

26 January 2014

**Mr David Murray**  
**Chairman of Financial System Inquiry**  
PO Box 6022  
House of Representatives  
Parliament House  
Canberra  
ACT 2600

**Dear Mr Murray**

**Your 2013/14 Financial System Inquiry**

Generally I make this submission to you and your panel because I would like to see an improvement in the quality of Government protection for Mums and Dads using our financial system and because I would like to see clearer, and therefore fairer, competition between financial entities, such as lending institutions, when they use our financial system.

Using the numbers of the terms of reference announced by the Treasurer for this inquiry I would like to make five numbered comments as follows –

1. Term of reference number 2, secondary points 1 and 4.

To balance competition between banks, lending institutions and other lending entities they all should show the annual percentage rate they charge for interest in large prominent printed numbers in all their advertising of, and documentation for, their loans and mortgages. This would allow the public to make fair and proper comparisons of the cost of their loans and mortgages before they enter into them and on an on-going basis.

No other bank fees or charges, other than the interest chargeable, should be allowed so that the annual percentage rate charged, or to be charged, reflects the total cost of each loan.

The role of Government is to protect the public from unscrupulous or wayward lenders. Encouraging excessive debt, especially if its terms and conditions are unduly onerous for borrowers, is socially undesirable.

The relevant law should make it a criminal act to advertise an annual percentage rate which is more than 0.1% less than the true rate, or more than 1% more than the true rate.

By ‘annual percentage rate’ I mean the amount of interest, as a percentage, that would be paid in arrears once a year on the last day of the year on the loan at the beginning of the year (with no additions to, or repayments of, principal during the year). All interest rates can of course be expressed as other interest rates so one needs to choose one interest rate as a standard in order to make meaningful comparisons.

Those working for banks and lending institutions should be prohibited from earning high bonuses for lending to Mums and Dads and should always remain responsible for bad debts with bonuses being reduced when bad debts occur.

Also to balance competition between banks and other lenders they all should use the same methodology, laid down by law, for calculating early settlement values offered to terminating borrowers.

2. Term of reference number 2, secondary points 1 and 4.

Ageism in the law and regulations pertaining to superannuation should be abolished. In other words a member of the public should be allowed to make reasonable provision for his or her retirement at any age.

3. Term of reference number 3, secondary point 5.

Section 250BB (1) (b) of the Corporations Act 2001 states that 'if the proxy has 2 or more appointments that specify different ways to vote on the resolution--the proxy must not vote on a show of hands'. This prohibition applies to proxy representatives attending public company annual general meetings for instance.

However company proxy forms, where one is one appointing a proxy 'to act generally at the Meeting on my/our behalf' or similar words to that effect, appear to be providing a comforting statement for a shareholder such as myself.

But if my proxy receives another appointment also to be someone else's proxy where his or her 'specific ways to vote' are different to mine, then on a show of hands my proxy cannot 'act generally for me'.

In a poll, of course, all the votes are counted separately and there is no problem.

So something is skew; one shareholder accidentally can thwart another's voting wishes on a show of hands. The proxy may be unable 'to act generally at the Meeting on my/our behalf' as requested on my proxy form.

I would like to suggest that a fair quid pro quo for the Section 250BB (1) (b) prohibition is that a chairman of a general company meeting should be prohibited from submitting a vote on a resolution to a show of hands whenever at least one proxy holds votes both for and against the resolution. The company registrar, and the company secretary, should have a legal duty to advise the chairman whenever this occurs, and the chairman should have a legal duty to enquire appropriately before each vote.

4. Term of reference number 6.

Off-market share buy-backs should be banned because they undesirably confuse revenue and capital transactions and bring our Australian taxation system into disrepute. One cannot change the nature of a transaction by just saying it is something else.

Such a ban would hopefully discourage the Australian Taxation Office and others from trying to thwart one of the fundamental tenets of accountability, namely that there is a meaningful distinction between revenue and capital transactions.

5. Term of reference number 2, secondary point 3

This is just a comment and a request. The regulatory controls on, and for, financial planners should be of a high standard; otherwise one is 'letting the crooks in' and then the pain suffered by ordinary Mums and Dads when they lose their life's savings is just awful; and it goes on for years and years when they can least afford it and least protect themselves. Please make these controls good and strong, with full accountability to Mums and Dads for all fees and commissions paid and payable including trailing commissions for at least the next ten years.

I look forward with great interest to reading your recommendations to the Federal Government.

Yours sincerely

A handwritten signature in black ink that reads "Alan Mills". The signature is written in a cursive style and is underlined with a single horizontal line.

**Alan W. M. Mills**