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25 July 2017

Royal Commission into Misconduct in the Banking,
 Superannuation and Financial Services Industry,
 The Honourable Kenneth Madison Hayne AC QC.
 By Email; FSRCSolicitor@royalcommission.gov.au.

Dear Mr K Hayne,

We refer to your letter 15 Dec 2017 concerning the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services industry and provide you with our reply in corresponding order to the questions in your letter.

Reply to Question 1

- a. Mr Bassem Fares was an employee who was employed to Broker loans for an associated entity Folio Wholesale Pty Limited. The former employee submitted falsified evidence of income in support of some loans that were submitted to two lenders. Bassem's employment was terminated and the incidents were reported to ASIC. The regulator is issued a banning order against the former employee (document 029336320).

Bassem did not receive any commission from these loans. All affected borrowers were contacted and we have confirmed that no borrower has lodged a complaint or endured hardship because of this matter. Two loans with falsified documents had settled with the remaining client's loans either being withdrawn or revalidated by one of our staff members

- b. A former Authorised Credit Representative (ACR) (Mr Hyuk Hwang) of a related entity submitted falsified evidence of income in support of two loans to several lenders. The false documents were identified by our Risk team who conduct regular audits on ACR loans. The matter was reported to the lenders and ASIC. The regulator Investigated the circumstances of this breach and issued a banning order (document 028553936) against the broker.
 Mr Hwang was an independent contractor remunerated by commission paid by the lender.

We have received no information, dispute or complaint from the consumers in relation to the two transactions.

- c. [REDACTED] was a former Finance Broker who had submitted three loans that included false documents. The Finance Broker was an independent contractor who initially commenced as an Authorised Credit Representative under our Australian Credit Licence 390502.

The false documents used in three loan submissions were identified via our Loan audits. The review resulted in the incidents being reported to the Lenders, ASIC and our Management. The Brokers accreditation has been cancelled by the lender and eChoice whilst commissions of approximately \$270,000 have been withheld pending further investigation.

Our file reviews have also identified many loans not meeting industry standards of disclosure required under Responsible Lending.

ASIC have informed eChoice that no action will be taken at this stage.

The consumers have been reluctant to report any misconduct when we have contacted them to discuss the Authorised Credit Representative activity.

- d. Several other instances at the lower end of the misconduct spectrum have not been reported to the Regulator where our Authorised Credit Representative operating as contracted Finance Brokers have;
- omitted information in their Lender submissions to secure loan approval that might not otherwise have been secured without these inaccurate representations. The type of information that has typically been omitted includes;
 - Liabilities
 - The correct number of dependants.
 - Future changes to circumstances
 - Insufficient enquiries or verification about a consumer's financial circumstances.
 - These instances are identified and remediated with additional training and oversight. Authorised Credit Reps who continue to perform below industry standards will have their Finance Broker contract and accreditations terminated.
 - A review of the circumstances will determine whether these cases should be reported to the Regulator, Lender or Trade Association (Mortgage Finance Association of Australia or the Finance Brokers Association of Australia).
 - A review of the cases will also determine whether the client has been adversely affected and If so have their circumstances remedied.

Reply to Question 2

We are not aware of any misconduct that would be considered below community standards other than those already disclosed in reply to question 1.

Reply to Question 3

- a. The cases quoted in reply to question 1 a, b and c were reported to ASIC. The matters mentioned in 1d generally are not subject to any further enquiry, investigation or other proceedings.

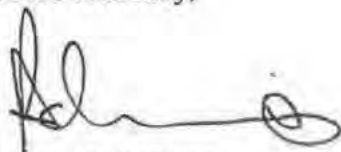
- b. No, we have not identified any cultural or business behaviour within eChoice that increases the likelihood of misconduct or failure to meet Community Standards.
- c. The broader culture issue in the cases cited in reply 1 a, b and c appear to infer that the ACR Finance Broker is not creating harm to his clients because he has been able to secure a loan that will be repaid whilst also receiving some personal benefit from the transaction. From our experience some ethnic cultures are more accepting of this type of conduct than the broader community finds acceptable.
- d. eChoice does consider the identified conduct, activity, practises and behaviours from other parts of the business. Achieving this type of awareness in a smaller business is easier to achieve than larger financial institutions. The process includes
 - a. management team (of 7) meetings on at least a weekly basis to discuss conduct issues.
 - b. Reporting adverse conduct matters and poor consumer outcomes to management and the Board of Directors monthly.
 - c. Segregation of duties and reporting to avoid Conflict of interest and to maintain independence of conflicted business units.
 - d. Dispute Resolution Policies and procedures aimed at providing a framework to identify and resolve poor outcomes.
 - e. We have taken the following steps
 - i. Consequence management process for breach of employment. In the Bassem Fares case his employment was terminated and he was reported to ASIC. ACR Finance brokers have had their accreditations cancelled and have also been reported to ASIC.
 - ii. Improvement employment screening and broker Accreditations whilst also continuing to train monitor and supervise staff and Authorised Credit Representatives to proactively deter and minimise adverse conduct or poor consumer outcomes.

Reply to Question 4

Not Applicable.

If you have any further enquiries in relation to this matter please contact Steve Marcolin, eChoice's National Risk and Compliance Manager by telephone [REDACTED] or email at [REDACTED]

Yours faithfully,



Peter Andronicos
 Chief Executive Officer
 EChoice Home Loans Pty Limited