed Bill include criminal sanctions and civil penalties up to \$1.1 million for even very simple breaches that do not necessarily have any element of consumer detriment.

This approach runs counter to some of the most effective aspects of the UCCC that allows institutions to identify breaches of the Code, rectify any consumer detriment and have their actions considered by a Court as an ameliorating factor in determining any penalties payable as a result of the breach. This is a far more preferable approach than the combative and defensive approach caused by excessive penalty regimes.

Recommendation 10

Abacus recommends that the Government reconsider the scope of its penalty and sanction regime under the proposed Bill to ensure that the focus of sanctions is on rectification of consumer detriment, rather than punitive and excessive penalties for technical non-compliance events.

CREDIT GUIDE

*Model Credit Union Limited
ABN 15 087 123 456
AFSL 9876541
ACL 004887*

Our contact details:

Address: *60 York Street, Sydney NSW 2000*

Phone: *(02) 9999 9999*

Fax: *(02) 9888 8888*

email: *office@modelcu.com.au*

More information on borrowing from us

For general information about borrowing (including loans calculators to help you understand the effect of interest rates and fees and different loan options) go to our website at www.modelcu.com.au.

Version date: 1 January 2010

Introduction

This Credit Guide has information about the Credit Union and some of our obligations under *National Consumer Credit Protection Act 2009 (the Act)*.

The Credit Union has an Australian Credit Licence authorising us to provide credit.

This Guide provides you with an understanding of what to expect from us when we provide you with credit assistance or provide credit to you.

You may also receive other documents when we provide services or credit to you.

This Credit Guide contains important information on:

- **How to contact us**
- **Borrowing money from us**
- **Our obligations to make a credit assessment**
- **Credit products and services we offer**
- **Our independent external dispute resolution procedures**
- **Compensation arrangements**

Borrowing money from us

The Credit Union provides loans to its members only.

When you apply for credit we must give you a quote setting out the terms of credit before providing credit to you. The quote must set out the maximum amount (including the possible nature and size of fees and charges) you will be required to pay to us if you use our services.

We are also required, before entering or increasing the credit limit of a credit contract, to give you a document that discloses information about any commission a credit union employee, director or credit representative is likely to receive for it.

Before providing credit to you in relation to a credit contract, we must make a preliminary assessment as to whether the contract will be unsuitable for you.

Similarly, before we agree to increase the limit of an existing credit contract, we must assess whether the new limit for the credit contract will be unsuitable for you.

The credit union is prohibited from providing credit to you in relation to a credit contract or increasing the credit limit of a credit contract if the contract will be unsuitable for you.

A credit contract is unsuitable for you if at the time it is entered or the credit limit is increased it is likely that you will be unable to comply with your financial obligations under the contract, or could only comply with substantial hardship at that time or the contract does not meet your requirements and objectives at that time.

Information about our obligations to make a credit assessment

We must, before making the assessment:

- (a) make reasonable inquiries about your requirements and objectives in relation to the credit contract; and
- (b) make reasonable inquiries about your financial situation; and
- (c) take reasonable steps to verify your financial situation.

Generally, the minimum requirement for satisfying our reasonable inquiries about your requirements and objectives will be to understand the purpose for which the credit is sought and determine if the type, length, rate, terms, special conditions, charges and other aspects of the proposed contract meet this purpose or put forward credit contracts that do match your purpose.

Obtaining this information helps us get a reasonable understanding of your ability to meet all the repayments, fees, charges and transaction costs to comply with the proposed credit contract. You should be able to meet the contract's obligations from income rather than equity in an asset.

Our inquiries about your financial situation ordinarily include inquiries about the amount and source of your income, determining the extent of fixed expenses (such as rent or contracted expenses such as insurance, other credit contracts and associated information, Internet services) and your other variable expenses (and causes of variable expenses such as the number of dependents and the number of vehicles you run, interfamily loans and any particular or unusual circumstances). The extent of inquiries will however depend on the circumstances.

The possible range of factors that may need to be established in relation to your capacity to repay credit could include:

- your current income and expenditure;
- the maximum amount you are likely to have to pay under the credit contract for the credit;
- the extent to which any existing credit contracts are to be repaid, in full or in part, from the credit advanced;
- your credit history, including any existing or previous defaults by you in making payments under a credit contract; and
- your future prospects, including any significant change in your financial circumstances that are reasonably foreseeable (such as a change in repayments for an existing home loan, due to the ending of a honeymoon interest rate period).

We will most likely conduct a credit reference check.

When you are refinancing, we will check whether you are having difficulties meeting the current repayments, or are in arrears, on your existing credit contract.

When you are refinancing, all costs of changing credit contracts will be taken into consideration when assessing your ability to meet the obligations of the new credit contract over its entire term.

Your right to receive a copy of the credit assessment

You have the right to receive the credit assessment up to 12 months after the (new or increased limit) credit contract expires. A copy of the assessment must be provided to you within two business days of us receiving the request. There is no obligation on us under the Act to provide a copy of the assessment if the credit contract is not entered into or the credit limit is not increased. You do have other rights to access personal information we collect about you under the provisions Privacy Act 1988 (Cth). Please refer to our Privacy Statement and Privacy Policy which are available from our website.

Information about the kind of credit services that the credit union is authorised by our licence to provide

We are licensed by the Australian Securities and Investments Commission (ASIC) under our Australian Credit Licence to advise on, and deal in, an extensive range of credit products and services, including the following:

- credit products issued by the Credit Union;
- credit products for which the Credit Union acts as intermediary; and
- insurance products issued by third parties (limited to property and CCI insurance).

Credit Services

Our credit services relate to the following kinds of credit products:

Credit Products include:

- personal loans
- car loans
- overdrafts
- housing loans
- Real estate loans
- Investment loans
- credit card
- Mortgage offset account

Insurance Products include:

- General insurance products
- House and contents insurance
- Sickness and accident policies

Credit Assistance

Our credit assistance includes advice on all of our credit services, third party credit products and third party insurance products offered by us.

Third party credit products

We may act as a credit representative for other licensed credit providers.

When we act as a credit representative we are authorised to provide the following services:

[INSERT]

The [six] licensees with whom we conduct the most business and commissions we are likely to receive from those licensees is set out in the following table:

[INSERT]

If you use our services as credit representative the fees and charges that you may incur are:

[INSERT NAME OF FEE AND AMOUNT]

External Dispute Resolution Procedures

The Credit Union has an internal dispute resolution process and is also a member of an independent external dispute resolution scheme. The dispute resolution system covers complaints by persons to whom we provide credit. Our internal system is accessed by contacting our Disputes Resolution Manager at the Credit Union by using any of the contact details shown on the front page of this Credit Guide.

If you are unhappy with any decision or the handling of the complaint by the Credit Union, the complaint may be referred for external resolution to the Financial Ombudsman Service whose telephone contact is 1300 78 08 08.

In many cases this leads to a successful resolution. If the dispute remains unresolved, the Financial Ombudsman Service can then offer conciliation processes or it may investigate the dispute and issue a written decision on your case which is binding on us (including requiring us to make a monetary payment to you).

This service is available at no cost to you.

Our external dispute resolution scheme cannot deal with your dispute (assuming the complaint is within the scheme's terms of reference) unless you have attempted to resolve the problem with us first; and either:

- we have made a formal proposal to resolve the complaint, and you have told us that the proposal is not acceptable to you; or
 - at least 45 days has elapsed since you made your complaint.
- whichever occurs sooner

Financial Ombudsman Service Ltd (FOS)

GPO Box 3 Melbourne Vic 3001

Telephone: 1300 780 808

Fax: +61 3 9613 6399

Email: info@fos.org.au

Internet: www.fos.org.au

Australian Securities and Investments Commission

The Australian Securities and Investments Commission's (ASIC) website contains information on complaining about companies and people and describes the types of complaints handled by ASIC.

To obtain further information contact the ASIC Info line:

Telephone: 1300 300 630

Fax: +61 3 5177 3999

Email: infoline@asic.gov.au

Internet: www.asic.gov.au

Compensation Arrangements

The Credit Union is an Authorised Deposit-taking Institution under the Banking Act 1959 (Cth) and is supervised by the Australian Prudential Regulation Authority and holds professional indemnity insurance in compliance with the Australian Prudential Standards.

Updating this Credit Guide

All details are current as the date of this Credit Guide. We will publish minor changes on our website. We will update the Credit Guide if there are any material changes adverse to borrowers.

For more information:

Phone Model Credit Union on 02 9999 9999

Visit us at www.modelcu.com.au

Visit your local branch