



Banking fees honestly evil

exclusive

Joe Hildebrand

HOME loan lenders would be forced to tell customers that their exit fees are “unconscionable” under a proposal by Senator Nick Xenophon to kill off an all-out ban on the charges.

The plan comes amid revelations homeowners are being slugged with exit fees of up to \$20,000, with one couple forced to sell their home to pay the bill.

Consumer law experts gave key senators deliberating a ban on the fees four real-life cases of non-bank lenders gouging thousands of dollars each out of borrowers.

In one case NSW pensioner Brian Tierney and his wife were convinced by a mortgage broker to

borrow against their family home to buy an investment property.

When the market collapsed and they fell behind, they had to sell the investment property, still owing some \$100,000 to non-bank lender Bluestone. It then hit them with a 4 per cent exit fee on the full \$552,000 initially borrowed, leaving them with a bill of \$22,100.

They then had to sell their family home to pay the fee and the remainder of the loan.

“We were left with virtually nothing,” Mr Tierney said.

In another case a family trying to pull out of a 12-year-old loan because the wife was having a difficult pregnancy and could not work were hit with exit fees because they had varied the loan terms less than four years earlier.

The Consumer Law Action Centre wrote to Senator Xenophon

and other crossbenchers urging them to support a blanket ban on exit fees but it is understood he is proposing a compromise whereby an independent Reserve Bank inquiry would determine which fees by banks and other lenders are “unconscionable”.

Those found to be so would have to be highlighted in bold in any contract and potential customers told the fees are unfair.

The CLAC and Treasurer Wayne Swan both said that such warnings would be inadequate, with Mr Swan slamming the Opposition for moving to overturn the ban in the Senate on Tuesday.

“It’s simply astounding that Joe Hockey is betraying Australian families with his cheap political stunt to put mortgage exit fees back in place to help the banks lock families into mortgages,” he said.