

RED FLAGS

The requirement for Licensees to take reasonable steps to verify information that is obtained about a clients’ financial situation recognises that information provided as part of the application process may not, in all cases, be reliable (RG 209.48). This may be for a range of reasons, including:

- (a) overstatement of income or understatement of expenses by the client due to a mistake or misunderstanding; and
- (b) mistake or negligence by a person who is assisting the client to make an application; and
- (c) deliberate fraud by the client or a person assisting the client to make an application.

There is an obligation on all parties to a credit transaction including clients and brokers, as well as lenders and their representatives not to make a false or misleading representation in relation to matters that are material to entry into the credit product or in attempting to induce another person to enter a credit product (RG 209.49).

Fraud can have a significant impact on brokers, even if you’re an unwilling or unknowing participant.

Obtain or sight original supporting documents where possible or have clients upload directly to Chief or emailed directly from the client (not a third party) securely.

Red Flags

| Type | What to look out for | Why? |
|-----------------|---|---|
| Payslips | Formatting inconsistencies, spelling or mathematical errors | Payslips should be created via payroll systems such as Xero, MYOB and Quickbooks. It is less likely for payroll systems to produce documents with errors |
| | Superannuation contributions | By law, payslips must contain superannuation contribution amounts and the name of the fund |
| | Bank details where income is deposited | Validate by checking the corresponding bank statement. The statement should align with the details within the payslip. E.g. bank account number, date paid, amount and employers’ reference |
| | Annual leave balances | Whilst not mandatory to include leave balances on payslips, the absence of balances may indicate an employment status differing from what has been disclosed, i.e.: casual or contractor |
| | ABN of employer | Independently search the ABN for the name of the employer detailed on the payslip. It should match and be registered for GST prior to the applicants start date |
| Type | What to look out for | Why? |

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| Bank Statements | Type of salary payment | Salary should be deposited via a “salary credit”, not a transfer, Osko payment or deposit |
| | Unusual debits | Question why payments are being made back to the employer or the same salary that was credited is now being transferred out of the account. Obtain evidence of the account that it was transferred to |
| Notice of Assessment (NOA) | Formatting inconsistencies, spelling or mathematical errors | NOA’s are produced by the Australian Tax Office. Inconsistencies indicate the document may have been altered or tampered with |
| Rental Appraisals | Rental amount | Does the rental amount appear inflated? Complete an independent web search for similar dwellings in the area. Web search the property as it may also have rental history details available |
| | Agents’ location | Ensure the Agent issuing the appraisal is within the area of the property. Agents “out of area” are uncommon so further enquiries may need to be made |
| | Property already rented | Obtain a rental statement or (rental / tenancy agreement), not a rental appraisal. Owner statements and tenancy agreements normally detail where payments are made. Check that these appear on the corresponding bank statement |

TIP: If you identify red flags in relation to your clients salaried income, request an extract from their MyGov account. Financial year and year to date income, including details of their employer will be displayed via the ATO link.