



“Government should freeze LVRs”

Key points

- Government should take control over bank lending criteria to mobilise market
- Smaller LVRs preventing consumers from obtaining credit
- LVR of 80 “conservative enough”

As banks tighten lending credit criteria in an effort to safeguard themselves from risk, the CEO of financial services provider Firstfolio, Mark Forsyth, says the government needs to step in if it wants to see momentum return to the market.

According to Forsyth, the government should be urging banks to move closer to the pre-crisis credit criteria.

“It’s a little bit risky but, if the government wants to get momentum back into the market, it should tell banks to stop tightening credit. [After all] it’s guaranteeing the funds,” he said.

He went on to say that the government’s role was to solve the problems plaguing the market and not to “prop up” banks.

“The government should assess what [each banks’] lending criteria is,” he said.

“[Lenders] shouldn’t be allowed to just sit on the money and make their results look good.”

Forsyth said that, with banks already reducing LVRs, government intervention was urgently needed.

“The horse has bolted. The LVRs have dropped and valuations already take conservatism into account, so why make it doubly conservative?” he said.

“I’d like to see the government step in and freeze more credit restriction. I think they need to say ‘we need to have lending at 80–85’.”

An LVR of 80, he said, was a stretch for most people and more than conservative enough.

“There’s no point in getting positive with rates dropping if [banks] make it impossible to get a loan,” he said. •

