



# Response to Royal Commission into Misconduct

Submitted by: Loan Market Group Pty Ltd

Date: 29 January 2018

## 1. Overview

Loan Market Group Pty Ltd (ACN 105 221 967) (**LMG**) and its associated entities (together, the **Loan Market Group**) recognise the importance of the strength and stability of Australia's banking, superannuation and financial services industries and those industries' critical role in underpinning the Australian economy.

In doing so, and in an endeavor to ensure that the highest standards of good governance and corporate culture are achieved, the Loan Market Group employs a number of controls and safeguards in its compliance, risk and governance strategies which are outlined generally below. At the forefront of those strategies is the need for all consumers to be treated honestly and fairly in their dealings with members of the Loan Market Group.

Additionally, and more broadly, the Loan Market Group supports the process in place to review and enhance accountability of various credit assistance financial services providers. The improvement of the industry reinforces overall consumer confidence and ultimately underpins the growth of a market which is both robust and trustworthy.

Taking into account the above and the Terms of Reference dated 14 December 2017 (**Terms of Reference**), the Loan Market Group responds to the Commission's inquiries sent under letter of 15 December 2017 below.

## 2. The Loan Market Group

For the purposes of the definition of 'Financial Services Entity' pursuant to the Terms of Reference, the Loan Market Group comprises the following entities, each of which are wholly owned subsidiaries of LMG:

*Loan Market Pty Ltd* (ACN 105 230 019) (**LM**)

In this regard:

1. LM was previously named Reva Broking Pty Limited (**Reva**).
2. During the period of 13 May 2010 to 27 May 2011, Reva held a transitional Australian Credit Licence (**ACL**) with number 354 870.
3. On and from 27 May 2011, LM has been the holder of an ACL with number 390 222.
4. In operating under the terms of the ACL, LM provides credit assistance to customers. In doing so, it has both individual and corporate credit representatives, all of whom are recorded on ASIC's register.

*Emoca Pty Limited* (ACN 070 545 452) (**EM**)

In this regard:

1. On and from 27 May 2011, EM has been the holder of an ACL with number 390 312.
2. It is the holding entity for lending agreements in the Loan Market Group.

3. EM does not and has never engaged in the activity of providing credit assistance advice or related services. It has therefore never had any individual or corporate representatives appointed to it.

*Wealth Market Pty Limited* (ACN 128 350 112) (**WM**)

In this regard:

1. Since 31 May 2016, WM has been the holder of an Australian Financial Services Licence (**AFSL**) with number 482898.
2. In operating under the terms of its AFSL, WM is the provider of financial product advice and related services. In doing so, it has individual representatives.
3. WM only commenced operating under the terms of its AFSL from 1 March 2017.

In addition to the above it should be noted that:

1. Each of LM, EM and WM are ultimately held by Group Administration Australia Pty Limited, which includes in its membership, Ray White and White & Partners groups of companies.
2. Representatives in various business lines may hold the capacity of authorised representative with another licensee (that is, by way of example, a credit representative may also be an authorised representative of a financial services licensee). In those circumstances, any misconduct that is committed by that representative is addressed by the relevant licensee to which the conduct relates.
3. None of the entities within the Loan Market Group are categorised as RSE licensees of a registrable superannuation entity as defined by the *Superannuation Industry Supervision Act 1993* (Cth).

Overall, the Loan Marketing Group comprises over 1,000 brokers in the Australian and New Zealand regions. It prides itself on its culture and governance and has been recognised industry wide through various awards including Best Ethical/Social Responsibility Program (2014), Best Community Engagement (2013) and Innovator of the Year (2016).

### 3. Approach to Risk and Governance

As noted above, the Loan Market Group has a number of strategies and frameworks that accord with the overall purpose of the Commission and its Terms of Reference. The Loan Market Group acknowledges the need for strong regulatory and supervisory frameworks to ensure that all Australian consumers, including businesses, have confidence and trust in the financial system.

Given that LM is the largest operator within the Loan Market Group, the overarching approach taken to risk and governance by the group can be summarised by the LM Board's strategy, which has been communicated by LM's CEO as follows:-

*"As a business we are committed to observing each of our legal obligations under our Australian Credit Licence. Non-observance can mean loss of Loan Market's ability to carry on business as a credit assistance provider, as well as incurring possible substantial expenditure in penalties and fines, damages actions, court injunctions, personal liability and other disabling consequences.*

*We are committed to observing our obligations regarding:*

- *providing our credit activities efficiently, honestly and fairly;*
- *providing only those credit activities we are authorised to provide under the legislation; and*
- *ensuring that Loan Market, through its responsible managers and credit representatives, continues to have the requisite organisational and individual expertise to engage in its credit activities.*

*Loan Market's commitment is to give its credit representatives appropriate resources by way of systems, training, monitoring, supervision and support to enable them to meet their legal obligations and avoid liability and loss to themselves and Loan Market's business.*

*Our credit representatives' obligation is to make proper use of the systems, training, monitoring, supervision and support provided by Loan Market to enable them to meet their legal obligations and avoid liability and loss to themselves and Loan Market's business."*

In giving effect to and implementing the above strategies, the Loan Market Group has employed various frameworks, systems and core policies. It also adheres to industry customs which it believes are beneficial to the governance of the industry. Historically, those frameworks, systems and policies have been developed both proactively and if necessary, in response to particular incidents of misconduct. They are continually reviewed and revised to reflect Regulator directives, relevant industry directives, legislative changes, risk profiles and prevailing consumer sentiments and perspectives.

The current frameworks, systems and policies of the Loan Market Group as well as the industry customs that it adopts are set out briefly below and specifically deal with LM and WM, which, unlike EM, actively operate under their respective ACL and AFSL licences.

## ***Risk and Corporate Governance Framework***

The Loan Market Group recognises the need for appropriate and structured frameworks in its entities and monitor and promote fairness, transparency and accountability. Accordingly, both the boards of LM and WM provide primary directions in those entities regarding the rights and responsibilities of the Board members, management, representatives and other stakeholders.

In order to streamline that focus, the Board of each of LM and WM have delegated specific responsibilities to and are supported by a Risk, Audit and Compliance Committee (RACC).

In summary, the core functions of the RACC include:-

- Ensuring that a comprehensive compliance management framework is in place to address the entity's legal, regulatory and industry code requirements;
- Monitoring operational risk, audit and compliance performance to ensure its effectiveness;
- Providing recommendations to the Board regarding the implementation of appropriate policies, processes, systems and procedures as considered necessary to support a robust, effective and efficient operating environment with respect to risk, audit and compliance management; and
- Monitoring insurance programs to ensure adequacy.

## ***Risk Management Systems***

In order to practically facilitate the goals of the Loan Market Group, manage its risks and optimize its performance, reputation and future success, each of LM and WM have implemented adequate risk management systems pursuant to their legislative and regulatory guidelines.

By way of example, LM follows processes including a 'Risk Appetite Statement' and a 'Risk Register' which are maintained and reviewed by the LM Board. These processes satisfy obligations under Regulatory Guide 205:Credit Licensing: General conduct obligations (RG 205) and more specifically, are undertaken in accordance with Section 47(1)(l)(ii).

The Board and Executive management of each of LM and WM are committed to these types of processes and more generally, to ensuring that the Risk Management process is understood, implemented and maintained throughout all levels of the business.

### *Core Policies*

The risk and compliance framework is further underpinned by a suite of core policies and governance documentation which are adhered to and ensure that the Loan Market Group meets its obligations as licensees under ACLs and an AFSL. Examples of the policies in place presently within the Loan Market Group include the following:-

- LM RACC charter
- Corporate Governance Policy
- Compliance System For Credit Activities
- Broker Operations Manual
- Incidents and Breaches
- Privacy
- Managing Conflicts of Interest
- Fraud
- Consequence Management
- Compensation Arrangements
- Outsourcing
- Responsible Lending
- Complaints Handling and Dispute Resolution
- Property Investment
- Risk Management
- Responsible Manager

## *Industry Customs*

The Loan Market Group prescribes to industry customs that assist in the proper governance of the industry.

With greater specificity, the Loan Market Group considers that an essential industry practice is the issuance (or refusal to issue) a letter of separation to any broker that is exiting an industry member. Presently, wording used in a letter of separation including phraseology such as 'the broker exited under no adverse circumstances' is indicative to other industry members that the broker has not engaged in any conduct that could or did constitute misconduct. In the event that such terminology (or similar terminology) is not included in a letter of separation, it is industry practice that the broker is not engaged by any other industry member.

Customs such as the above assist in controlling the proper governance of industry members and go some way to ensuring that any individual broker guilty of offending conduct is not given further opportunities to act in that manner.

## *Industry Requirements*

The Loan Market Group recognises the need to impose frameworks and requirements on the industry.

Currently, the NCCP Act does not impose an equivalent breach reporting obligation on credit licensees. Instead the *National Credit Act* introduced a different obligation requiring credit licensees to lodge an annual compliance certificate (Compliance Certificate) with ASIC.

An ACL holder is required, by way of general conduct obligations under section 47 of the NCCP, to put in place and maintain adequate compliance arrangements and systems to ensure that they comply with the NCCP and the conditions of their credit licence. A credit licensee which fails to comply with the law or their licence conditions may not be meeting their general conduct obligations.

As part of its commitment to transparency and communication, LM has elected to adopt the principles for breach reporting under its ACL to replicate those applicable to the AFS Licensee. This ensures appropriate transparency.

## 4. Terms of Reference and the Commission's Inquiries

The Loan Market Group has reviewed the Terms of Reference and the Commission's letter of 15 December 2017. In doing so, it appreciates that the purpose of the Commission is to inquire as to the instances and extent of conduct in the banking industry that may constitute misconduct and otherwise fall below community standards and expectations. Accordingly, the Loan Market Group understands that:

1. The term 'misconduct' refers to any conduct that constitutes an offence against a Commonwealth, State or Territory law, is misleading or deceptive (or both), is a breach of trust, breach of duty or unconscionable conduct or breaches a professional standard or a recognised and widely adopted benchmark for conduct.

2. The term 'community standards and expectations' in relation to the banking industry refers to practices including irresponsible and unlawful lending processes, inappropriate designs of financial products, misleading marketing and sales of financial products, excessive bank charges and poor customer service and complaints.

Given the structure of the Loan Market Group, responses to the Commission's inquiries under its covering letter of 15 December 2017 have been divided into responses to each of the questions from LM, EM and WM. In analysing its data and providing its responses, the Loan Market Group has conducted a search of its records with reference to the meaning of 'misconduct' and the scope of falling below community standards and expectations.

In circumstances where none of those entities hold an RSE licence, question 4 of the Commission's letter has not been addressed.

## 5. LM's Responses

In question 1 of the letter from the Commissioner dated 15 December 2017, the Commission has asked, excluding cases of theft from the entity itself or from an associated entity, whether LM has identified any misconduct by it (including by its directors, officers or employees or by anyone otherwise acting on its behalf) which occurred at any time since 1 January 2008. If so, the Commissioner has asked that LM identify the nature, extent and effect of that misconduct.

Questions 2 and 3 from the Commissioner require LM to assess whether the instances of misconduct fall below community standards and expectations and if so, to provide further details regarding the steps taken in response to that conduct.

In response to the Commissioner's questions, LM has identified various instances of conduct throughout the period of 1 January 2008 to date that it considers are captured. It deals with each of those instances below and responds to the Commissioner's specific questions with respect to each instance.

More generally, in preparing the responses to the Commission's inquiries, LM has endeavoured to provide as comprehensive analysis as possible. That detail varies in accordance with each case's discrete circumstances. Whilst some instances set out below do not, in LM's view, reach the criteria of 'misconduct' on its part as defined by the Terms of Reference, they have nonetheless been included for completeness and to properly reflect conduct that is considered to be below standard by the Loan Market Group and display the Loan Market Group's responses to it.

The criteria applied in the assessment took into consideration a combination of qualitative and numerical measures that drew upon the concluded outcomes of the reviews undertaken.

Measures applied and taken into consideration in determining incidents to be outlined in this report include but are not limited to:-

- Financial impact on the client and/or third parties
- Number of clients impacted
- Reputational and brand damage impact

- Inappropriate dealings in the network ie with in the LM broker network or between brokers outside of the LM network
- Inappropriate dealings between broker and an employee, service provider or connected to the Lender via activities involving staff of the lender.

As evidenced within the report below, LM has taken prompt, effective and definitive action in dealing with any area of conduct that is less than satisfactory. Further, as can be seen, its responses, systems and controls have evolved since 1 January 2008 in order to ensure that identification of offending conduct is undertaken proactively more than reactively.

Broadly speaking, across most instances, termination of the broker or employee has been the direct remedy whilst more generally, the Loan Market Group has used instances for the purposes of streamlining and finessing processes to ensure that such conduct is reduced or eradicated. Importantly, in each instance of misconduct, there has been no financial or detrimental impact to any customer.



Incident 1

In response to Question 1, the nature, extent and effect of the conduct described as Incident 1 is as follows:

<b>Date Received</b>	31 January 2012
<b>Details of Breach</b>	Broker breached NCCP. Conduct included the broker's use of a deregistered company as a corporate authorised representative. Upon requests for information and explanation, broker did not respond to emails.
<b>Action Taken</b>	Various attempted email contact, phone communications with broker February 2012 to March 2012.
<b>Status/Outcome</b>	Broker terminated. File closed 15 March 2012. No identified impact on clients (financial or otherwise).
<b>Post termination action</b>	Given circumstances no separation letter issued.

In response to Questions 2 and 3 with respect to Incident 1:

<b>Question 2</b> <b>Has LM fallen below community standards and expectations?</b>	LM does not consider that it has fallen below community standards.  Whilst a breach of the NCCP is not satisfactory, only two instances of this kind have arisen (see also Incident 2) and both were addressed efficiently and effectively. No incidents have occurred since early 2013. The conduct did not give rise to matters such as irresponsible lending, unlawful sales practices, excessive fees or poor customer service and complaints handling.  Further, safeguards have been put in place by LM to regularly review and monitor broker companies to ensure that they are not deregistered.
<b>Question 3(a)</b> <b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b>	There is no inquiry or investigation criminal civil or otherwise pending in relation to the matter.

<p><b>Question 3(b)</b></p> <p><b>Does LM attribute the misconduct to its cultural or governance practices?</b></p>	<p>No. This was largely an isolated incident and not systemic. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances.</p>
<p><b>Question 3(c)</b></p> <p><b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b></p>	<p>It is not considered to be connected to industry or sector practices in which the entity operates.</p>
<p><b>Question 3(d)</b></p> <p><b>Does LM consider that the misconduct results from other practices?</b></p>	<p>It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.</p>
<p><b>Question 3(e)</b></p> <p><b>What steps have been taken to remedy the incident and prevent recurrence?</b></p>	<p>The incident was remedied by the termination of the relationship with the broker to ensure that there was no impact on consumers or other businesses.</p> <p>More broadly, LM has implemented a control which includes the ongoing review by the Agreements Team of the registration status of entities connected to brokers. Post termination monitoring of broker activity is also applied as part of the controls in the exit process relating to brokers.</p>

## Incident 2

In response to Question 1, the nature, extent and effect of the conduct described as Incident 2 is as follows:

<p><b>Date Received</b></p>	<p>22 March 2013</p>
<p><b>Details of Breach</b></p>	<p>Breach of the NCCP by a broker.</p> <p>Given Incident 1, the Agreements team's review as part of ongoing monitoring and supervision program noted the status</p>

	of a corporate broker it was deregistered by ASIC. Notwithstanding this, the company was holding out as a credit representative after termination as a representative.
<b>Action Taken</b>	Various communications with broker with limited responsiveness from that broker. LM implemented, as part of its exit program, further refinements to its monitoring system for any loan writing business placed post termination.
<b>Status/Outcome</b>	Broker Agreement terminated by mutual agreement March 2013. Follow up on misconduct post termination with cease and desist communication sent with threat of action to report to relevant industry body and regulator. No identified impact on clients financial or otherwise.
<b>Post termination action</b>	Given circumstances no separation letter issued.

In response to Questions 2 and 3 with respect to Incident 2:

<b>Question 2</b> <b>Has LM fallen below community standards and expectations?</b>	LM does not consider that it has fallen below community standards.  Whilst a breach of the NCCP is not satisfactory, only two instances of this kind have arisen (see also Incident 1) and both were addressed efficiently and effectively. No incidents have occurred since early 2013. The conduct did not give rise to matters such as irresponsible lending, unlawful sales practices, excessive fees or poor customer service and complaints handling. There were no detrimental effects to any clients (financial or otherwise).  Further, safeguards have been put in place by LM to regularly review and monitor broker companies to ensure that they are not deregistered.
<b>Question 3(a)</b> <b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b>	There is no inquiry or investigation criminal civil or otherwise pending in relation to the matter.
<b>Question 3(b)</b> <b>Does LM attribute the misconduct to its cultural or</b>	No. These were isolated incidents and not systemic. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances.

<b>governance practices?</b>	
<b>Question 3(c)</b> <b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b>	It is not considered to be connected to industry or sector practices in which the entity operates
<b>Question 3(d)</b> <b>Does LM consider that the misconduct results from other practices?</b>	It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.
<b>Question 3(e)</b> <b>What steps have been taken to remedy the incident and prevent recurrence?</b>	Each incident was actioned by the termination of the relationship with the broker to ensure that there was no impact on consumers or other businesses.  LM has implemented a control which includes the ongoing review by the Agreements Team of the registration status of entities connected to brokers. Post termination monitoring of broker activity is also applied as part of the controls in the exit process relating to brokers.

### Incident 3

In response to Question 1, the nature, extent and effect of the conduct described as Incident 3 is as follows:

<b>Date Received</b>	15 April 2013
<b>Details of Breach</b>	Allegations made by another broker that employee who was acting in capacity of Broker and Mentor encouraged broker to lend monies to help with an investment that the Mentor was arranging for a third party. Broker felt the loan was to the Mentor, Mentor produced a loan contract that it was to customer. Not all funds lent were repaid.
<b>Action Taken</b>	Review undertaken in consultation with inhouse legal involvement. Decision made to terminate the employment agreement of the Mentor due to inappropriate actions of influencing a broker under his mentorship to personally lend

	money to help facilitate a transaction for the Mentor.
<b>Status</b>	Employment and Broker Agreement terminated by mutual agreement. No identified detrimental impact on clients, financial or otherwise.
<b>Post termination action</b>	Standard separation letter issued.

In response to Questions 2 and 3 with respect to Incident 3:

<b>Question 2</b>  <b>Has LM fallen below community standards and expectations?</b>	LM does not consider that it has fallen below community standards.  Whilst the conduct of the broker was unsatisfactory, it is not endemic in LM nor did it result any loss to be suffered by customers nor does it display poor customer service or complaints handling. Rather, the checks and complaints process within LM assisted in identifying and remediating the incident.
<b>Question 3(a)</b>  <b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b>	There is no inquiry or investigation criminal civil or otherwise pending in relation to the matter. There was the potential for a civil action in the recovery of monies allegedly owed to another broker. However, there is no record of any civil action having been commenced.
<b>Question 3(b)</b>  <b>Does LM attribute the misconduct to its cultural or governance practices?</b>	No. This was an isolated incident and is not concluded as systemic. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices.
<b>Question 3(c)</b>  <b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b>	It is not considered to be connected to industry or sector practices in which the entity operates

<p><b>Question 3(d)</b></p> <p><b>Does LM consider that the misconduct results from other practices?</b></p>	<p>It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.</p>
<p><b>Question 3(e)</b></p> <p><b>What steps have been taken to remedy the incident and prevent recurrence?</b></p>	<p>The employee's conduct was considered to be untenable and his employment terminated.</p> <p>In order to prevent recurrence, employment and broker agreements are reviewed and have been amended to reinforce obligations related to conduct and prohibited areas of engagement or activity with peers ie other brokers and clients</p>

#### Incident 4

In response to Question 1, the nature, extent and effect of the conduct described as Incident 4 is as follows:

<p><b>Date Received</b></p>	<p>5 July 2010</p>
<p><b>Details of Breach</b></p>	<p>Allegations related to a broker fraudulently creating documentation relating to the securing of various deposit bonds for and on behalf of clients. These steps were taken to sell a number of existing properties in a client portfolio.</p>
<p><b>Action Taken</b></p>	<p>Broker acted in a dishonest manner in relation to his dealings with a client. Broker was in breach of the NCCP Act and therefore the existing employment agreement with LM.</p> <p>Review undertaken in consultation with the lender. Broker admitted to submitting fraudulent documentation. Taking in to consideration the seriousness of the breach and accompanying unethical conduct, broker was terminated.</p>
<p><b>Status</b></p>	<p>Broker Agreement terminated. No identified impact on clients financial or otherwise.</p>

Given the above, and with reference to questions 2 and 3 of the Commission:

<p><b>Question 2</b></p>	<p>Whilst any presence of fraudulent activity may not meet community standards, LM's response to this incident was effective and appropriate. More broadly, LM took steps to ensure that processes and controls were implemented that</p>
--------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<b>Has LM fallen below community standards and expectations?</b>	prevented further occurrences.
<b>Question 3(a)</b> <b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b>	There is no inquiry or investigation criminal civil or otherwise pending in relation to the matter.
<b>Question 3(b)</b> <b>Does LM attribute the misconduct to its cultural or governance practices?</b>	No. This was an isolated incident and is not concluded as systemic. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise.
<b>Question 3(c)</b> <b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b>	It is not considered to be connected to industry or sector practices in which the entity operates
<b>Question 3(d)</b> <b>Does LM consider that the misconduct results from other practices?</b>	It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.
<b>Question 3(e)</b> <b>What steps have been taken to remedy the incident and prevent recurrence?</b>	The broker's conduct was considered to be untenable and his engagement terminated.  In order to prevent recurrence, broker agreements are reviewed and have been amended to reinforce obligations related to conduct and prohibited areas of engagement or activity with peers ie other brokers and clients

Incident 5

In response to Question 1, the nature, extent and effect of the conduct described as Incident 5 is as follows:

<b>Date Received</b>	April/May 2016
<b>Details of Breach</b>	Broker suspected of involvement in money laundering via a payroll arrangement that was separate to and discrete from LM. Incident therefore does not constitute misconduct on the part of LM however, LM considered the seriousness of the allegations in respect of the broker's character and took the actions below.
<b>Action Taken</b>	<p>April / May 2016  Detectives called on SA Corporate offices without appointment to seek assistance with investigation of a person of interest (POI)  They advised that they were investigating this POI for money laundering as well as other offences. The POI had advised that he worked as a personal assistant to the broker. The POI also told the police he referred business to the broker for referral fees.</p> <p>Their questions were of a general nature and focused on how referral fees worked, how brokers were paid, other industry questions, they advised that at this point they were not investigating the broker but could not foresee where the investigations would take them.</p> <p>In accordance with Risk and Compliance process, a LM internal review was undertaken. This identified some business process anomalies. However there was no proof of fraud, misrepresentation or involvement of clients in money laundering activity.  Police investigation was confined to laundering of monies via a payroll arrangement that was separate to and discrete from LM business practices.</p> <p>June 2016 Suspension letter issued to Broker Action commenced to terminate.  July 2016 broker resigns as a consequence of direction from Loan Market and exits Loan Market operation ( confirm termination as credit representative)</p> <p>Internal review was completed and no LM clients existing or prospective were identified as impacted.</p>
<b>Status</b>	Broker resigned 8 July 2016. No identified impact on clients financial or otherwise.
<b>Post termination action</b>	Given circumstances no separation letter issued.



Given the above, and with reference to questions 2 and 3 of the Commission:

<p><b>Question 2</b></p> <p><b>Has LM fallen below community standards and expectations?</b></p>	<p>LM does not consider that it has fallen below community standards. The broker's misconduct was independent to LM and LM took steps in relation to allegations and investigations regarding that conduct appropriately. No loss was suffered by any customer and checks were taken to ensure that this was the case.</p>
<p><b>Question 3(a)</b></p> <p><b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b></p>	<p>It is assumed but not known that the police have continued to make inquiries and/or press charges against the broker and any other person of interest.</p>
<p><b>Question 3(b)</b></p> <p><b>Does LM attribute the misconduct to its cultural or governance practices?</b></p>	<p>No. The fraudulent conduct was not in association with LM or its business. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise. There was also no compensation paid to any party as a consequence of the issue.</p>
<p><b>Question 3(c)</b></p> <p><b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b></p>	<p>It is not considered to be connected to industry or sector practices in which the entity operates. The allegations against the broker were separate and independent to LM and its practices.</p>
<p><b>Question 3(d)</b></p> <p><b>Does LM consider that the misconduct results from other practices?</b></p>	<p>It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.</p>
<p><b>Question 3(e)</b></p> <p><b>What steps have been taken to remedy the incident and</b></p>	<p>The broker's engagement was terminated.</p> <p>In terms of the prevention of any recurrence of such an incident, LM has implemented an ongoing monitoring and</p>

<b>prevent recurrence?</b>	<p>supervision program which operates to check for anomalies in loan applications involving significant levels of borrowings, frequency, or similar or related or connected loan applicants.</p> <p>LM is deemed to be an agent for lenders in the application process and discharges its obligations in accordance with the regulatory requirements. In respect of referral arrangements all regulatory obligations and requirements are observed. Training into the general requirements of the AML/CTF obligations has been a part of initial and ongoing learning and development provided to the broker network.</p>
----------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

### Incident 6

In response to Question 1, the nature, extent and effect of the conduct described as Incident 6 is as follows:

<b>Date Received</b>	July 2012
<b>Details of Breach</b>	Broker had been appointed as a broker. Subsequently, LM was advised by the MFAA that the broker had been under a tribunal investigation. The outcome confirmed the suspension of her industry body membership. Broker had fraudulently altered separation letter to show that she had left her previous broker engagement under no adverse circumstances.
<b>Action Taken</b>	Broker agreement terminated on 17 July 2012. No identified impact on clients financial or otherwise.

Given the above, and with reference to questions 2 and 3 of the Commission:

<b>Question 2</b> <b>Has LM fallen below community standards and expectations?</b>	Whilst unsatisfactory, LM does not believe that the incident causes it to have fallen below community standards. Immediate steps were taken upon discovery of broker's misrepresentation about her status and additional verification steps are now in place which are preventative regarding repeat conduct. The conduct does not amount to irresponsible lending, unlawful sales practices, poor design of products, inappropriate marketing of credit or poor customer service.
<b>Question 3(a)</b> <b>Is the conduct the subject of another inquiry or investigation, or a criminal or</b>	The matter came to notice of LM as a consequence of a tribunal investigation by the MFAA. It is assumed that those inquiries or proceedings have since been concluded.

<b>civil proceeding?</b>	
<b>Question 3(b)</b> <b>Does LM attribute the misconduct to its cultural or governance practices?</b>	No. This was an isolated incident and is not concluded as systemic. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise. There was also no compensation paid to any party as a consequence of the issue.
<b>Question 3(c)</b> <b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b>	It is not considered to be connected to industry or sector practices in which the entity operates however, further industry practices could be put in place to prevent similar issues arising across the industry.
<b>Question 3(d)</b> <b>Does LM consider that the misconduct results from other practices?</b>	It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.
<b>Question 3(e)</b> <b>What steps have been taken to remedy the incident and prevent recurrence?</b>	The broker was terminated.  The onboarding program was reviewed to include additional controls and verification steps in relation to core documentation.

### Incident 7

In response to Question 1, the nature, extent and effect of the conduct described as Incident 7 is as follows:

<b>Date Received</b>	1 March 2013
<b>Details of Breach</b>	Police came across the broker through investigating criminal activity. It was later determined the broker was involved in financing for persons undertaking drug related activities. At the point of police involvement broker had already left Loan

	Market and was acting in her capacity as a broker elsewhere.
<b>Action Taken</b>	Police contacted LM to advise of broker arrest and upcoming court case.  LM cooperated with the police to supply the information they required.  As part of the action plan, all trail commission ceased by LM as per the original broker agreement.
<b>Status</b>	Broker ceased with Loan Market 19 September 2012. Historic monitoring and supervision records reviewed with no identified fraudulent activity or evidence of misconduct whilst appointed as a credit representative with LM.
<b>Post termination action</b>	Broker had already ceased engagement with LM prior to investigation commencing. Beyond the scope of the clients involved in criminal activities there were no other identified impact on clients financial or otherwise.

Given the above, and with reference to questions 2 and 3 of the Commission:

<b>Question 2</b> <b>Has LM fallen below community standards and expectations?</b>	Whilst the broker's conduct when with another lender amounts to fraud (if those allegations were proved), it was not the misconduct of LM and accordingly, LM has not fallen below community standards.
<b>Question 3(a)</b> <b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b>	The outcome of the police investigation and criminal proceedings was that the Broker was sentenced to a prison term of approximately two years.
<b>Question 3(b)</b> <b>Does LM attribute the misconduct to its cultural or governance practices?</b>	No. The broker's fraudulent behavior is an isolated incident and Loan Market made every effort to assist Police investigate the matter.
<b>Question 3(c)</b> <b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b>	The specific circumstances regarding the fraudulent activity when engaged as a broker elsewhere are unknown and LM cannot comment on whether it is attributable to broader cultural or governance practices.

<p><b>Question 3(d)</b></p> <p><b>Does LM consider that the misconduct results from other practices?</b></p>	<p>It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.</p>
<p><b>Question 3(e)</b></p> <p><b>What steps have been taken to remedy the incident and prevent recurrence?</b></p>	<p>The broker had already departed from the LM network and therefore no action needed to be taken in respect of her ongoing engagement.</p> <p>In terms of processes put in place to prevent recurrence, the ongoing monitoring and supervision program during the tenure of the brokers to LM did not identify any issues of fraudulent lending activity. LM in keeping with its commitment to ethical conduct in the financial services industry continues to cooperate and support the police and other regulatory authorities in any of their enquiries.</p>

### Incident 8

In response to Question 1, the nature, extent and effect of the conduct described as Incident 8 is as follows:

<b>Date Received</b>	15 October 2015
<b>Details of Breach</b>	Ex-Broker altered Separation letter to include "left under no adverse circumstances".
<b>Action Taken</b>	Lender/Aggregator approached Loan Market for validation and confirmation of letter issued and it was confirmed that it had been falsified. Case handed over to Legal team. Lender advised of fraudulent conduct of a broker who had exited the LM network.
<b>Status</b>	Closed. No identified impact on clients financial or otherwise.
<b>Post termination action</b>	Separation letter issued omitting no adverse statement issued. Omitting that phrase indicates to other industry members that the broker's conduct came into question in previous dealings.

Given the above, and with reference to questions 2 and 3 of the Commission:

<p><b>Question 2</b></p> <p><b>Has LM fallen below community standards and</b></p>	<p>Whilst any doctoring of documents is unacceptable, LM's response upon discovery of such doctoring was prompt and appropriate. No loss was suffered by any customer and the conduct does not otherwise constitute irresponsible lending, unlawful sales practices, inappropriate market or design of financial products or poor customer service or complaints handling.</p>
------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

expectations?	
<b>Question 3(a)</b>  <b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b>	No, the conduct is not the subject of another inquiry, investigation or criminal or civil proceeding.
<b>Question 3(b)</b>  <b>Does LM attribute the misconduct to its cultural or governance practices?</b>	No. This was an isolated incident and is not concluded as systemic. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise. There was also no compensation required to be paid to any party as a consequence of the issue.
<b>Question 3(c)</b>  <b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b>	Whilst doctoring of documents is not a discrete issue that only arises in this industry, given that there is no database of brokers or a more stringent process with respect to separation letters, these incidents can arise in the industry.
<b>Question 3(d)</b>  <b>Does LM consider that the misconduct results from other practices?</b>	It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.
<b>Question 3(e)</b>  <b>What steps have been taken to remedy the incident and prevent recurrence?</b>	<p>The brokers had already departed from the LM network and therefore no action needed to be taken in respect of their ongoing engagement.</p> <p>In terms of processes put in place to prevent recurrence, the ongoing monitoring and supervision program during the tenure of the brokers to LM did not identify any issues of fraudulent lending activity. LM in keeping with its commitment to ethical conduct in the financial services industry will cooperate and support other industry members and other regulatory authorities in any of their enquiries.</p>

In response to Question 1, the nature, extent and effect of the conduct described as Incident 9 is as follows:

<b>Date Received</b>	19 January 2011
<b>Details of Breach</b>	Broker tampered/altered content of core documentation ie bank statements.  Lender (normal procedure) had requested a bank statement from the customer to enable the direct debit to be set up using the correct bank account details. The customer provided a statement which included a transaction line (Centrelink) and this statement was otherwise identical to the statement the broker provided with the application.
<b>Action Taken</b>	LM undertook a review of the circumstances in the current matter and also undertook a review in accordance with standard procedure of a cross section of other client files of the broker. No identified impact on clients financial or otherwise.
<b>Status</b>	Broker terminated as a consequence of review of activities.
<b>Post termination action</b>	Given circumstances no separation letter issued

Given the above, and with reference to questions 2 and 3 of the Commission:

<b>Question 2</b> <b>Has LM fallen below community standards and expectations?</b>	Whilst any doctoring of documents is unacceptable broker conduct, LM's response upon discovery of such doctoring was prompt and appropriate. No loss was suffered by any customer and the conduct does not otherwise constitute irresponsible lending, unlawful sales practices, inappropriate market or design of financial products or poor customer service or complaints handling.
<b>Question 3(a)</b> <b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b>	No, the conduct is not the subject of another inquiry, investigation or criminal or civil proceeding.
<b>Question 3(b)</b> <b>Does LM attribute the misconduct to its cultural or governance practices?</b>	No. This was an isolated incident and is not concluded as systemic. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise. There was also no compensation paid to any party as a consequence of the issue.

<p><b>Question 3(c)</b></p> <p><b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b></p>	<p>Whilst doctoring of documents is not a discrete issue that only arises in this industry, these incidents can and do arise in the industry however, LM does not consider them to be attributable to industry governance practices.</p>
<p><b>Question 3(d)</b></p> <p><b>Does LM consider that the misconduct results from other practices?</b></p>	<p>It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.</p>
<p><b>Question 3(e)</b></p> <p><b>What steps have been taken to remedy the incident and prevent recurrence?</b></p>	<p>The broker was exited from LM.</p> <p>In terms of processes put in place to prevent recurrence, the ongoing monitoring and supervision program during the tenure of the brokers to LM has been refined to identify any issues of fraudulent lending activity.</p>

### Incident 10

In response to Question 1, the nature, extent and effect of the conduct described as Incident 10 is as follows:

<b>Date Received</b>	7 January 2013
<b>Details of Breach</b>	On or about 7 January 2013 we received information relating to falsifying employment letters for clients. At the time a list of names was provided which were reviewed but no anomalies were found.
<b>Action Taken</b>	In March 2013, the same Broker was attempting to change his Agreement from a Sub-contractor to an Associate and had applied for his own ACL. This was noted as a red flag indicator from a Risk and Compliance perspective. An audit of all of broker's files showed many inconsistencies especially relating to payslips and employment letters.
<b>Status</b>	Broker terminated as a consequence of review of activities. Broker Agreement terminated by mutual agreement. No identified impact on clients financial or otherwise.
<b>Post termination action</b>	Separation letter omitting no adverse statement issued. Omitting that phrase indicates to other industry members that the broker's conduct came into question in previous dealings.



Given the above, and with reference to questions 2 and 3 of the Commission:

<p><b>Question 2</b></p> <p><b>Has LM fallen below community standards and expectations?</b></p>	<p>Whilst any doctoring of documents is unacceptable, LM's response upon discovery of such doctoring was prompt and appropriate. No loss was suffered by any customer and the conduct does not otherwise constitute irresponsible lending, unlawful sales practices, inappropriate market or design of financial products or poor customer service or complaints handling.</p>
<p><b>Question 3(a)</b></p> <p><b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b></p>	<p>No, the conduct is not the subject of another inquiry, investigation or criminal or civil proceeding.</p>
<p><b>Question 3(b)</b></p> <p><b>Does LM attribute the misconduct to its cultural or governance practices?</b></p>	<p>No. This was an isolated incident and is not concluded as systemic. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise. There was also no compensation paid to any party as a consequence of the issue.</p>
<p><b>Question 3(c)</b></p> <p><b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b></p>	<p>Whilst doctoring of documents is not a discrete issue that only arises in this industry, these incidents can arise in the industry.</p>
<p><b>Question 3(d)</b></p> <p><b>Does LM consider that the misconduct results from other practices?</b></p>	<p>It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.</p>
<p><b>Question 3(e)</b></p> <p><b>What steps have been taken to remedy the incident and prevent recurrence?</b></p>	<p>The broker was exited from LM.</p> <p>In terms of processes put in place to prevent recurrence, the ongoing monitoring and supervision program during the tenure of the brokers to LM has been refined to identify any issues of fraudulent lending activity.</p>

Incident 11

In response to Question 1, the nature, extent and effect of the conduct described as Incident 11 is as follows:

<b>Date Received</b>	4 March 2013
<b>Action Taken</b>	We were able to confirm a fraudulent payslip by contacting the employer who advised that no such person was employed by the company.  When spoken with, broker was unaware of any fraud and said he followed procedure. No confirmed admission from broker. Although we were satisfied that the broker was unaware of the fraud the fact that fraud had been committed and accreditations cancelled was of concern.
<b>Status</b>	Broker Agreement terminated by mutual agreement 24 April 2013. No identified impact on clients financial or otherwise.
<b>Post termination action</b>	Separation letter omitting no adverse statement issued. Omitting that phrase indicates to other industry members that the broker's conduct came into question in previous dealings.

Given the above, and with reference to questions 2 and 3 of the Commission:

<b>Question 2</b> <b>Has LM fallen below community standards and expectations?</b>	LM does not consider that its actions fall below community standards. Whilst any doctoring of documents is unacceptable, LM's response upon discovery of such doctoring was prompt and appropriate. No loss was suffered by any customer and the conduct does not otherwise constitute irresponsible lending, unlawful sales practices, inappropriate market or design of financial products or poor customer service or complaints handling.
<b>Question 3(a)</b> <b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b>	No, the conduct is not the subject of another inquiry, investigation or criminal or civil proceeding.
<b>Question 3(b)</b> <b>Does LM attribute the misconduct</b>	No. This was an isolated incident and is not concluded as systemic. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review

<b>to its cultural or governance practices?</b>	undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise. There was also no compensation paid to any party as a consequence of the issue.
<b>Question 3(c)</b> <b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b>	Whilst doctoring of documents is not a discrete issue that only arises in this industry, these incidents can arise in the industry.
<b>Question 3(d)</b> <b>Does LM consider that the misconduct results from other practices?</b>	It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.
<b>Question 3(e)</b> <b>What steps have been taken to remedy the incident and prevent recurrence?</b>	The broker was exited from LM.  In terms of processes put in place to prevent recurrence, the ongoing monitoring and supervision program during the tenure of the brokers to LM has been refined to identify any issues of fraudulent lending activity.

## Incident 12

In response to Question 1, the nature, extent and effect of the conduct described as Incident 9 is as follows:

<b>Date Received</b>	28 October 2013
<b>Details of Breach</b>	A complaint was lodged against the broker that he issued a "fake" approval letter from Bankwest to confirm the loan had in fact been approved.
<b>Action Taken</b>	On investigating the complaint, the broker advised that he issued the letter as he was being harassed and threatened by the customers. He stated that he had snapped under the pressure. The loan was approved by Bankwest. The broker was terminated.
<b>Status</b>	Broker Agreement terminated by mutual agreement 2 January 2014. No identified impact on clients financial or otherwise. The lender was advised of the incident and process adopted for remediation. LM engages in open and transparent communication with industry participants at all levels

<b>Post termination action</b>	Given circumstances, no separation letter issued.
--------------------------------	---------------------------------------------------

Given the above, and with reference to questions 2 and 3 of the Commission:

<b>Question 2</b> <b>Has LM fallen below community standards and expectations?</b>	LM does not consider that its actions fall below community standards. Whilst the broker's conduct was unacceptable, LM's response upon discovery of such doctoring was prompt and appropriate. No loss was suffered by any customer and the conduct does not otherwise constitute irresponsible lending, unlawful sales practices, inappropriate market or design of financial products or poor customer service or complaints handling.
<b>Question 3(a)</b> <b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b>	No, the conduct is not the subject of another inquiry, investigation or criminal or civil proceeding.
<b>Question 3(b)</b> <b>Does LM attribute the misconduct to its cultural or governance practices?</b>	No. This was an isolated incident and is not concluded as systemic. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise. There was also no compensation paid to any party as a consequence of the issue.
<b>Question 3(c)</b> <b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b>	Whilst doctoring of documents is not a discrete issue that only arises in this industry, these incidents can arise in the industry.
<b>Question 3(d)</b> <b>Does LM consider that the misconduct results from other practices?</b>	It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.
<b>Question 3(e)</b> <b>What steps have been taken to remedy the incident and prevent</b>	The broker was exited from LM. In terms of processes put in place to prevent recurrence, the ongoing monitoring and supervision program during

<b>recurrence?</b>	the tenure of the brokers to LM has been refined to identify any issues of fraudulent lending activity.
--------------------	---------------------------------------------------------------------------------------------------------

### Incident 13

In response to Question 1, the nature, extent and effect of the conduct described as Incident 13 is as follows:

<b>Date Received</b>	March 2016
<b>Details of Breach</b>	ANZ advised LM that the broker had been suspended by them until further investigation. Our investigation called into question the business practices of the broker given those circumstances.
<b>Action Taken</b>	Broker is also an ACL holder. Audit conducted by LM showed inconsistencies in the documents obtained by the broker as well as her business practices. Broker was suspended pending the outcome of the investigation and ultimately terminated.
<b>Status</b>	Broker Agreement terminated 11 July 2016. No identified impact on clients financial or otherwise.
<b>Post termination action</b>	Standard separation letter issued.

Given the above, and with reference to questions 2 and 3 of the Commission:

<b>Question 2</b> <b>Has LM fallen below community standards and expectations?</b>	LM does not consider that its actions fall below community standards. Whilst any inappropriate business practices are unacceptable, LM's response upon discovery of those practices was prompt and appropriate. No loss was suffered by any customer and the conduct does not otherwise constitute irresponsible lending, unlawful sales practices, inappropriate market or design of financial products or poor customer service or complaints handling.
<b>Question 3(a)</b> <b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b>	No, the conduct is not the subject of another inquiry, investigation or criminal or civil proceeding.
<b>Question 3(b)</b> <b>Does LM attribute the misconduct to its cultural or governance</b>	No. This was an isolated incident and is not concluded as systemic. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise.

<b>practices?</b>	There was also no compensation paid to any party as a consequence of the issue.
<b>Question 3(c)</b> <b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b>	No, it is not attributed to broader cultural or governance practices in the industry.
<b>Question 3(d)</b> <b>Does LM consider that the misconduct results from other practices?</b>	It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.
<b>Question 3(e)</b> <b>What steps have been taken to remedy the incident and prevent recurrence?</b>	The broker was exited from LM.  In terms of processes put in place to prevent recurrence, the ongoing monitoring and supervision program during the tenure of the brokers to LM has been refined to identify any issues of fraudulent lending activity.

### Incident 14

In response to Question 1, the nature, extent and effect of the conduct described as Incident 14 is as follows:

<b>Date Received</b>	06 October 2016
<b>Details of Breach</b>	Documents provided by broker called into question by ANZ and Macquarie Bank.
<b>Action Taken</b>	Broker was initially suspended by ANZ in 2016. LM review could not ascertain that broker could have been aware of the Bank Statement issues. ANZ reinstated him. Macquarie Bank advised us of suspension 9 June 2017 Review of files showed anomalies with Bank Statements and Payslips provided to lender in regards to Loan Applications. Recommendation was made to terminate broker's agreement.
<b>Status</b>	Broker's Agreement terminated 24 October 2017. No identified impact on clients financial or otherwise.
<b>Post termination action</b>	Letter omitting no adverse statement issued. Omitting that phrase indicates to other industry members that the broker's conduct came into question in previous dealings.

Given the above, and with reference to questions 2 and 3 of the Commission:

<p><b>Question 2</b></p> <p><b>Has LM fallen below community standards and expectations?</b></p>	<p>Whilst any doctoring of documents is unacceptable, LM's response upon discovery of those practices was prompt and appropriate. No loss was suffered by any customer and the conduct does not otherwise constitute irresponsible lending, unlawful sales practices, inappropriate market or design of financial products or poor customer service or complaints handling.</p>
<p><b>Question 3(a)</b></p> <p><b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b></p>	<p>No, the conduct is not the subject of another inquiry, investigation or criminal or civil proceeding.</p>
<p><b>Question 3(b)</b></p> <p><b>Does LM attribute the misconduct to its cultural or governance practices?</b></p>	<p>No. This was an isolated incident and is not concluded as systemic. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise. There was also no compensation paid to any party as a consequence of the issue.</p>
<p><b>Question 3(c)</b></p> <p><b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b></p>	<p>No, it is not attributed to broader cultural or governance practices in the industry.</p>
<p><b>Question 3(d)</b></p> <p><b>Does LM consider that the misconduct results from other practices?</b></p>	<p>It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.</p>
<p><b>Question 3(e)</b></p> <p><b>What steps have been taken to remedy the incident and prevent recurrence?</b></p>	<p>The broker was exited from LM.</p> <p>In terms of processes put in place to prevent recurrence, the ongoing monitoring and supervision program during the tenure of the brokers to LM did not identify any issues of fraudulent lending activity. LM in keeping with its commitment to ethical conduct in the financial services industry will cooperate and support the police and other regulatory authorities in any of their enquiries.</p>

--	--

### Incident 15

In response to Question 1, the nature, extent and effect of the conduct described as Incident 15 is as follows:

<b>Date Received</b>	28 November 2016
<b>Details of Breach</b>	Broker suspected of altering/producing payslips for clients.
<b>Action Taken</b>	We were made aware of anonymous letters issued to a number of lenders (22 November 2016 & 02 December 2016). The letter called into question the business practices of the broker.  Loan Market conducted a full review including looking at all files and conducting a number of interviews the broker. The broker admitted to the misconduct based on the evidence presented to him. Following this process LM terminated his agreement.
<b>Status</b>	Broker agreement terminated. No identified impact on clients financial or otherwise.
<b>Post termination action</b>	Letter omitting no adverse statement issued. Omitting that phrase indicates to other industry members that the broker's conduct came into question in previous dealings.

Given the above, and with reference to questions 2 and 3 of the Commission:

<b>Question 2</b> <b>Has LM fallen below community standards and expectations?</b>	LM does not consider that its actions fall below community standards. Whilst the broker's conduct was unacceptable, LM's response upon discovery of those practices was prompt and appropriate. No loss was suffered by any customer and the conduct does not otherwise constitute irresponsible lending, unlawful sales practices, inappropriate market or design of financial products or poor customer service or complaints handling.
<b>Question 3(a)</b> <b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b>	No, the conduct is not the subject of another inquiry, investigation or criminal or civil proceeding.
<b>Question 3(b)</b> <b>Does LM attribute the misconduct to</b>	No. This was an isolated incident and is not concluded as systemic. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review



<b>its cultural or governance practices?</b>	undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise. There was also no compensation paid to any party as a consequence of the issue.
<b>Question 3(c)</b> <b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b>	No, it is not attributed to broader cultural or governance practices in the industry.
<b>Question 3(d)</b> <b>Does LM consider that the misconduct results from other practices?</b>	It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.
<b>Question 3(e)</b> <b>What steps have been taken to remedy the incident and prevent recurrence?</b>	The broker was exited from LM.  In terms of processes put in place to prevent recurrence, the ongoing monitoring and supervision program during the tenure of the brokers to LM did not identify any issues of fraudulent lending activity.

### Incident 16

In response to Question 1, the nature, extent and effect of the conduct described as Incident 16 is as follows:

<b>Date Received</b>	June 2016
<b>Details of Breach</b>	Inappropriate use of social media. NAB advised that broker advertising foreign student loans via WeChat. Business practices called into question.
<b>Action Taken</b>	Broker was placed on the watchlist. A subsequent LM review as part of the ongoing monitoring and supervision program identified that signatures on two files had been "cut and pasted" as well as other breaches of the NCCP Act and LM Policy. It was recommended that the broker's Agreement be terminated.
<b>Status</b>	Broker's Agreement terminated 10 September 2017. No identified impact on clients financial or otherwise.
<b>Post termination action</b>	Separation letter omitting no adverse statement issued. Omitting that phrase indicates to other industry members that the broker's conduct came into question in previous dealings.

Given the above, and with reference to questions 2 and 3 of the Commission:

<p><b>Question 2</b></p> <p><b>Has LM fallen below community standards and expectations?</b></p>	<p>LM does not consider that its actions fall below community standards. Whilst the broker's conduct was unacceptable, LM's response upon discovery of those practices was prompt and appropriate. No loss was suffered by any customer and the conduct does not otherwise constitute irresponsible lending, unlawful sales practices, inappropriate market or design of financial products or poor customer service or complaints handling.</p>
<p><b>Question 3(a)</b></p> <p><b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b></p>	<p>No, the conduct is not the subject of another inquiry, investigation or criminal or civil proceeding.</p>
<p><b>Question 3(b)</b></p> <p><b>Does LM attribute the misconduct to its cultural or governance practices?</b></p>	<p>No. This was an isolated incident and is not concluded as systemic. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise. There was also no compensation paid to any party as a consequence of the issue.</p>
<p><b>Question 3(c)</b></p> <p><b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b></p>	<p>No, it is not attributed to broader cultural or governance practices in the industry.</p>
<p><b>Question 3(d)</b></p> <p><b>Does LM consider that the misconduct results from other practices?</b></p>	<p>It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.</p>
<p><b>Question 3(e)</b></p> <p><b>What steps have been taken to remedy the incident and prevent recurrence?</b></p>	<p>The broker was exited from LM.</p> <p>In terms of processes put in place to prevent recurrence, the ongoing monitoring and supervision program during the tenure of the brokers to LM did not identify any issues of fraudulent lending activity.</p>

### Incident 17

In response to Question 1, the nature, extent and effect of the conduct described as Incident 17 is as follows:

<b>Date Received</b>	30 May 2017
<b>Details of Breach</b>	Business practices called into question. Not loading loans into Loan Market broker software which is a key audit control.
<b>Action Taken</b>	LM review of broker's files found, amongst other things, that payslips and employment letters were templated. Content of core documentation followed repeated or replicated patterns and information content despite being from unrelated employers.
<b>Status</b>	Broker's agreement terminated 14 August 2017. No identified impact on clients financial or otherwise.
<b>Post termination action</b>	Separation letter omitting no adverse statement issued. Omitting that phrase indicates to other industry members that the broker's conduct came into question in previous dealings.

Given the above, and with reference to questions 2 and 3 of the Commission:

<b>Question 2</b> <b>Has LM fallen below community standards and expectations?</b>	LM does not consider that its actions fall below community standards. Whilst the broker's conduct was unacceptable, LM's response upon discovery of those practices was prompt and appropriate. No loss was suffered by any customer and the conduct does not otherwise constitute irresponsible lending, unlawful sales practices, inappropriate market or design of financial products or poor customer service or complaints handling.
<b>Question 3(a)</b> <b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b>	No, the conduct is not the subject of another inquiry, investigation or criminal or civil proceeding.
<b>Question 3(b)</b> <b>Does LM attribute the misconduct to its cultural or governance practices?</b>	No. This was an isolated incident and is not concluded as systemic. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise. There was also no compensation paid to any party as a consequence of the issue.
<b>Question 3(c)</b> <b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b>	No, it is not attributed to broader cultural or governance practices in the industry.
<b>Question 3(d)</b>	It is not considered to be connected to other practices ie risk management, recruitment or remuneration

<b>Does LM consider that the misconduct results from other practices?</b>	practices.
<b>Question 3(e)</b> <b>What steps have been taken to remedy the incident and prevent recurrence?</b>	The broker was exited from LM.  In terms of processes put in place to prevent recurrence, the ongoing monitoring and supervision program during the tenure of the brokers to LM did not identify any issues of fraudulent lending activity.

### Incident 18

In response to Question 1, the nature, extent and effect of the conduct described as Incident 18 is as follows:

<b>Date Received</b>	October 2017
<b>Details of Breach</b>	ANZ reviewed files and suspended broker.
<b>Action Taken</b>	Reviewed Broker's files and identified inconsistencies and anomalies with payslips, income verification letters and other supporting documentation
<b>Status</b>	Broker's agreement terminated 21 December 17. No identified impact on clients financial or otherwise.
<b>Post termination action</b>	Separation letter to be issued.

Given the above, and with reference to questions 2 and 3 of the Commission:

<b>Question 2</b> <b>Has LM fallen below community standards and expectations?</b>	LM does not consider that its actions fall below community standards. Whilst the broker's conduct was unacceptable, LM's response upon discovery of those practices was prompt and appropriate. No loss was suffered by any customer and the conduct does not otherwise constitute irresponsible lending, unlawful sales practices, inappropriate market or design of financial products or poor customer service or complaints handling.
<b>Question 3(a)</b> <b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b>	No, the conduct is not the subject of another inquiry, investigation or criminal or civil proceeding.

<p><b>Question 3(b)</b></p> <p><b>Does LM attribute the misconduct to its cultural or governance practices?</b></p>	<p>No. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise. There was also no compensation paid to any party as a consequence of the issue.</p>
<p><b>Question 3(c)</b></p> <p><b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b></p>	<p>No, it is not attributed to broader cultural or governance practices in the industry.</p>
<p><b>Question 3(d)</b></p> <p><b>Does LM consider that the misconduct results from other practices?</b></p>	<p>It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.</p>
<p><b>Question 3(e)</b></p> <p><b>What steps have been taken to remedy the incident and prevent recurrence?</b></p>	<p>The broker was exited from LM.</p> <p>In terms of processes put in place to prevent recurrence, the ongoing monitoring and supervision program during the tenure of the brokers to LM did not identify any issues of fraudulent lending activity.</p>

### Incident 19

In response to Question 1, the nature, extent and effect of the conduct described as Incident 19 as follows:

<b>Date Received</b>	04 October 2017
<b>Details of Breach</b>	Client advised that information in the Loan Application not correct. Income has been overstated. Date on Loan Application submitted to lender had been altered by broker.
<b>Action Taken</b>	Audit conducted on broker files and business practices called into question. Broker could not explain the variance in information provided to lender but did admit to changing the date on application.
<b>Status</b>	Broker's Agreement terminated. No identified impact on clients financial or otherwise.
<b>Post termination action</b>	Standard separation letter issued.

Given the above, and with reference to questions 2 and 3 of the Commission:

<p><b>Question 2</b></p> <p><b>Has LM fallen below community standards and expectations?</b></p>	<p>LM does not consider that its actions fall below community standards. Whilst the broker's conduct was unacceptable, LM's response upon discovery of those practices was prompt and appropriate. No loss was suffered by any customer and the conduct does not otherwise constitute irresponsible lending, unlawful sales practices, inappropriate market or design of financial products or poor customer service or complaints handling.</p>
<p><b>Question 3(a)</b></p> <p><b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b></p>	<p>No, the conduct is not the subject of another inquiry, investigation or criminal or civil proceeding.</p>
<p><b>Question 3(b)</b></p> <p><b>Does LM attribute the misconduct to its cultural or governance practices?</b></p>	<p>No. This was an isolated incident and is not concluded as systemic. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise. There was also no compensation paid to any party as a consequence of the issue.</p>
<p><b>Question 3(c)</b></p> <p><b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b></p>	<p>No, it is not attributed to broader cultural or governance practices in the industry.</p>
<p><b>Question 3(d)</b></p> <p><b>Does LM consider that the misconduct results from other practices?</b></p>	<p>It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.</p>
<p><b>Question 3(e)</b></p> <p><b>What steps have been taken to remedy the incident and prevent recurrence?</b></p>	<p>The broker was exited from LM.</p> <p>In terms of processes put in place to prevent recurrence, the ongoing monitoring and supervision program during the tenure of the brokers to LM did not identify any issues of fraudulent lending activity.</p>

### Incident 20

In response to Question 1, the nature, extent and effect of the conduct described as Incident 20 as follows:

<b>Date Received</b>	11 December 2017
<b>Details of Breach</b>	Copy and paste of signatures on client files
<b>Action Taken</b>	LM whilst conducting the exit audit for broker found anomalies with signatures on client files. Based on evidence obtained decision made to terminate.
<b>Status</b>	Broker's Agreement Ceased 18 December 2017. No identified impact on clients financial or otherwise.
<b>Post termination action</b>	Separation letter status i.e. in progress

Given the above, and with reference to questions 2 and 3 of the Commission:

<b>Question 2</b> <b>Has LM fallen below community standards and expectations?</b>	LM does not consider that its actions fall below community standards. Whilst the broker's conduct was unacceptable, LM's response upon discovery of those practices was prompt and appropriate. No loss was suffered by any customer and the conduct does not otherwise constitute irresponsible lending, unlawful sales practices, inappropriate market or design of financial products or poor customer service or complaints handling.
<b>Question 3(a)</b> <b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b>	No, the conduct is not the subject of another inquiry, investigation or criminal or civil proceeding.
<b>Question 3(b)</b> <b>Does LM attribute the misconduct to its cultural or governance practices?</b>	No. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise. There was also no compensation paid to any party as a consequence of the issue.
<b>Question 3(c)</b> <b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b>	No, it is not attributed to broader cultural or governance practices in the industry.
<b>Question 3(d)</b>	It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.

<b>Does LM consider that the misconduct results from other practices?</b>	
<b>Question 3(e)</b>	The broker was exited from LM.
<b>What steps have been taken to remedy the incident and prevent recurrence?</b>	In terms of processes put in place to prevent recurrence, the ongoing monitoring and supervision program during the tenure of the brokers to LM did not identify any issues of fraudulent lending activity.

### Incident 21

In response to Question 1, the nature, extent and effect of the conduct described as Incident 21 as follows:

<b>Date Received</b>	6 December 2010
<b>Details of Breach</b>	On December 2010 Lender identified irregularities in files. LM review identified and confirmed issues raised.
<b>Action Taken</b>	Interview conducted with Broker in which Broker admits to amending a bank statement line entry. Broker exited for falsifying banks statements.
<b>Status</b>	Broker's Agreement terminated 8 December 2010. Separation letter withheld. No identified impact on clients financial or otherwise.

Given the above, and with reference to questions 2 and 3 of the Commission:

<b>Question 2</b>	Whilst the broker's conduct was unacceptable, LM's response upon discovery of those practices was prompt and appropriate. No loss was suffered by any customer and the conduct does not otherwise constitute irresponsible lending, unlawful sales practices, inappropriate market or design of financial products or poor customer service or complaints handling.
<b>Has LM fallen below community standards and expectations?</b>	
<b>Question 3(a)</b>	No, the conduct is not the subject of another inquiry, investigation or criminal or civil proceeding.
<b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b>	
<b>Question 3(b)</b>	No. There was no evidence of collusion with any other parties. It is not considered to be linked to particular



<b>Does LM attribute the misconduct to its cultural or governance practices?</b>	cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise. There was also no compensation paid to any party as a consequence of the issue.
<b>Question 3(c)</b> <b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b>	No, it is not attributed to broader cultural or governance practices in the industry.
<b>Question 3(d)</b> <b>Does LM consider that the misconduct results from other practices?</b>	It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.
<b>Question 3(e)</b> <b>What steps have been taken to remedy the incident and prevent recurrence?</b>	The broker was exited from LM.  In terms of processes put in place to prevent recurrence, the ongoing monitoring and supervision program during the tenure of the brokers to LM did not identify any issues of fraudulent lending activity.

## Incident 22

In response to Question 1, the nature, extent and effect of the conduct described as Incident 22 as follows:

<b>Date Received</b>	20 October 2016
<b>Details of Breach</b>	Under instruction from Broker the Mortgage Consultant (employed by the Broker) approached Risk and Compliance to review a complaint relating to the delays in the transaction being processed. Following a comprehensive analysis of the file and unrelated to the issues raised by the complainant, Loan Market identified inconsistencies in client signatures.
<b>Action Taken</b>	Evidence communicated to Broker and remediation plan actioned.
<b>Status</b>	Employee of Broker is under a watch program by the head broker. No further issues have since arisen. No identified impact on clients financial or otherwise.

Given the above, and with reference to questions 2 and 3 of the Commission:

<p><b>Question 2</b></p> <p><b>Has LM fallen below community standards and expectations?</b></p>	<p>LM does not consider that its actions fall below community standards. Whilst the broker's conduct was unacceptable, LM's response upon discovery of those practices was prompt and appropriate. No loss was suffered by any customer and the conduct does not otherwise constitute irresponsible lending, unlawful sales practices, inappropriate market or design of financial products or poor customer service or complaints handling.</p>
<p><b>Question 3(a)</b></p> <p><b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b></p>	<p>No, the conduct is not the subject of another inquiry, investigation or criminal or civil proceeding.</p>
<p><b>Question 3(b)</b></p> <p><b>Does LM attribute the misconduct to its cultural or governance practices?</b></p>	<p>No. This was an isolated incident and is not concluded as systemic. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise. There was also no compensation paid to any party as a consequence of the issue.</p>
<p><b>Question 3(c)</b></p> <p><b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b></p>	<p>No, it is not attributed to broader cultural or governance practices in the industry.</p>
<p><b>Question 3(d)</b></p> <p><b>Does LM consider that the misconduct results from other practices?</b></p>	<p>It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.</p>
<p><b>Question 3(e)</b></p> <p><b>What steps have been taken to remedy the incident and prevent recurrence?</b></p>	<p>The broker has not been exited but is being monitored and trained to ensure compliance with best practices.</p> <p>In terms of processes put in place to prevent recurrence, the ongoing monitoring and supervision program during the tenure of the brokers to LM did not identify any issues of fraudulent lending activity.</p>

Incident 23

In response to Question 1, the nature, extent and effect of the conduct described as Incident 23 as follows:

<b>Date Received</b>	July 2012
<b>Details of Breach</b>	Licensee – Failure to appoint corporate authorised representatives in accordance with the NCCP Act and ASIC procedural requirements
<b>Action Taken</b>	Issue had been identified initially by Risk and Compliance as part of its ongoing monitoring and supervision program. Rectification steps were being undertaken when the breach letter was issued. Finalisation was completed in consultation with the Regulator. Effectively, cancelled all of the existing individual memberships and sub-authorised all the impacted credit representatives.
<b>Status</b>	Remediated in full as of August 2012 to satisfaction of Regulator. No action letter applied for given circumstances involved on 29 August 2012. Confirmation obtained from Regulator of no action letter on 21 May 2013. Matter closed. No identified impact on clients financial or otherwise.

Given the above, and with reference to questions 2 and 3 of the Commission:

<b>Question 2</b> <b>Has LM fallen below community standards and expectations?</b>	Whilst the failure to comply with procedural requirements was unsatisfactory, the rectification was prompt and appropriate. No loss was suffered by any customer and the conduct does not otherwise constitute irresponsible lending, unlawful sales practices, inappropriate market or design of financial products or poor customer service or complaints handling.
<b>Question 3(a)</b> <b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b>	No, the conduct is not the subject of another inquiry, investigation or criminal or civil proceeding.
<b>Question 3(b)</b> <b>Does LM attribute the misconduct to its cultural or governance practices?</b>	No. This was an isolated incident and is not concluded as systemic. There was no evidence of collusion with any other parties. It is not considered to be linked to particular cultural or governance practices particularly in circumstances where there is a system in place to review and identify any such instances. Based on the review undertaken it was concluded also there were no flow on detrimental impacts to any clients financial or otherwise. There was also no compensation paid to any party as a consequence of the issue.
<b>Question 3(c)</b>	No, it is not attributed to broader cultural or governance practices in the industry.

<b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b>	
<b>Question 3(d)</b> <b>Does LM consider that the misconduct results from other practices?</b>	It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.
<b>Question 3(e)</b> <b>What steps have been taken to remedy the incident and prevent recurrence?</b>	The correct processes have been put in place and are followed to ensure compliance with the relevant requirements and legislation.

### Incident 24 - 33

A number of instances have occurred where brokers have engaged in conduct which has led a particular lender denying the broker accreditations with the lender. Should this occur, our process is to review the incident to determine whether further action is required. A record of such matters has been included for completeness.

<b>Incident</b>	<b>Lender</b>	<b>Accreditation Status</b>	<b>Issue/Investigation outcome</b>
Incident 24	NAB and Advantedge	Terminated as of 18 April 2017	Alleged non disclosure of marital status of clients. Single as opposed to defacto. Broker received advice from Lender Business Development Executive which was followed as the status was correct at time of submission. Not proven or identified by Loan Market internal review. Broker still operates within network. Placed on watchlist and reviewed in accordance with ongoing monitoring and supervision program.
Incident 25	NAB terminated accreditation of head broker	Employee suspended 24 November 2017 pending further investigation. Post investigation terminated employee as of 4 December 2017	Employee of head broker combined and reconstructed pay slip and income verification information. Employee has been exited from the broker's business
Incident 26	CBA Westpac	CBA - Terminated as of May 2017	Remediation action implemented. Non disclosure of builder's grant forming part of genuine savings. Broker disputes claim,

Incident	Lender	Accreditation Status	Issue/Investigation outcome
		Westpac - Terminated as of 1 March 2017	stating that at time of submission the bank employed a "Non Genuine Savings" policy. Broker further evidences that they ceased sending such transactions to the bank once the bank removed it's policy. Broker still operates within network placed on watchlist.
Incident 27	NAB	Terminated as of 7 November 2017	Holds own ACL. Customer pre signed progress payment forms re construction loan as customer was oversees. Broker then had customer email confirmation they could use the form and broker then added date and amount into pre-signed form Remediation action taken and placed on watchlist
Incident 28	Macquarie	Macquarie suspended accreditation June 17 and LM internal investigation completed	Anomalies in regards to Bank Statements and payslips provided by broker to Lender. Terminated
Incident 29	NAB ANZ	NAB terminated accreditation in May 2017. October 2017, ANZ suspended accreditation.	Anomalies with Payslips provided to lender. Internal investigation concurred. Terminated
Incident 30	NAB	No face to face meeting with client although stated there was. Terminated as of 11 December 2013	Retraining and monitoring by manager. (Employed broker no longer with LM). Broker ceased 13 April 2014.
Incident 31	WBC	Anomalies with payslips. Terminated as of 22 October 2014.	Internal review validated. Terminated from broker network 31 January 2015.
Incident 32	WBC	Suspected fraudulent documents. Terminated as of 16 January 2015	Internal review validated. Terminated from broker network 10 March 2015.
Incident 33	WBC		Terminated 19 July 2013 for failure to renew Professional Indemnity, Industry body or CIO membership

Given the above, and with reference to questions 2 and 3 of the Commission:

<p><b>Question 2</b></p> <p><b>Has LM fallen below community standards and expectations?</b></p>	<p>LM does not consider that it has fallen below community standards. In the instance of clear and unequivocal evidence of misconduct or failure to meet LM business practices and procedures the definitive action to terminate has been applied. Other cases are reviewed on their respective merits. Where a decision is made to retain the broker within the network additional monitoring and supervision requirements are imposed.</p>
--------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<p><b>Question 3(a)</b></p> <p><b>Is the conduct the subject of another inquiry or investigation, or a criminal or civil proceeding?</b></p>	<p>No.</p>
<p><b>Question 3(b)</b></p> <p><b>Does LM attribute the misconduct to its cultural or governance practices?</b></p>	<p>No. The processes in place with LM ensure that any such conduct is captured and addressed. Training into the specific requirements of document completion has been a part of initial and ongoing learning and development provided to the broker network. Technology based solutions ie Esign live,, Doc E, sign,Adobe Sign,are utilised by the network as a control mechanism to minimise the potential risk of tampering of documentation</p>
<p><b>Question 3(c)</b></p> <p><b>Does LM attribute the misconduct to broader cultural or governance practices in the industry?</b></p>	<p>It is not considered to be connected to industry or sector practices in which the entity operates</p>
<p><b>Question 3(d)</b></p> <p><b>Does LM consider that the misconduct results from other practices?</b></p>	<p>It is not considered to be connected to other practices ie risk management, recruitment or remuneration practices.</p>
<p><b>Question 3(e)</b></p> <p><b>What steps have been taken to remedy the incident and prevent recurrence?</b></p>	<p>As part of the risk based monitoring and supervision program files are selected to focus on specific risk areas ie supporting core documentation in the loan application process. The LoanMarket core proposition of zero tolerance in relation to any act of fraud is applied in appropriate circumstances when substantiated with evidence. Risk Management includes regular random testing and forensic analysis of client files to assure documentation is legitimate and validated.</p> <p>LM also has strong relationships with its lenders to ensure transparency and a collegiate approach to any misconduct.</p>



## 6. EM's Responses

EM is the entity that holds the Lending Agreements and since the commencement of its licence has never had credit representatives appointed under it.

Accordingly the responses related to the Activities of EM are documented as follows:-

Question	Response
1. Excluding cases of theft from the entity itself or from an associated entity has the entity identified any misconduct by the entity( including by its directors, officers, or employees or by anyone otherwise acting on its behalf) which occurred at any time since 1 January 2008?. If so, what is the nature, extent and effect of that misconduct?	Entity granted licence on 27 May 2011. None Identified from the commencement of the provision of financial product advice and related financial services.
2. Has the entity identified any conduct, practice, behaviour or business activity has engaged in (including by its directors , officers, or employees or by anyone otherwise acting on its behalf) since 1 January 2008 which it considers has fallen below community standards and expectations. If so, what is the nature, extent and effect of that misconduct?	Entity granted licence on 27 May 2011. None Identified from the commencement of the provision of financial product advice and related financial services
3 If yes to either or both of the questions one and two:  (a) Is the identified conduct, practice, behaviour or activity the subject of another enquiry or investigation or a criminal or civil proceeding? (b) Does the entity attribute any of the identified conduct practice behaviour or activity to the particular culture or governance practices of the entity? If so, describe that culture or practice (c) Does the entity attribute any of the identified conduct practice behaviour or activity to some broader cultural or governance practices in the industry or sector of the industry in which th entity operates? If so, describe those cultural or governance practices. (d) Does the entity consider that the identified conduct, practice or behaviour or activity results from practices (including risk management, recruitment or remuneration practices)?.If so, describe those practises.	Not applicable.
4. Not applicable	Response not required



## 7. WM's Responses

WM was granted a licence to operate as an Australian Financial Services Licensee on 31 May 2016. Following the grant of licence a comprehensive review of the business model was undertaken and the ultimate date of commencement of the provision of financial product advice and related services was 1 March 2017.

WM as a start up initially went live with only one product and related service offering being the provision of insurance advice.

From 8 August 2017 an expanded product and service offering has been provided encompassing investment products and superannuation, budgeting, and cash flow management.

The product and service offering of WM will be reviewed in accordance with business and market developments.

Accordingly the responses related to the Activities of WM are documented as follows:-

Question	Response
1. Excluding cases of theft from the entity itself or from an associated entity has the entity identified any misconduct by the entity(including by its directors, officers, or employees or by anyone otherwise acting on its behalf) which occurred at any time since 1 January 2008?. If so, what is the nature, extent and effect of that misconduct?	Entity commenced operation 1 March 2017. None Identified from the commencement of the provision of financial product advice and related financial services.
2. Has the entity identified any conduct, practice, behaviour or business activity has engaged in (including by its directors , officers, or employees or by anyone otherwise acting on its behalf) since 1 January 2008 which it considers has fallen below community standards and expectations. If so, what is the nature, extent and effect of that misconduct?	Entity commenced operation 1 March 2017. None Identified from the commencement of the provision of financial product advice and related financial services
3 If yes to either or both of the questions one and two:  (a) Is the identified conduct, practice, behaviour or activity the subject of another enquiry or investigation or a criminal or civil proceeding? (b) Does the entity attribute any of the identified conduct practice behaviour or activity to the particular culture or governance practices of the entity? If so, describe that culture or practice (c) Does the entity attribute any of the identified conduct practice behaviour or activity to some broader cultural or governance practices in the industry or sector of the industry in which th entity operates? If so, describe those cultural or governance practices. (d) Does the entity consider that the identified conduct, practice or behaviour or activity results from	Not applicable.

practices (including risk management, recruitment or remuneration practices)?.If so, describe those practises.	
4. Not applicable	Response not required

## 8. Conclusions and Submissions

The Loan Market Group supports the foundation of the Royal Commission and its endeavours to examine the standards of conduct of financial services providers including those involved in the activity of the provision of credit assistance services. Accordingly, the Loan Market Group shares the commitment to robust regulatory, monitoring and supervisory frameworks.

Given that forms of misconduct arise mostly from those assuming the role of broker, the Loan Market Group submits that in addition to their own checks and balances, an improvement to industry practice could include the streamlining (by regulation or otherwise) of separation letters which are used in the industry as a means of indicating any misconduct on the part of brokers (if they omit words such as 'terminated under no adverse circumstances'). In this regard, consideration may be given to:

1. standardised terminology for the letters;
2. standardised processes for the provision of those letters;
3. better use of the letters to convey an assessment of the broker's prior conduct in a former engagement.

Otherwise, and more generally, the Loan Market Group supports any recommendation that promotes the robust growth of a fair and transparent market and industry.