

Mr Daniel Craig
A/g Executive Director
Office of Impact Analysis
Department of the Prime Minister and Cabinet
1 National Circuit
BARTON ACT 2600

Email: Helpdesk-OIA@pmc.gov.au

Dear Mr Craig

Certification as Impact Analysis Equivalent – ACCC Home Loan Inquiry Final Report 2020 and Retail Deposit Inquiry Final Report 2023

I am writing to certify that the reports (Attachments A and B) have undertaken a process and analysis equivalent to an Impact Analysis (IA).

I certify that these reports adequately address all seven IA questions and is submitted to the Office of Impact Analysis for the purposes of informing a major decision point in the proposal's development.

The scope of the Impact Analysis Equivalent covers the scope of the policy proposal with the exception of Question 7. To address this gap in the analysis I also certify that a separate internally developed evaluation plan (Attachment C) meets the requirements of this question. The plan has been developed with the support of the Australian Centre for Evaluation (ACE).

Regulatory burden estimate table

Average 10 year annualised regulatory costs (from business as usual)				
Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in costs
Total, by sector	\$19.7	\$0	\$0	\$19.7

Accordingly, I am satisfied that the attached report is consistent with the *Australian Government Guide to Policy Impact Analysis*.

Yours sincerely



Brenton Philp
Deputy Secretary
Markets Group
Treasury
16 April 2024

7. Evaluation – How you will evaluate your chosen option against the success metrics?

- A completed evaluation plan that describes how the performance of your policy will be monitored and evaluated against the objectives and success metrics set out at question 2, during and after implementation, is required. We recommend consulting with the Australian Centre for Evaluation (ACE) in developing this plan.

Treasury response:

We have developed the following Evaluation Plan following conversations with the Australian Centre for Evaluation (ACE). The EP set out below describes the performance monitoring process and definition of success for the NPP.

Evaluation Plan

- **Evaluation Process:** The measures include tasking the ACCC to monitor competition in the retail deposit and mortgage sectors for a period of three years. This will inherently include monitoring the effects of the other measures in this package. ACCC will report to Government as part of this monitoring process. Treasury does not propose conducting its own formal evaluation of the measures after a set period of time has passed. Instead, Treasury will include ongoing evaluations of these measures as part of its current practice of ongoing monitoring of consumer and competition outcomes in relation to financial and credit products. Monitoring at regular intervals will allow for an opportunity to reassess their effectiveness and make adjustments, if necessary. The Financial System Division (FSD) will conduct ongoing monitoring of consumer and competition outcomes in these markets with the assistance of ASIC, ACCC and APRA.
- **Outcomes:** We hope to see an increase in the outcomes of banking competition specifically in the form of increased switching of home loan providers and an increase in the rate of bonus rate achievements for customers on applicable savings accounts, as outlined in Question 1 of the letter. We also hope to see limited negative impacts from the measures, including limited increases in regulatory costs and misuse of any nudges for inappropriate marketing. This includes in relation to the regulatory burden estimates on banks, which we have developed as part of this NPP. We will consult with the banks on this further as the measures are implemented.
- **Data and Causal Change considerations:** Measures of effectiveness include but are not limited to the portion of homeowners and deposit holders that are switching, rates at which consumers renegotiate terms of products with existing providers, savings accruing to

consumers from switching/renegotiation, numbers of customers who are disengaged/maintaining use of higher cost products over time, and the rates of bonus interest rate achievements for customers with applicable accounts. This connects directly to the outcomes as set out above, as indicators of banking competition and consumer outcomes. In relation to causal change, the NPP is expected to lead the improvement in the function of the market by:

- (1) improving customer information to make better choices in relation to products;
- (2) overcoming customer inertia by prompting them to take action for their own benefit in certain circumstances;
- (3) removing obstacles to switching, thereby enabling switching or incentivising existing providers to offer better value for money to avoid switching by their customers;
- (4) by providing evidence of the ongoing state of the market, to inform future enforcement and policy activity; and
- (5) by encouraging banks to act to improve consumer outcomes in anticipation of possible further legislative reforms, in response to government committing to ongoing monitoring and signalling consideration of further reforms if outcomes don't improve.

- **Definition of success:** Success looks like a better functioning home loan and retail deposit market to when the ACCC inquiries were run in 2021 and 2023 respectively. This includes an improvement of at least 10% on the benchmarks established as part of that inquiry process, as well as improvement from the benchmarks established as part of the first month of monitoring activities, expected to commence in late 2024. It is also expected such progress should be sustained over on a permanent basis. Any major changes to the market from other factors, such as a housing downturn or significant changes in interest rates, will also be considered as part of this assessment.