

## **Submission to the Productivity Commission Enquiry - Competition in the Australian Financial System**

Our submission is focused on the aspect of consumer market power and what underlies their ability to exert power. The interim report outlines the already declining power of the consumer. While there is much necessary attention devoted to the supply/sell side of the industry we consider that consumer power deserves more attention to ultimately provide a better and more sustainable buy-sell balance. We consider individuals need to take more responsibility for their financial wellbeing, no matter what the competitive state of the industry. Even with greater competition we consider the challenges for the consumer will increase in the “open banking” environment as the number of providers and distributors (whether neo-banks, non-banks or on-line marketplaces) increase and further product choice evolves as a result. The continuing move to a more on-line and self-service industry model requires a more literate consumer. The continued individual responsibility for their retirement savings in the context of low growth environment only adds to the need for the consumer to:

- be more financially literate over their lifetime as their needs and wants change and the industry and products evolve
- have access to trusted information at a product and provider level
- have transparency as to the remuneration of the product seller/referrer and their ownership/pedigree
- have easy access to information on alternative products
- be motivated to buy and change financial products as appropriate over their lifetime.

We note the already very active National Financial Literacy Strategy and ASIC’s key role providing the Money Smart Program and co-ordinating the many participating partners both from within the financial industry and organisations devoted to assisting at risk, minority or disadvantaged groups. Broader information is available on life event lessons which is mostly accessed on an ad hoc basis. These are very worthy initiatives which should be continued.

Consistent with this role we consider that ASIC’s role can be extended to address the bullet points above, and so provide even greater resources to the consumer. ASIC could engage providers to assist in the creation of these resources as a community utility, which ASIC could provide as an extension of the current Money Smart program.

### **Lifetime Learning and Behavioural Change**

Current education programs are mostly point in time programs with no apparent means to provide a continuity of learning in a consistent manner over a lifetime as the consumer’s needs change. The opportunity for iterating the form of delivery of materials was referred to in the most recent EY Sweeney report on the Money Smart program:

"Currency and digital readiness of resources: While the Program's resources are a key strength, they require ongoing attention to maintain their currency. For example, worksheets for classroom exercises can be completed online, but are not available in other, more interactive, digital formats when students are becoming accustomed to digitally sophisticated learning tools."

We believe TradeOff is an example of a platform that could meet this objective. TradeOff is a digital platform designed to develop financial capability, at the core of which is a premium game. The game is the "game of money and life" where players test drive financial products in scenarios reflecting life events - consistent with how information is presented on the Money Smart website. It uses kinaesthetic learning and can facilitate transition to real world products. It is designed to be played over the long-term, and multi-media will be used to maintain engagement with the platform.

We think TradeOff is a great example of a more interactive learning tool, that can be efficiently sustainable. We would hope that a tool like TradeOff (used in conjunction with other learning techniques) would also lead to better results in terms of capability development in the longer term, beyond the results contained in EY report in terms of student outcomes from current programs.

The use of game concepts can help with behavioural change and the playing of the game over lifetime can deliver learnings with up to date information at relevant times close to the point of need. The better educated consumer would become more the initiator of the interaction with the product provider, making the interaction more of a buyer lead process.

Coincidentally, we recently made a submission to the National Financial Literacy Consultation, which included the following:

"Indeed, we also consider there is a need for a broad community wide learning/behavioural tool to cater for non-priority audiences. We think the need across the broad community will only become more important due to the continuing low economic growth environment, greater longevity, reduced capacity to fund government pensions, and consumers needing to be empowered to protect themselves as much as possible. As we understand it, the Australian Financial Attitudes and Behaviour Tracker results show issues with financial capability across most demographics and therefore there is great value in addressing these audiences as well.

We commend ASIC's focus on educating the next generation and think this needs to be extended so that progress in the short term is achieved across most age demographics. We note the school environment provides a convenient context to provide such services on a face to face basis, as do select priority audiences through collaborators. Another approach would be needed for these audiences when they come out of the secondary school environment/intensive programs context (financial literacy/capability is a lifelong learning), and for the broad community.

We consider there is an opportunity for ASIC to provide a learning/ behavioural platform that is individual centric and addresses many of the behavioural matters set out in the recent CSI report on financial wellbeing, as well as the content on the Money Smart site relating to products, financial lessons, and dealing with life events. It would provide ASIC with another mechanism to provide more “guidance that can be trusted”.

Benefits of an on-line gamified learning platform are:

- Scalable and cost efficient
- Able to be used anywhere and at any time at the individual’s choice
- Content rich – product, financial lessons and life events driven
- Relevant to individual over their lifetime and provides consistent learning experience
- Mechanisms to maintain engagement – games techniques and use of multi-media
- Leverage use of existing websites, tools, other learning resources, including Money Smart.”

More particularly we see opportunities to explore in terms of use of data. In our submission to the National Financial Literacy Consultation, we commented on the potential to enhance the measurement process as follows:

"We agree with the focus to build more outcome-based measures for programs. We consider a more customer centric longitudinal type survey to better measure the effectiveness of initiatives would be worthwhile. The surveying needs to attach to an individual over the long term to provide a meaningful whole of life view of knowledge, skills and behaviour development. Surveying those who are subject to initiatives as against those who are not would provide useful insights. Annual data from use of a population being surveyed on a rolling basis would provide data regularly while not being overdone at the individual level. Digital and on-line tools can facilitate the collection of such data in an efficient manner.

Collaborators can help provide survey targets through their communities. Incentives for providing participants may be able to be made to such collaborators.

We consider that it is appropriate to continue to use current input and activity measures until outcome-based measures achieve a level of reliability and history. The existing Financial Attitudes and Behaviour Tracker Survey also should continue and augment the digital on-line survey as required. The Tracker may need to be extended over time to cover the majority, if not all, of the outcomes defined in the full framework.

In addition to the survey approach, the potential exists to “test” individuals through an online learning platform, to then develop a “knowledge rating” for an individual which may ultimately be used in the industry. For the individual, a higher knowledge rating may allow them access to discounts, and for financial product/service providers they would

understand the capability of the customers they are dealing with. This would provide an incentive for participants to be involved.

Such a concept would require careful design, operation and safeguards, and we consider that collectively industry participants, educators and regulators could achieve that. Ultimately when proven the rating may be used to redefine the corporate law sophisticated investor concept and disclosure requirements.”

### **Access to Trusted Information, Transparency and Alternative Products**

As mentioned above information is required at three levels:

- Financial principles – per the OECD Financial Capability Framework
- Product information – features, price and recent issues
- Providers – pedigree, remuneration and ownership, recent regulatory actions.

Current on-line comparison sites provide a good example of how product information can be presented across multiple providers. It can be evolved to provide a more sophisticated comparison of like products and alternatives depending on circumstances (eg personal v credit card).

Providers can be requested to compile the information and resources at ASIC devoted to assessing offer documents can review the information for currency and accuracy. This may help evolve simpler products where appropriate.

Information could be made more readily available information about providers at point of research of products – both the distributor and manufacturer.

The above comments on how this regime could be implemented are preliminary and have not been discussed with ASIC or the industry.

The submission has been made on behalf of TradeOff.