

# COMPLIANCE UPDATE

February 2021

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## INDUSTRY UPDATE

### ***BID Extention***

The Government has delayed finalising the proposed extension of the best interests duty until after a Senate inquiry reports back to the Government in mid-March 2021. Initially new legislation was to come into play from 1<sup>st</sup> of March (with a 6 month transition period), however with the delay in the Senate, the expanded BID requirements, if passed, would now not apply until September 2021. The BID extension if passed will apply to all who provide credit assistance to consumers, not just mortgage brokers.

### ***Lender turn around times***

Many brokers have been contacting us regarding lender turn around times, we understand that times have really “blown out”. If you have applications that are nearing their settlement date and your application still hasn’t been assessed, please contact us, we have a little wiggle room with regard to the escalation requests with lenders. We don’t want to abuse any influence we may have, but we can email some lenders directly requesting escalation if necessary.

## NEWCO/NLG NEWS

### **BID Information**

Best Interests Duty came into force on the 1<sup>st</sup> of January, 2021.

### **Clients Requirements, Objectives and Goals**

Ensure all conversations are well documented and that you have clearly noted why the client is seeking credit, what they wish to achieve and their goals. Remember “Refinancing to a cheaper rate”, “Buying a house to live in long term”, “Purchasing a new car” are insufficient answers (and have never been compliant with Responsible Lending, let alone BID). Ensure you have asked and documented questions such as:

- Why is the client seeking a loan?
- Is this the right time for the client to borrow?
- What are your client’s priorities and why?
- Does your client understand the benefits and challenges of the features and products they want?
- Why does your client want this kind of loan and/or product?
- Will there be a change in circumstances in the near future?
- Will entering into a credit contract now and committing to loan repayments impact a future planned event – i.e. travel or returning to full time education? and
- If a fixed loan is being considered, have break fees and future interest rates been explained and understood?

## Clients Financial Awareness

You need to consider and document your clients understanding of credit, a credit contract and the implications of entering into a credit contract with a lender. Considerations should include previous credit history (if applicable) and an explanation about the conversations you have had with the client regarding different products and loan types. Remember to ensure your files reflect your personal interactions with the client, standard paragraphs such as the one below are a GUIDE only, and must be customised. ***A one size fits all approach cannot be used.***

## Recommendations – can you clearly demonstrate?

- Why the recommended lender is in the best interests of the client?
- Why the recommended product is in the best interests of the client?
- Why is the recommended interests rate in the best interests of the client?
- Why the loan amount in the best interests of the client?
- Why the loan structure in the best interests of the client?
- Have all client's requirements, goals and objectives been acted on and considered?
- Have you educated your client to ensure they fully understand the lender/product/interest rate/loan structure?
- Have you considered government incentives or other bank offers that be applicable and in the best interests of the client?
- Have the consequences of the loan contract and any other mitigating circumstances been taken into consideration? and
- Ensure your recommendations are PERSONAL to your client.

## Other considerations

- Be aware of price competitive products; and
- Do you have access to a panel of lenders and credit products sufficient to allow you to act in your client's best interests?

***Avoid standard paragraphs/sentences with terminology such as "the client", "the applicant". Don't use lender jargon such as MAV, LVR, LTV etc, write in language your client can clearly understand. Your NCCP documents should be a personal reflection of your interactions with each individual client.***

## Conflict Priority

Have your client's best interests been **Prioritised** above any/all conflicts of interest. Is there anything influencing you to make the recommendation that would lead to a benefit to you, your associated licensee, a referrer or other related party? Ensure clear explanations are documented in your NCCP documents.

There is a lot to consider, please ensure there is a heightened level of detail and explanation in your NCCP documents and client files.

## Remember:

- "Expand & Explain" when completing your NCCP documents;
- ASK, EDUCATE, ASSESS, RECOMMEND and RECORD – it's never been more important;
- If it's not written down it didn't happen – it's never been more important; and
- Use the Client File Checklist – it's a starting point to ensure complete files.

The NewCo/NLG team are here to help, there is many resources available to Brokers that provide guidance and support, the BID section within the **Information Hub on the NLG website** ([www.nlg.com.au](http://www.nlg.com.au)) provides information that will assist brokers. Choice Aggregation Services have also provided information, most of which can be found within Podium. The MFAA and FBAA have also provided their members with guidance and training.

**Attachment: Important Conversations Guidance**

## The Adviser Podcast with Elite Broker Sidd Bahree – NLG Leasing Asset Finance Broker

Sidd Bahree is an experienced Asset and Equipment Finance broker who joined the team at NLG Leasing last August (2 days before full lockdown!!).

Sidd was recently interviewed by Anne Kane from The Adviser to discuss asset finance in the current market and dealing with small business. Click on the link below to listen to the Podcast.

[https://www.theadviser.com.au/elite-broker/41245-making-big-moves-to-help-small-business?utm\\_source=TheAdviser&utm\\_campaign=02\\_02\\_21&utm\\_medium=email&utm\\_content=1&utm\\_emailID=e94133561342ea477b46516838198c392b75b7b60c64156ca0d12288b1c56f86](https://www.theadviser.com.au/elite-broker/41245-making-big-moves-to-help-small-business?utm_source=TheAdviser&utm_campaign=02_02_21&utm_medium=email&utm_content=1&utm_emailID=e94133561342ea477b46516838198c392b75b7b60c64156ca0d12288b1c56f86)

## Broker Behaviour

This is not a pleasant topic, however it has become apparent that we need to raise the issue of how brokers behave when engaging with Lender staff, credit assessors, QED members and others within the industry. It is important that all brokers engage in a professional manner with all they do business with, hanging up the phone, use of profanity, and other threatening behaviour is unacceptable. Such behaviour has recently been reported to NewCo/NLG and we don't take the matter lightly.

Brokers need to remember that we must work as a team in all business dealings and unacceptable behaviour reflects poorly on us all.

Please ensure all dealings are of a professional manner, if there is an issue to debate further, that should happen but in a calm and engaging manner and the conversation should take place with solutions being put forward.

Lenders in particular don't take lightly to bad broker behaviour, such behaviour is recorded and if it persists accreditations will be withdrawn.

## PD Day, 3<sup>rd</sup> March, 2021

*We are launching into 2021 with our first PD day on Wednesday, 3<sup>rd</sup> of March.*

Venues are detailed below, we are however restricted to limited numbers in venues due to current COVID 19 restrictions so please let us know as soon as possible whether you can attend.

The day will run from 10.00am to 1.00pm followed by a light lunch at each venue.

**Melbourne**      ***Dexus Place – The Auditorium + Business Lounge***

Level 14, 385 Bourke Street  
9.30am for a 10.00am start

**Sydney**            ***Dexus Place – The Auditorium***

Level 5, 1 Margaret Street  
9.30am for a 10.00am start

**Brisbane**           ***Dexus Place – The Kalgan + Bokhara Room***

Level 31, 1 Eagle Street, Waterfront Place  
8.30am for a 9.00am start