



8 February 2018

BY EMAIL: FSRCSolicitor@royalcommission.gov.au

Mr K M Hayne AC QC
Royal Commission into Misconduct
in the Banking, Superannuation and
Financial Services Industry

Dear Mr Hayne

Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

As foreshadowed in our letter dated 30 January 2018, we have now completed our response to the Commission.

Further answers to the questions asked by the Commission are set out in the appendix to this letter and supplement our 30 January 2018 submission.

Yours sincerely

A handwritten signature in black ink that reads 'Mark Bouris'.

Mark Bouris
Executive Chairman

APPENDIX

Particulars of Misconduct

1. [REDACTED]
- 1.1 [REDACTED] was a credit representative of Yellow Brick Road Finance Pty Ltd. He operated the Yellow Brick Road branded franchise in [REDACTED]. He was not an employee of the company, but operated pursuant to a franchise agreement with the company.
- 1.2 To obtain loan approval, applicants generally need to demonstrate three months' financial savings, known as "genuine savings". The entity discovered, during an audit of [REDACTED] practice, that a number of clients had each claimed that a deposit made into their accounts by a third party funder was a gift and therefore counted as genuine savings. Upon further enquiry, it appeared that the deposit was in fact refundable and therefore not correctly described as a gift.
- 1.3 After the entity discovered the conduct, the following steps were taken:
 - (a) The entity notified the funder of its findings and that it no longer considered [REDACTED] fit to be a part of the Yellow Brick Road network.
 - (b) At the entity's request, the funder agreed to withdraw the credit representative's accreditation.
 - (c) The entity terminated [REDACTED] credit authorisation and his agreement with the company.
 - (d) The entity notified other major funders of its position.
 - (e) The entity also conducted an investigation to determine if any of [REDACTED] clients had suffered any loss or detriment. It was found that no clients had suffered any loss and that all loans appeared suitable for the clients.
- 1.4 In answer to **question 3**:
 - (a) The entity is not aware of other investigations in relation to the abovementioned conduct.
 - (b) The entity does not attribute the conduct to any culture or governance practice of the entity.
 - (c) The entity does not consider the conduct to be attributable to a broader cultural practice in the finance broking industry.
 - (d) The entity does not consider the conduct to result from other practices.
 - (e) The entity has terminated its relationship with [REDACTED].
2. [REDACTED]
- 2.1 The [REDACTED] broker group was a credit representative of Vow Financial Pty Ltd (**Vow Financial**), the holder of an Australian Credit Licence and a subsidiary of the entity. The [REDACTED] group consists of:
 - (a) [REDACTED];
 - (b) [REDACTED]; and
 - (c) [REDACTED] (trading as [REDACTED]).
- 2.2 Westpac notified Vow Financial that the Bank suspected that one or more of the brokers within the [REDACTED] were submitting loans with "non-genuine documents", which is a reference to documents such as payslips and bank statements which have been altered or which contain false or misleading information. The Bank did not provide details as to the facts underpinning its suspicions.
- 2.3 Vow Financial commenced an investigation but could not prove that fraudulent conduct had taken place.
- 2.4 Vow Financial requested additional information regarding the alleged misconduct from however Westpac were not willing to provide further details and simply advised Vow that, in the Bank's opinion, there had been significant misconduct. Westpac then cancelled the group's accreditation. Vow Financial subsequently terminated its agreement with the [REDACTED] group.

2.5 In answer to **question 3**:

- (a) To the best of the entity's knowledge, the Westpac investigation has concluded. The entity is not aware of other investigations in relation to the abovementioned conduct.
- (b) The entity does not attribute the conduct to any culture or governance practice of the entity.
- (c) The entity does not consider the conduct to be attributable to a broader cultural practice in the finance broking industry.
- (d) The entity does not consider the conduct to result from other practices.
- (e) The entity has terminated its relationship with the [REDACTED] group.

3. [REDACTED]

3.1 [REDACTED] was the principal of [REDACTED] a loan mortgage broker. [REDACTED] was a credit representative of Vow Financial Pty Ltd, the holder of an Australian Credit Licence. [REDACTED] as principal of [REDACTED] was authorised to conduct credit activities under Vow Financial's credit licence.

3.2 Suncorp notified Vow Financial that the Bank believed that [REDACTED] was submitting loan applications which contained false information. Suncorp was also concerned that [REDACTED] may have encouraged the misconduct of a former office-colleague, [REDACTED]. Suncorp's investigation revealed that [REDACTED] loan applications contained substantially identical information to that which was contained in applications previously lodged by [REDACTED], a former employee of [REDACTED]. Suncorp had previously terminated its relationship with [REDACTED].

3.3 Vow Financial was informed by Westpac that they had terminated [REDACTED] accreditation.

3.4 Although the information available to Vow Financial did not prove [REDACTED] had knowingly submitted misleading loan applications or that he had encouraged [REDACTED] to do so, Vow Financial took the view that, as the principal of [REDACTED] had at least not conducted the business with the care and attention required of participants in the network. Vow Financial terminated its agreement with [REDACTED].

3.5 In answer to **question 3**:

- (a) To the best of the entity's knowledge, Westpac and Suncorp's investigations have concluded. The entity is not aware of other investigations in relation to the abovementioned conduct.
- (b) The entity does not attribute the conduct to any culture or governance practice of the entity.
- (c) The entity does not consider the conduct to be attributable to a broader cultural practice in the finance broking industry.
- (d) The entity does not consider the conduct to result from other practices.
- (e) The entity has terminated its relationship with [REDACTED].

4. [REDACTED]

4.1 [REDACTED] was the principal of [REDACTED] a loan mortgage broker. That company was a credit representative of Vow Financial. [REDACTED] as [REDACTED] principal, was authorised to conduct credit activities under Vow Financial's credit licence.

4.2 ANZ notified Vow Financial that [REDACTED] was submitting loan applications that contained non-genuine documentation. For example, the Bank had alleged that [REDACTED] had recommended to one client that he submit payslips from a previous job to support his loan application as earnings from his current employment would be considered by the Bank to be insufficient to service the loan.

4.3 Vow Financial reviewed the file and was able to confirm the allegation to be accurate. Vow terminated its agreement with the company on the basis of this investigation. We believe the client engaged directly with ANZ to finalise the clients lending requirements.

4.4 In answer to **question 3**:

- (a) To the best of the entity's knowledge, ANZ's investigation has concluded. The entity is not aware of other investigations in relation to the abovementioned conduct.
- (b) The entity does not attribute the conduct to any culture or governance practice of the entity.
- (c) The entity does not consider the conduct to be attributable to a broader cultural practice in the finance broking industry.
- (d) The entity does not consider the conduct to result from other practices.
- (e) The entity has terminated its relationship with [REDACTED]
5. [REDACTED]
- 5.1 [REDACTED] was a credit representative of Vow Financial. [REDACTED] was authorised to conduct credit activities under Vow Financial's credit licence.
- 5.2 Several funders have identified [REDACTED] as being potentially involved in a wage staging scheme with another broker. Suncorp, ANZ and Westpac have suspended their dealings with him. Our investigations were unable to provide conclusive evidence confirming the allegation.
- 5.3 Based on the fact that multiple banks had suspicions to this effect, Vow Financial terminated its relationship with [REDACTED]
- 5.4 In answer to **question 3**:
- (a) The entity is not aware of other investigations in relation to the abovementioned conduct.
- (b) The entity does not attribute the conduct to any culture or governance practice of the entity.
- (c) The entity does not consider the conduct to be attributable to a broader cultural practice in the finance broking industry.
- (d) The entity does not consider the conduct to result from other practices.
- (e) The entity has terminated its relationship with [REDACTED]
6. [REDACTED]
- 6.1 [REDACTED] was a director of [REDACTED] a credit representative of Vow Financial. [REDACTED] was authorised to conduct credit activities under Vow Financial's credit licence.
- 6.2 Prior to joining the Vow Financial network, [REDACTED] had been a part of Xfinance, a broker group operating under Connective, a mortgage aggregator. Within months of [REDACTED] joining Vow, ANZ and Connective notified Vow Financial of suspected instances of fraud within the Xfinance group.
- 6.3 Vow Financial conducted an internal investigation and interviewed [REDACTED]. He admitted that there was some basis for the allegations of misconduct made by ANZ and Connective, but [REDACTED] denied being personally involved those acts.
- 6.4 Vow Financial terminated its agreement with [REDACTED] and ceased its relationship with [REDACTED]
- 6.5 In answer to **question 3**:
- (a) The entity is not aware of other investigations in relation to the abovementioned conduct.
- (b) The entity does not attribute the conduct to any culture or governance practice of the entity.
- (c) The entity does not consider the conduct to be attributable to a broader cultural practice in the finance broking industry.
- (d) The entity does not consider the conduct to result from other practices.
- (e) The entity terminated its relationship with [REDACTED]

7. [REDACTED]
- 7.1 The [REDACTED] was authorised as a credit representative of Vow Financial. Employees of [REDACTED] were authorised to conduct credit activities under Vow Financial's credit licence.
- 7.2 Multiple funders notified Vow Financial that the [REDACTED] was submitting loan applications that failed to declare the applicants' existing indebtedness. Additionally, the funders were concerned about the reliability of information about applicant incomes supplied in applications. ANZ, Westpac and NAB suspended the group following their investigations.
- 7.3 Vow Financial conducted a review and audit of the [REDACTED] but did not find any clear instances of fraud. Nevertheless, Vow Financial terminated the agreement with PIA because several bank lenders had identified similar instances of suspicion..
- 7.4 In answer to **question 3**:
- (a) The entity is not aware of other investigations in relation to the abovementioned conduct.
 - (b) The entity does not attribute the conduct to any culture or governance practice of the entity.
 - (c) The entity does not consider the conduct to be attributable to a broader cultural practice in the finance broking industry.
 - (d) The entity does not consider the conduct to result from other practices.
 - (e) The entity has terminated its relationship with the [REDACTED].
8. [REDACTED]
- 8.1 [REDACTED] was a credit representative of Vow Financial. [REDACTED] was authorised to conduct credit activities under Vow Financial's credit licence.
- 8.2 Mortgage EZY notified Vow Financial that [REDACTED] had submitted a loan application on behalf of a client supported by inconsistent client payslips. The payslips were in two different formats and listed different incomes. Additionally, [REDACTED] client worked for the same firm as he did.
- 8.3 Mortgage EZY had been alerted to the inconsistencies by Genworth, a provider of lenders mortgage insurance.
- 8.4 Because both Mortgage EZY and Genworth had conducted an investigation, Vow Financial were satisfied that an adequate investigation into the matter had been completed and terminated its relationship with [REDACTED]
- 8.5 In answer to **question 3**:
- (a) The entity is not aware of other investigations in relation to the abovementioned conduct.
 - (b) The entity does not attribute the conduct to any culture or governance practice of the entity.
 - (c) The entity does not consider the conduct to be attributable to a broader cultural practice in the finance broking industry.
 - (d) The entity does not consider the conduct to result from other practices.
 - (e) The entity has terminated its relationship with [REDACTED]
9. [REDACTED]
- 9.1 [REDACTED] was a credit representative of Vow Financial. [REDACTED] was authorised to conduct credit activities under Vow Financial's credit licence.
- 9.2 CBA notified Vow Financial that [REDACTED] was submitting loans which contained non-genuine documentation.
- 9.3 Vow Financial commenced an investigation during the course of which it found payslips which appeared to have been altered. Although there was no clear evidence that [REDACTED] was responsible, Vow Financial has terminated its relationship with her.
- 9.4 In answer to **question 3**:

- (a) The entity is not aware of other investigations in relation to the abovementioned conduct.
- (b) The entity does not attribute the conduct to any culture or governance practice of the entity.
- (c) The entity does not consider the conduct to be attributable to a broader cultural practice in the finance broking industry.
- (d) The entity does not consider the conduct to result from other practices.
- (e) The entity terminated its relationship with [REDACTED]

Particulars of Misconduct Currently Under Investigation

The following table summarises allegations that are currently under investigation by the relevant entity. It is provided for completeness. The allegations made against the individuals identified below have not yet been substantiated by the entity in each case.

Entity	Individual	Brief on Matter
Yellow Brick Road Finance Pty Ltd	[REDACTED]	It is alleged that while purporting to represent Yellow Brick Road, [REDACTED] submitted a home loan application on behalf of a client using non genuine and misleading income documents. The entity is investigating whether [REDACTED] is responsible for the non-genuine income documents.
Vow Financial Pty Ltd	[REDACTED]	Westpac notified Vow Financial that it believed that [REDACTED] was submitting loans that contained non-genuine documentation. The entity is investigating whether [REDACTED] is responsible for the non-genuine documents.
Vow Financial Pty Ltd	[REDACTED]	CBA notified Vow Financial that it believed that [REDACTED] was submitting loans that contained non-genuine documentation. The entity is investigating whether [REDACTED] is responsible for the non-genuine documents.
Vow Financial Pty Ltd	[REDACTED]	[REDACTED] is currently the subject of two separate complaints by clients. Both clients have accused [REDACTED] of poor service. The entity is currently investigating this matter.
Vow Financial Pty Ltd	[REDACTED]	Westpac notified Vow Financial that [REDACTED] was submitting loans that contained non-genuine documentation. The entity is investigating whether [REDACTED] is responsible for the non-genuine documents.
Yellow Brick Road Finance Pty Ltd	[REDACTED]	The company conducted a review of [REDACTED] loan files and found that he had fabricated a loan approval document and loan contracts for a client. When the company become aware of the conduct, it terminated [REDACTED] status as a credit representative and notified the relevant funders. The entity is currently concluding a report of this matter.

Particulars of Conduct Below Community Expectations Currently Under Investigation

The following table summarises a matter that is currently under investigation by the relevant entity. It has been provided for completeness even though the investigations have not yet been concluded. .

Entity	Individual	Brief on Matter
Yellow Brick Road Finance Pty Ltd	[REDACTED]	<p>An audit of [REDACTED] files suggested that he had provided a Statement of Advice to three clients but failed to execute on the investment strategy agreed with the client.</p> <p>Upon review of [REDACTED] files it was discovered that incorrect processes had been followed in implementing the advice and that the funds of three clients remained in the cash account. The audit did not, however, uncover any misconduct or fraud by [REDACTED] and the advice he had given appeared to be appropriate to the relevant clients' needs. The entity is continuing to investigate the matter.</p>