



Brotherhood of St Laurence

Working for an Australia free of poverty

16 March, 2015

Mr David Crawford
Senior Adviser
Financial System and Services Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Mr Crawford

RESPONSE TO THE FINANCIAL SYSTEM INQUIRY FINAL REPORT

The Brotherhood of St Laurence is pleased to make the following comments in respect of the final Financial System Inquiry report.

In our earlier submissions BSL called for action that would foster collaboration between the government, business and community sectors in order to stimulate new and innovative responses to current shortfalls in credit provision for low income and vulnerable Australians. The Panel's emphasis on fairness is admirable but the nation's financial system can only be considered fair if access is reasonably available to all Australians. Currently this is not the case; the example of the No Interest Loans Scheme two hours per week availability in northern Wollongong was provided in the first BSL submission.

The recommended Innovation/Collaboration Committee fits well with BSL's view that Australia's financial system would better serve the nation through the adoption of a Stewardship Principle. In our earlier submission we described the principle in terms of a shared responsibility amongst those who are licensed to provide banking services:

The notion of a shared responsibility will be challenged by some but its primacy is demonstrated through the posing of a simple question: if ensuring an adequate range of financial products and services to meet the current needs of Australian consumers is not in the first instance a responsibility of those entities licensed by government to operate in the industry, whose responsibility is it? Ignoring the question of responsibility or seeking to pass it to others overlooks an essential truth of the industry, namely that it possesses the very expertise required to ensure the needed products and services can be developed.

The Panel has correctly identified the opportunity to devise new system products, services and processes on the back of digital technology and the recommended permanent public-private sector committee is clearly a means of achieving the 'Innovation Collaboration' which can take full

advantage of technological progress. However, the recommendation will fall short if it is focussed only on commercial collaboration just as it will fall short if representatives are expected to spontaneously initiate collaborative effort.

BSL believes that the proposed committee requires guidance in two ways, both of which could be encompassed in its Terms of Reference. First, the committee should be focussed on specific weaknesses within the Australian financial system *both commercial and non-commercial*. In this way consumers who are less likely to engage with the mainstream financial system, such as the 22,300 Australians who took out a NILS loan in 2012/13 and the 30,000 Saver Plus Australians who have participated in Saver Plus over the past decade will stand to benefit from the work of the committee.

The second qualification is that the committee be provided with references from the Commonwealth Treasurer as to its work program. Guidance of this kind will help establish and maintain a productive culture within the committee which should be provided with full access to departmental officers for the purpose of its work. Requests from the Treasurer would not preclude other work being undertaken as it may arise from discussions amongst committee members but requests received from the Treasurer would be prioritised.

Allowing the committee's work to be guided in this way would ensure that a work program embracing both commercial and non-commercial objectives was established. In the same way that the committee might be instructed by the Treasurer to investigate and report on how a federated-styled model of trusted digital identities might be most speedily enacted, a challenge cited by the Panel, the Treasurer might also instruct the committee to investigate and report on the most efficient and sustainable form of concessional credit provision.

With respect to other recommendations BSL is very supportive in particular of Recommendation 29 insofar as it will provide ASIC with greater funding certainty and allow it to build on its already impressive contribution to improving national financial literacy.

BSL also welcomes the recommended product intervention power (Recommendation 22) and believes this will fill a gap in the regulatory toolbox available to ASIC. Intervention powers have been used productively in the product safety field for many years and the recent evolution of the Australian Consumer Law has included a scheme of state based temporary bans and Commonwealth permanent bans. The proposed 12 month time frame for the new power will attract criticism including the need to establish an appropriate threshold for its application to products which may, notwithstanding the application of the power, remain available in the marketplace. This will create difficulty and risks insofar as the product is characterised. It may be advisable to describe the intervention as a tool allowing detailed examination, enabling a product subject to the rule to be defined as a 'Product subject to ASIC examination.'

Yours sincerely

Tony Robinson
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