

Review of Australia's Consumer Policy Framework  
Productivity Commission  
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## **RE: Draft Report – Consumer Policy Framework**

The Finance Sector Union of Australia (FSU) welcomes the opportunity to contribute to the consultation process for the inquiry into Australia's Consumer Policy Framework.

The FSU represents 55,000 members employed in the finance sector across Australia. Our brief submission focuses primarily on the recommendations relevant to consumers of financial services and finance sector staff.

The FSU and its members support the need for consumer policy that protects consumers and promotes their participation in fair, transparent and competitive markets. Our members have a vested interest in the financial services marketplace being professional and ethical, and having appropriate mechanisms for consumer redress on the occasions when it is not.

The FSU supports mechanisms to ensure that all financial services providers and intermediaries are licensed and participate in ASIC approved alternative dispute resolution (ADR) schemes.

### ***Draft Recommendation 5.2***

The FSU supports the transfer of credit regulation to the national arena and agrees with the Commission's observation that the arguments for such a move are well established and should proceed without delay.

The introduction of a licensing system for finance brokers and ensuring that all credit providers are regulated is also supported.

In addition the FSU recommends that unsolicited offers of credit, including credit cards and increasing credit card limits should not be made by financial institutions. Unsolicited offers, particularly pre-approved offers, are unlikely to be based on genuine consumer need.

### ***Draft Recommendation 9.2***

The FSU supports the further integration of ADR schemes in the finance sector. A common entry point for ADR in the finance sector would reduce confusion for consumers who are currently faced with a multitude of schemes in the financial services area. In the longer term we would also support greater consistency in monetary limits between the various schemes.

### ***Disclosure and sales targets***

The FSU and its members are acutely aware that competition in the finance industry is constantly increasing and this has been accompanied by greater pressure on finance

sector staff. This pressure often takes the form of sales targets that must be achieved to gain pay rises. Unfortunately these targets are increasingly used as the only way staff can access increased remuneration.

We stress that the FSU does not object to the principle of performance pay or bonuses. The FSU's policy on performance pay and targets<sup>1</sup> is that they should only exist once a guaranteed CPI type increase system is operating. If wages for finance sector employees cannot go backwards, then the pressure to meet sales targets will inevitably be lower.

The FSU believes that the trend towards linking all pay increases to sales targets is disturbing, particularly when it is coupled with systemic psychological bullying of staff by management to meet these targets. These factors encourage and even compel staff to sell products to meet their own job and financial security needs rather than those of the consumer.

A recent survey of FSU members, predominantly in the established banking sector, found that:

- 52 per cent of workers felt obliged to try and sell debt products even when a customer didn't need them;
- 63 per cent felt that inappropriate sales targets are having a negative impact on their ability to provide responsible customer service; and
- 59 per cent felt pressured to make inappropriate sales to meet sales targets.

The principle and practice of disclosure is widely accepted, particularly in the financial services marketplace. There may not be the same direct link between the individual sale and the specific financial incentive that exists in other areas; however the fundamental issue is that targets do create a link which should be made transparent to the consumer.

Regardless of whether targets are linked to pay increases, bonus schemes, commissions, trailing commissions or other remuneration implications, the FSU recommends that serious consideration be given to some form of disclosure to the consumer that a financial incentive exists for the employee to sell them a product.

The FSU would also support some form of "opt-out" mechanism that would allow consumers to indicate they do not wish to be offered any products whenever they are in a branch or speaking to a call centre. This would make sure consumers do not feel harassed by constant unwanted offers and ensure that finance sector employees do not have to persistently make such offers. This mechanism would be similar to the 'do not call' register that was recently established by the Australian Government and could be used by finance sector companies as a way of marketing themselves as offering 'superior' customer service.

### ***Disclosure and off-shoring***

The Commission would be well aware that there has been an increasing global trend for companies to relocate various parts of their operations to locations outside the

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<sup>1</sup> FSU Policy - *Regulation of Performance Based Pay – 2007* ([www.fsunion.org.au](http://www.fsunion.org.au))

country where the service is being delivered. This practice is often referred to as 'off-shoring' and has become widespread in the finance sector.

In Australia there is currently no requirement to disclose whether services are being provided from off-shore locations and consumers are often not aware that calls to customer service centres are being handled in a different country. The FSU and other unions have advocated<sup>2</sup> that consumers should be informed when services are being provided from an overseas location – this has often been referred to as the 'right to know' and has been adopted in France<sup>3</sup> and introduced into several State legislatures in the USA.<sup>4</sup>

Research undertaken for the FSU<sup>5</sup> has shown that consumers strongly support a legislative regime that would require financial institutions to disclose whether they store and/or process data or provide services from overseas locations.

A logical comparison for the 'right to know' in relation to services is labelling laws for products where companies must state the 'country of origin' so that consumers can make informed purchasing decisions.

We believe these proposals will help *“to promote the confident and informed participation of consumers in competitive markets in which both consumers and suppliers trade fairly and in good faith”*. We urge the Commission to give them serious consideration.

If you have any questions in relation to this submission please contact James Bennett, Senior Policy & Research Officer on (02) 6247 7172.

Yours sincerely



Leon Carter  
National Secretary

6 February 2008

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<sup>2</sup> *Off-shoring: A joint policy paper by:*

- Finance Sector Union of Australia
- Australian Services Union
- Communications, Electrical and Plumbing Union (Communications Division)
- Community and Public Sector Union

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<sup>3</sup> *“Outsourcing Victory in France”* Press release 18 October 2004 - <http://www.union-network.org>

<sup>4</sup> For more information see <http://www.nfap.net/researchactivities/globalsourcing>

<sup>5</sup> *Attitudes to Offshore Labour* – Report prepared for Services Unions of Australia - May 2006.

McNair Ingenuity Research.