

Errata

Issued: 28 July 2023

Volume 1 – Advancing prosperity

On page 1, a footnote has been added for clarification:

³ To make this concrete, a downgrade in productivity growth from 1.5% to 1.2% per annum would, over 40 years, reduce the income per capita increase by about \$11,000 (by 20%). Over the same 40 year timeframe, a downgrade of productivity growth from 1.8% to 1.2% would reduce the income per capita increase by \$23,000 (by 40%).

Volume 3 – A competitive, dynamic and sustainable future

On page 5, a reference has been updated, from Bakhtiari (2018) to Bakhtiari (2020).

On page 24, the original text read:

In some cases, regulation has yet to catch up with developments that reduce the benefits of competition for consumers. For example, incentive structures for brokers in the home loan market, which include trail commissions and ‘clawback’ of commissions, create conflicting incentives (PC 2018, pp. 324–331). The Commission’s findings were in line with evidence from ASIC, which found that:

This standard model of upfront and trail commissions creates conflicts of interest. There are two primary ways in which these conflicts may become evident. Firstly, a broker could recommend a loan that is larger than the consumer needs or can afford to maximise their commission payment. This may also involve recommending a particular product or strategy to maximise the amount that the consumer can borrow (e.g. through the choice of an interest-only loan). In this report, we have referred to this as a ‘product strategy conflict’. Alternatively, a broker could be incentivised to recommend a loan from a particular lender because the broker will receive a higher commission, even though that loan may not be the best loan for the consumer. We refer to this as a ‘lender choice conflict’. (ASIC 2017, p. 10)

These structures — with their associated reduced benefits of competition for consumers — remain in place, following the abandonment of a slated ACCC review.

To reflect the current state of regulation, the Commission has amended this section as follows:

In some cases, regulation has yet to catch up with developments that reduce the benefits of competition for consumers. For example, incentive structures for brokers in the home loan market, which include trail commissions and ‘clawback’ of commissions, create conflicting incentives (PC 2018, pp. 324–331). Following a Royal Commission into Financial Sector Reform, a range of regulatory changes were implemented, including a best interest obligation for mortgage brokers. However, it remains to be seen whether this will be sufficient, given both trail commissions and clawback structures remain in place, following the abandonment of a slated ACCC review.