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Senate Standing Committees on Economics
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Re: Financial regulatory framework and home ownership

Per page 46 of the proof Hansard transcript for the Committee's public hearing on 24 October 2024, we wish to respond and provide further detail on a potential change to the Banking Code of Practice (BCOP):

In addition to our written submission, we highlight an area of the BCOP relating to co-borrowers that can be refined to help facilitate co-ownership of property, especially where parents are co-buying with children and also cohorts of related parties purchasing and borrowing together. Standard 54 of the current version of the BCOP (Standard 70 of the 2025 version) states that:

'If, on the information that you have provided to us in the course of applying for this loan, you will not receive a substantial benefit from the loan, we will not approve you as a co-borrower unless we:

- a) have taken reasonable steps to ensure that you understand the risks associated with entering into the loan, and understand the difference between being a co-borrower and a guarantor;
- b) have taken into account the reasons why you want to be a co-borrower; and
- c) are satisfied that you are not experiencing financial abuse.'

Numerous banks we have consulted with have formed the view that to ensure borrowers understand the risks associated with being a co-borrower and are not coerced into the loan and are not experiencing financial abuse, they will only approve co-borrowers where that borrower receives a substantial benefit from the loan.

Standard 55 (Standard 71 of the 2025 version) attempts to define substantial benefit by stating that a borrower receives such benefit if they acquire a reasonably proportionate legal or equitable interest in assets purchased with the loan funds. There is no definition of 'reasonably proportionate legal or equitable interest' and so the Banks have assumed an industry standard of a 30% ownership stake in the property used as security for the loan.

We have found this assumed standard restrictive on the below use cases:

- for parents typically looking to buy a 10% to 20% stake in their child's property; and
- for cohorts of related parties buying together who under this quasi standard are restricted to no more than 3 parties

An unintended consequence is that parents 'gift' or 'lend' the money to their children after borrowing against their family home which leaves the parents vulnerable with no asset protection and no guarantees of getting that money back.

To support co-ownership as a viable tool in helping alleviate the Housing Affordability crisis and support the many use cases we are seeing that require lending, we propose defining substantial benefit as a 5% share or greater.

A change to this setting can also help co-ownership scenarios for many other natural life and family scenarios e.g: divorce, granny flats and later-in-life co-buying where co-owners may not be contributing or seeking to co-own greater than 30% of the property. It can also support deceased estates inherited by multiple children, each owning a share less than 30%, who may want to borrow against the property.

In conclusion, co-ownership has not been part of the national conversation or rhetoric as a viable solution, and we believe it should be strongly advocated for as part of the solution toolkit and not just as a better way for parents to help their children buy or for friends / family to pool resources and buy together. Co-ownership is a natural circumstance for many life and family scenarios where a more flexible funding solution is required to facilitate. It also accelerates home ownership for more people from existing supply.

Thank you for the opportunity to provide further comments as part of this Inquiry