

## **Broker Commissions: Good or Bad for Borrowers**

The battle lines appear to have been oversimplified to an almost child-like dichotomy that would have us believe that all commissions, or value-based remuneration (in the language of the Royal Commission), are bad because they create conflict; or good because they create competition.

Craig Morgan, Managing Director at Independent Mortgage Planners has a different take on the matter.

“While we are not in support of a blanket ban on commissions”, said Morgan, “the very real issue facing the industry is its unwillingness to acknowledge that commissions must, by definition, create some level of conflict.”

That conflict may, or may not, ultimately be to the detriment of the Consumer and will vary from case to case in any event.

What is certain, however, is that across the broader financial services arena – disclosure of conflict has been proven to be worthless in terms of protecting the consumer.

And, as the Royal Commission has only too painfully broadcast, the entrenched industry powerhouses cannot be trusted to act in consumers’ best interests when faced with a conflict.

This is why consumer groups – and seemingly from the line of questioning in Round seven, the Royal Commission itself - favour completely removing the source of the conflict.

Morgan went on to say that, “It is clear that CBA’s Matt Comyn gave testimony about Broker remuneration – and alternative models – that was disingenuous, calculated and self-serving. Enough has been written on this subject already and we doubt the Royal Commission is blind to the Machiavellian tactics of the Big Banks.”

However, we have since seen a plethora of rhetoric from industry – including from large Aggregators and the largest Industry Association – unequivocally stating that consumers will not pay a fee for service and any attempt to go down this path will doom the industry, competition and borrowers alike.

“We have to take strong exception to this narrow viewpoint.”, Morgan said. “For nearly a decade we have been operating on a truly independent, truly professional, and entirely fee for service basis. Our Clients span the spectrum from first home buyers to seasoned investors and from average income households to high net worth and high-income borrowers.”

“The only thing all our Clients have in common is a desire to be sure that they are receiving expert advice that is in their best interests and that they can be confident they are genuinely getting a better home loan deal tailored to their specific goals and objectives. And the only way someone can have this confidence is to know that all conflicts have been removed.”

However, Morgan acknowledges that moving across to genuine independence, including fee for service, is a daunting task for Mortgage Brokers – especially in the face of the largest players in the mortgage broking industry telling you it can’t be done.

Which is why, after years of proven success - testing and verifying systems and culture - and because “It is clear that society is catching up with the need for independent mortgage advice off the back of the Royal Commission and other reviews”, Morgan says 2019 will be an intentional growth phase for the company.

With plans, for the first time, to selectively offer existing Mortgage Brokers the opportunity to cross over to independence and operate under the company's established branding and Licence.

The company already provides Credit Licensing to a number of truly independent Financial Advisers providing them with a seamless offering and a "super back office" for mortgage advice.

Morgan concluded by saying, "Again, I want to make it very clear that we do not support mandating fee for service remuneration for Brokers – whether Lender paid, or Client paid. We believe there is a significant demand for home loans provided by mortgage brokers remunerated under the current model with the amendments that are already being phased in. And consumers deserve the right to choose the model that suits them."

So, while an independent, fee for service, mortgage offering may not appeal to all readers it may well be a sensible time to take a fresh look at how you provide your mortgage advice and potentially get ahead of the wave. As Einstein reportedly said, "Doing the same thing and expecting different results is the very definition of insanity."

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