<u>The Credit Crisis we did not have to have.</u>

Keynote Address
National No Interest Loan Scheme Forum
Adelaide – 19 May 2008

David Tennant*

Introduction:

Thank you again for the invitation to attend the 2008 National NILS forum and present the keynote address. I feel particularly spoilt, given that an invitation has been extended to me to address each of the preceding national forums since this meeting became a part of the Australian NILS calendar in 2003. Watching this sector develop and the individual groups that the National NILS network represents grow in number, skill and effectiveness has been an inspiring experience. NILS may well be the 'best news story' in the Australian personal credit landscape in the last decade. In the last 12-18 months, it might even be the only good news story.

We come together in 2008 just after two more State Governments, NSW and Queensland, have publicly recognised the value of NILS and backed that recognition up with significant additional resources.[1] NILS continue to enjoy the considerable support of one of the country's largest corporations – the National Australia Bank.[2] Such is the growth in profile of NILS, that the official report of the recent 2020 Summit held in the nation's capital made reference to the program.[3]

There is much to be proud of at this meeting. To all of you here today who have played a role in the growth of NILS in Australia my personal congratulations on your substantial achievements. As an employee of an agency that has been fortunate to be involved, may I pass on the appreciation of all my colleagues from Care Financial Counselling Service in Canberra.

---

* David Tennant is the Principal Solicitor of the Consumer Law Centre of the ACT, located in Canberra. He is also the Consumer and Small Business Representative on the Code of Banking Practice Compliance Monitoring Committee and an Associate of the Centre for Commercial Law at the Australian National University.

[1] Queensland Government Media Release, *Consumers Now Protected With Introduction of Credit Rate Cap: Shine,* 01 May 2008.

Premier of New South Wales News Release, *Iemma Government package to lend a helping hand to battlers:* 13 April 2008.

[2] See: Fahour, Ahmed, The Age Newspaper: *Micro loans have macro effect on credit battlers*, 1 May 2008.

[3] *Australia 2020 Summit: Initial Report*, Pages 24-25 make reference to discussion of "micro-finance" for persons excluded from mainstream financial services for small amounts at 'no or low interest rates'. The report is available at http://www.australia2020.gov.au/report/index.cfm.

With all of this good news it may be tempting to ignore the fact that we are in the grip of a national credit crisis. Of course we cannot ignore it, because in spite of the apparent comfort levels expressed by the Commonwealth Treasury and the Reserve Bank that the problems are not widespread, services that often support the delivery of NILS like financial counselling agencies are facing immediate threat from demand pressures they have no hope of meeting in full.

As an example of the Reserve's thinking, I note comments made by one of the Bank's Assistant Governors Guy Debelle at another meeting here in Adelaide just last Friday:

> *Over the past decade, household debt in Australia has grown at an average annual rate of just under 15 per cent. As a result, the debt to disposable income ratio has roughly doubled from 75 per cent to 160 per cent over this period to be broadly the same as the US, and high in comparison to other countries…As I discuss in (an earlier paper by the author), debt to income ratios are not necessarily the appropriate benchmark to assess relative debt levels as they deflate a stock by a flow. Debt to asset ratios are generally preferable (and are used when examining a corporate balance sheet), and on this metric, Australian debt levels are broadly similar to a number of other countries.*[4]

Mr Debelle's comments suggest an approach disconnected from the reality of pressure being felt in ordinary households as a result of having taken on too much debt. Equally however the preceding quote discloses some of the philosophical and policy issues that invite much closer scrutiny as we seek to understand the underlying causes of problems both here and abroad. Equating finance for residential housing for example with investment, or the presentation of corporate accounts is dangerous thinking. Many of the mortgage holders in Australia, I would suggest the vast majority, think of their house as a home – not an 'investment vehicle'.

As the title suggests I am convinced that Australia is *in* rather than *facing* a credit crisis. I am equally convinced that much of what is occurring now might have been prevented had the warning signals been recognised earlier and matched by a willingness to act.

What is the evidence of crisis?

Consumer advocates who work in financial counselling agencies or consumer credit legal services are often accused of lacking perspective. It is important to recognise that if you work with people struggling with debt all day everyday, you will develop a particular view on the prevalence and impact of debt problems. So I will start this section of the discussion with views drawn from other than the community/consumer perspective.

---

[4] Debelle, Guy, *A Comparison of the US and Australian Housing Markets – Address to the Sub-prime Mortgage Meltdown Symposium,* Adelaide 16 May 2008, page 8.

What is the factual backdrop? Australians have borrowed money over the last 10 to 15 years at an extraordinary rate. A rate without historical precedent and that produces a very impressive exponential curve.[5]

That is a fact. In recent months the rate of accumulation of new debt by Australian consumers has slowed. The Reserve Bank reports that to be a sign that the tightening of monetary policy may be working. Perhaps however it is a sign that some other much more significant changes are afoot.

The first time I recall hearing someone from other than the community sector suggest that the growth and growth of personal credit in this country might not all be positive, was at the second National Consumer Credit Conference in Melbourne in September 2004. Dr Ian Manning Deputy Executive Director of the National Institute of Economic And Industry Research presented a paper entitled *Are we heading for a fall?*[6] There were two clear messages I took from Dr Manning's paper:

- Government's encouragement to move public debt to ordinary households has been spectacularly successful and
- Households may soon hit saturation point on the debt they can comfortably afford to carry.

The paper concluded:

> *A sophisticated finance sector has much to contribute to growth and equity in countries like Australia, particularly if it takes advantage of financial innovations which better allocate risk to those who are fit to bear it. The easy credit conditions which have prevailed over the past decade partly reflected better risk management resulting from financial innovation, and partly government abandonment of credit squeezes as a means of dampening macroeconomic demand. However, easy credit also represented a second-best response to the problem of financing the balance of payments deficit and maintaining economic growth. This policy has now reached, or nearly reached, its limit in terms of household capacity to service debt.*[7]

Post Dr Manning's speech, again now established fact, the increase in the rate of personal borrowing did not stop. In fact it intensified. The Reserve Bank's credit card data always provides an effective 'wow' factor when describing the pace of accumulation of debt. In September 2004 the total outstanding on Australian credit and change cards was $28 billion. Just three and a half years later, the most recent figure to March 2008 has the balance on cards at over $43 billion.[8]

---

[5] Battellino, Ric, *Some Observations on Financial Trends,* Address to Finsia-Melbourne Centre for Financial Studies; 12th Banking and Finance Conference, 25 September 2007. In particular see Graph 5: Household Credit – Australia.

[6] Manning, Dr Ian, *Are we headed for a fall?* A paper presented at the 2nd National Consumer Credit Conference, Melbourne September 2004

[7] Manning, *Are we heading for a fall?* ibid, page 12.

[8] Reserve Bank of Australia, *Credit and Charge Card Statistics,* available at http://www.rba.gov.au/Statistics/Bulletin/C01hist.xls.

In his 2004 paper Dr Ian Manning noted:

> *There are signs that many households are currently over-extended, so that prudent lenders should be drawing back, just as prudent households should think hard before borrowing.*[9]

Unfortunately, there were millions of households that did not heed the warning to stop or even slow their rate of borrowing. Perhaps they were buoyed by language like that of the previous Treasurer who kept telling people they had never had it so good, with asset values more than off-setting increases in personal debt. Statements like this always felt to me to be the public policy equivalent of damping a wildfire with petrol. There is also considerable evidence to suggest that prudent lending remained in short supply. All of which leads us to the current predicament. It appears increasingly clear we not only reached but have passed saturation point on affordable debt levels for ordinary Australian households.

Some of the loudest current voices of concern over levels of debt and the pain they are now causing are industry commentators. Market analysts, members of other industries exposed to significant downturn such as housing, even debt collection companies, have been routinely producing ever more gloomy summaries of conditions and predictions for the future. One particular set of reports that has captured public attention is a series produced by Fujitsu Consulting tracking the unfolding crisis in the mortgage market.

The most recent Fujitsu Report released in March 2008 makes some frightening predictions about the reach of financial stress into the heart of middle income Australia.[10] Using the quirkily titled 'Mortgage Stress-O-Meter' Fujitsu predicts that 750,000 Australian households will be in some form of mortgage stress by June 2008 – with over 300,000 in severe stress.[11] That represents around 13 per cent of Australia's approximately 5.5 million households with a mortgage.[12] For every 25 basis point rise in interest rates (and remember we do not just have to rely on the good old Reserve to deliver this medicine anymore) it is predicted another 150,000 households move into mortgage stress and 75,000 currently experiencing mild stress move to severe stress.[13]

---

[9] Manning, *Are we heading for a fall?*, ibid, page 2.

[10] Fujitsu Consulting, *Anatomy of Australian Mortgage Stress: Observations from our Omnibus Survey 2006-2008*, http://www.fujitsu.com/downloads/AU/anatomy_of_mortgage_stress.pdf.

[11] Fujitsu Consulting, *Anatomy of Australian Mortgage Stress*, ibid p12.

[12] Fujitsu Consulting, ibid, p23.

[13] Fujitsu Consulting, ibid, p12.

Some industry economists remind us that the rate of mortgage stress is much lower in Australia both in absolute numbers and as a proportion of the whole than it is in the United States.[14] Strangely enough that does not feel comforting. Australia has not had a sub-prime, or obviously 'at-risk' borrower sector anything like the size of that seen in the US. Instead we have recorded a similarly dizzying growth in household debt to GDP spread more liberally across what have traditionally been seen as mainstream markets. Rather than feeling comforted then, I see reason to be more concerned about the rapidly spreading ripples of hardship in Australia precisely because there *is not* a large scale sub-prime crisis in this country to blame for what is occurring.

There are other data that fill out the picture, for example:

- Continuing and dramatic growth in the numbers of mortgage foreclosure actions, particularly in Sydney and Melbourne[15];
- Easing of property prices in significant markets, with some noticeable drops in particular suburbs[16]; and
- A surge in both the numbers of applications and the total amounts withdrawn early from superannuation savings[17].

A comparison to the current experience of financial hardship in consumer agencies:

Consumer advocates, particularly financial counsellors have been warning about the consequences of unsustainably high debt levels for a long time. As acknowledged earlier, those working in the front line of community response may not be best placed to form a whole of economy perspective. It is however foolish to dismiss the warning signs of systemic or structural problems that often unfold first in those agencies.

In the first written submission the Australian Financial Counselling and Credit Reform Association (AFCCRA) made to the recently concluded Productivity Commission review of Consumer Policy, financial counselling was likened to the

---

[14] The ANZ's Chief Economist, Saul Eslake, has noted on a number of occasions that Australia's mortgage woes are not as bad as the US. See for example http://www.abc.net.au/news/stories/2008/02/03/2153047.htm

[15] See for example: The Consumer Law Centre of the ACT and the Centre for Commercial Law, '*They still want to take our house': A further investigation into house repossessions in the ACT Supreme Court,* Canberra, December 2007, p5.

[16] Data on property price movements are recorded by and can be accessed through the various Real Estate Institutes around Australia. References to predictions by a number of economic commentators can be found in Kelsey Munro's story, *Weather the perfect storm,* Sydney Morning Herald, April 23 2008.

[17] Based on information provided by the Australian Prudential Regulation Authority under an FOI request, the Daily Telegraph recently reported the total of money released early from superannuation in 2007 as $175.4 million, more than 130 per cent higher than the $76.7 million released in 2005. Rhys Haynes, *Homeowners pillage retirement savings,* Daily Telegraph, Sydney, 8 May 2008.

service equivalent of a canary in a coalmine[18]. Financial counselling service data might also be described as a barometer on the financial health of communities.

The agency in which I work, Care Inc Financial Counselling Service has been noting shifts in client work for a number of years. At a general level, the problems clients present with are increasing in both number and complexity. The demand pressures have become so intense, at least in our agency, the viability of the entire service platform is at risk.

In the first quarter of 2008, Care responded to 522 new requests for assistance compared to 435 for the equivalent 3 months of 2007, an increase of almost 20 per cent. Data in relation to requests that could not be met is even more compelling. Care's information line is open between 9am and 12pm every weekday morning. We count the number of calls received outside of those hours where the caller clearly needs to speak to a financial counsellor. There were 220 such outside hours calls in the first 3 months of 2008, compared to 141 in 2007, an increase of almost 50 per cent. In addition, in the first quarter of 2008, Care recorded 16 occasions where new clients required a face-to-face service option where no appropriate option was available in the 2-week-ahead booking period. There were no such recorded occasions where no face-to-face option could be found January to March 2007.

Equally as significant as the changes in demand is who appears to be driving that demand. The trend toward higher income consumers seeking crisis assistance is becoming a stampede. In Care's 2005-2006 Annual Report it was noted that 10 per cent of new clients reported incomes over $45,000. In the 2006-2007 financial year that proportion had risen to 15 per cent.[19] It was 19 per cent in the last 6 months of 2007.[20]

Care's data and on my understanding similar information coming through other services around the country, certainly fits the description of escalating pain in the mortgage belt being reported by Fujitsu Consulting and other industry commentators. The disturbing thing however is that very low income consumers remain the significant majority of the client group of financial counselling agencies. Those low income consumers still have incomes insufficient to meet their outgoings, if they have credit facilities already likely to be at the expensive end of the market those products are also likely to have been impacted by rising interest rates official and otherwise, they still need transport and food affected by surging fuel prices and so on and so on. In other words, financial survival is getting harder for low income households as well but they are now facing the additional risk of being *crowded out* of access to support services by higher income groups, many of which are facing financial hardship for the first time.

---

[18] AFCCRA's first submission to the Consumer Policy Inquiry can be found on the Productivity Commission's web-site at www.pc.gov.au/inquiry/consumer/submissions. It is submission number 62.

[19] http://www.carefcs.org/srcfiles/2007-Annual-Report.pdf at page 7.

[20] Care Inc Financial Counselling Service, *Performance Report to the ACT Department of Disability, Housing and Community Services 1 July to 31 December 2007,* Annexure 4 Client Profile Data (unpublished)

So let us try and establish some context for the scale of financial stress currently being felt in Australia. We take it as given that a significant proportion of the lowest income quintile routinely experience financial stress – perhaps as many as a half, certainly more than a quarter. Then we throw in the 13 per cent of the borrowers with mortgages who are now experiencing difficulty and we still have not even considered the large numbers of low to middle income households, unable to break into the housing market struggling with record rental levels. What you end up with suggests a broad cross section of the community who are struggling; perhaps as many as 30 per cent. And the thing is this process may still have considerable room to play out. There is no guarantee we are at the top of the cycle for credit costs, housing prices more than likely have some significant additional correction ahead, and we can expect fallout such as significant job losses as Government attempts to tackle inflation.

What are the causes of the problems? At least in the credit market, the real culprits of are becoming clearer. 'Securitization', hailed as a revolution in the raising of capital, was the modern day equivalent of the pea and thimble trick. Dressing up careless, even improvident lending, in packages to be sold en masse to raise more capital to lend was always going to come unstuck. The question for lenders and regulators the world over is why didn't someone raise the concerns *before* the catastrophe was delivered?

It is interesting also to consider general public sentiment regarding the causes of the credit crunch. The Australia Institute released findings of a survey just two weeks ago, noting the strong community belief that lenders and regulators are to blame, rather than individual consumers. The survey report noted 74 per cent of respondents agreed that:

> *…banks are too willing to lend money to people who can't afford the repayments.*[21]

It is incorrect to single out banks, because much of the worst lending was occasioned by non-mainstream, non deposit-taking institutions. That said, the whole credit industry has played its part in 'maxing-out' the borrowing capacity of a significant proportion of the population.

Options for Response:

Dealing with the immediate pain…

It is imperative that effective responses to current hardship are developed. Governments must resource services to provide reasonable and effective support. At the lower end that means ensuring both emergency relief and financial counselling are sufficiently resourced. The unfolding breadth of the pain being experienced has however drawn into sharp relief the lack of adequate financial information, advice and support for middle income groups. There are precious few avenues in Australia for consumers in receipt of moderate incomes to gather useful financial information when

[21] Fear, Josh and O'Brien, James, *Where does the buck stop? Community attitudes to over-lending and over-spending*, Research Paper No 53, The Australia Institute, Canberra May 2008, page 3.

they need it. Welfare or crisis service models are largely inappropriate for consumers in the middle income bands, at least until things come unstuck as a result of poor decisions or misselling. Financial planning advice on the other hand is largely focussed on those with higher disposable incomes who are generally interested in and capable of investing. As suggested earlier, it also appears that confusing 'home ownership' and 'investment' has been an unhelpful development.

In the United Kingdom, recognition of the advice and information gap has encouraged some creative thinking through groups like the Resolution Foundation.[22] It is still early days in Australia, although the Housing Industry Association's 'Mortgage Assistance Plan' recommending the development of consumer focussed intermediaries to assist particularly first home buyers is worthy of closer consideration.[23]

The clear focus however must be on how the credit industry responds to the hardship being experienced by its customers. There have been some significant and welcome movements in industry self regulatory codes, acknowledging responsibilities to consider hardship and provide reasonable responses. The Australian Bankers' Association's 2003 review of the Code of Banking Practice provided genuine leadership in this space.[24] Codes in other industry sub-sectors have followed with the inclusion of hardship provisions in the Mortgage Finance Association of Australia's Code[25] and the draft Credit Union and Mutuals Code.[26]

Making promises is the easy bit. Delivering on those promises and specifically resourcing the processes for facilitating delivery have proven to be much more difficult. **All** segments of the credit market are struggling to ensure accessibility, reliability and quality in their financial hardship arrangements. For some market segments like the banks and other deposit takers it may simply be a matter of recalibrating resources to the new demand realities. For others however, and I would put most of the non-mainstream, non-deposit takers in this category, it is more a question of whether the promises to listen and to try to help are real or just marketing spin.

Separate, or perhaps in addition to how credit providers respond to reports of consumer hardship, is taking reasonable care not to create or exacerbate hardship. The obvious tension here is the decision of many lenders to increase interest rates over and above movements in official rates determined by the Reserve Bank Board. There is no

---

[22] The Foundation's web-site is www.resolutionfoundation.org

[23] This idea started to evolve in the HIA's submission to a House of Representatives Inquiry into home loan lending practices and processes in 2007. The submission can be found at http://www.aph.gov.au/house/committee/efpa/banklending/subs/sub025.pdf

[24] See in particular clause 25.2 of the Australian Bankers' Association, *Code of Banking Practice,* Sydney, August 2003.

[25] See clauses 65 to 72 of the Mortgage Finance Association of Australia, *Code of Practice*, Sydney, 29 November 2007.

[26] The Review of the Credit Union Code of Practice commenced in early 2000. Whilst a consultation draft released in 2007 was a welcome development and contained many promising reforms to a Code that largely mirrored the pre-2003 Code of Banking Practice, the process has been laborious.

doubt lenders can make decisions to move rates independently of the formal process. The question in the context of the current climate of financial difficulty is should they, how often and how much.

Just a few weeks ago the chief corporate partner for today's conference and the major sponsor for NILS programs in Australia, the National Australia Bank, announced a half-yearly profit of $2.7 billion, an increase of 26 per cent. In the words of the Bank's CEO John Stewart:

> *When you look at the financial conditions that have been going on across the world these are really strong results.*[27]

Just a few days before the profit announcement, the NAB delivered another interest rate rise separate to the Reserve Bank cycle to its home loan customers with variable rate loans.[28]

Last year at this same conference I delivered a paper exploring community sector engagement with corporate social responsibility (CSR) initiatives.[29] The paper noted the delicate balance involved in delivering sustainable CSR programs. To state the obvious, unless corporations are profitable they will not be able to sustain lateral, community focused programs. Business is in the business of making profit. So what happens when the pursuits clash? I do not doubt in any way NAB's commitment to supporting affordable finance options for low income consumers. Equally though, the Bank's decisions to raise rates separate to the RBA have caused real pain to current borrowers. As Fujitsu suggests, rate rises official or otherwise, will shift some from moderate mortgage stress to severe stress, even irretrievable difficulty. At the same time there is limited evidence based on surging profitability, that shareholders are sharing the burden proportionally to the risk being faced by say a family unable to keep a home loan afloat.

I would suggest there is a strong case for the NAB and other credit providers to self-impose moratoria on further interest rate rises beyond the RBA cycle. That case is strongest for current rather than new loans. Pricing new business has the honesty of transparent disclosure. Consumers who signed mortgages last year, the year before or even earlier can hardly be criticised as imprudent for not predicting current problems in the pricing of credit when some of the largest providers of credit in this country and on the planet missed the signals so spectacularly.

I am aware that some of my consumer sector colleagues are wary of this type of approach and some have suggested it to be 'anti-competitive', even akin to price fixing. But the competition for business already written has concluded. This is about preventing or not adding to hardship and allowing current customers to plan and balance their budgets effectively. In a business sector that has been and remains

[27] http://www.abc.net.au/news/stories/2008/05/09/2239789.htm

[28] The NAB lifted its variable home mortgage rates by 10 basis points with effect from 28 April 2008.

[29] The paper was entitled *Is Corporate Social Responsibility safe and sustainable?* It can be downloaded at http://www.carefcs.org/srcfiles/NILS-conf-2007.pdf

enormously profitable we should be able to expect more practical preventative action in addition to reasonable responses to genuine hardship.

Preventing it happening again!

Before we leave hardship as a focus it is worth considering what the current regulatory landscape delivers. The key regulatory recognition that consumers experiencing financial hardship should be able to ask for and receive some consideration of their circumstances can be found in the Consumer Credit Code sections 66-68. Under these provisions, consumers can ask for a change to their commitments to:

- Defer payment for a period of times;
- Make reduced payments for a period of time; or
- A combination of deferred or reduced payments.[30]

There are a number of ways in which the provisions of the Credit Code have proven to be deficient. For example credit providers receiving such a request from a borrower do not have to provide a response at all. A consumer unhappy with the reply, or lack of response, can apply to the relevant Court or Tribunal for an order varying the contract. There has been some important recent case law in relation to such matters[31] but the requirements for the consumer to drive the process and assume responsibility for pressing a credit provider disinterested in assistance are clearly ineffective and require fundamental reform.

There are other formal regulatory processes which could benefit from reform that recognises the reasons why action of a particular type is being taken and requires some further investigation of the extent of difficulty and the opportunity to assist. For example:

- It should, in my view, not be possible for a credit provider to apply to foreclose on a home loan unless it can certify that it has made reasonable enquiry of its customer as to any hardship being experienced and the potential for sustainable solution[32]; and in a similar vein
- It should not be possible for a credit provider seeking to foreclose on a home loan to receive the benefit of a consumer's application for early access to superannuation unless the consumer's hardship and the likelihood of sustainable solution have been canvassed.[33]

Dealing with hardship properly is a critical area for further effort from industry players and regulators alike. For me however the much more significant opportunity

---

[30] The options for variation to a credit contract are outlined in section 66(2) of the Consumer Credit Code and the right to make an application to Court is in section 68.

[31] See in particular the case of *Permanent Custodians Ltd v Upston* [2007] NSWSC 223.

[32] This could perhaps be delivered through amendments to the various State and Territory Land Titles or Real Property Acts.

[33] Amendment to the rules for early release overseen by the Australian Prudential Regulation Authority could achieve such an outcome.

lies in tackling credit assessment and specifically inserting a requirement to test the consumers' capacity to repay credit being offered before it is advanced. Such a requirement should apply across all consumer lending, regardless of credit type or the amount to be loaned.

The last 10 to 15 years of explosive credit growth and the potential years of pain ahead in returning to sustainable personal debt levels provide more that enough evidence to show that left alone the market will not self impose sufficient discipline. Although the current abiding obsession in policy development is deregulation not learning from and acting on examples of screaming failure is not holding true to values, it is being stubborn.

Implications for NILS and conclusion:

The purpose of today's discussion is not to terrify people. As providers of services to low to moderate income consumers we, like our clients, have some huge issues ahead that will take time to work through. If we learn from mistakes however the services we deliver and the clients who use those services stand to benefit considerably.

There is no doubt for example that a safe, fair consumer credit market should include a vibrant No Interest Loan network. All of you here today are working hard to make sure that remains the case. A key part of maintaining NILS strength and effectiveness will be the exercise of exactly the same prudence and thoughtfulness in lending that we should demand from the commercial market. Even where there is no fee for the credit being advanced it has never been more important to match loans to need and capacity and to conduct a thorough and thoughtful assessment of every NILS application. Doing so not only contributes to the integrity and sustainability of schemes it delivers appropriately on duties that borrowers should expect from all credit providers.

Australia is not having a hangover from the US sub-prime crisis, it is undergoing its own significant consumer credit correction. 'Correction' is a polite way of describing what were largely preventable problems driven by a market and regulatory system that did not care about the consequences of unsustainable activity. Ordinary families who were being no more 'unrealistic' than expecting that they and their children should be properly clothed and fed are now being squeezed by mistakes for which they are not responsible and over which they have little control.

A thorough and inclusive society will listen to the pleas for help and respond. More and better responses are required. Let us hope that Government and industry have learned some lessons from recent events and deliver.

In relation to the proliferation of higher and less affordable mortgages I would hope too that we see going forward significant change in the language of how money is sourced. If it walks like a duck and quacks like a duck you should not be allowed to sell it as an excellent investment opportunity supported by mortgage-backed securities.