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The devastating human impact of PEXA settlement outages

A downsizing dream became a real estate settlement nightmare for two elderly Sydneysiders who were recently caught in one of PEXA's regular outage "incidents".

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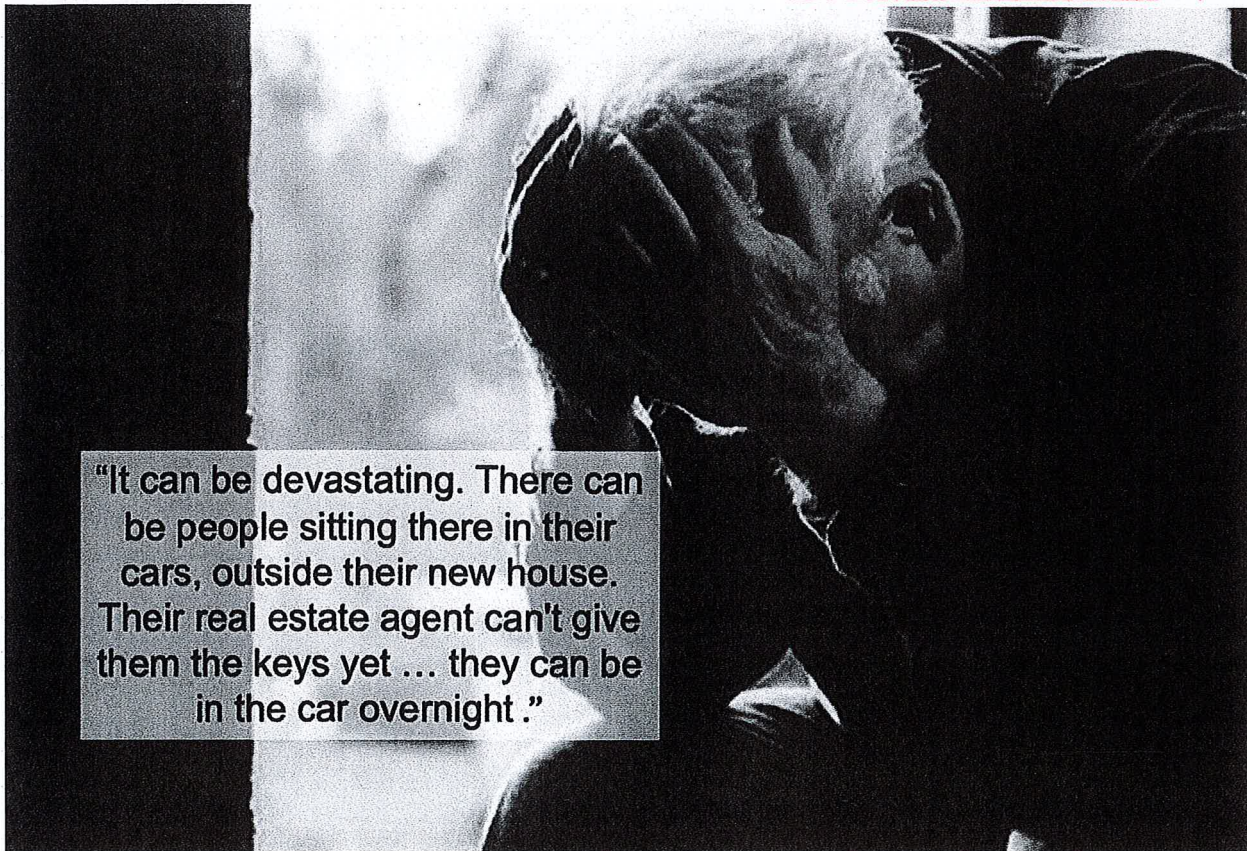
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"It can be devastating. There can be people sitting there in their cars, outside their new house. Their real estate agent can't give them the keys yet ... they can be in the car overnight."

By Michael Sainsbury, Senior Business Correspondent



Liz and Brett McCrae* are in their eighties. In February they had lined up their move from a free standing house on Sydney's North Shore to a downsized two bedroom apartment . They would complete the exchange for both properties simultaneously at the real estate agents office at 2pm. They had rented temporary accommodation so a builder could complete 10 days of work on their new home, starting the next day.

"We'd organised for an installer of wooden floors to start at seven o'clock the following morning, and we had organised the whole next 10 days for the floors and then a painter, and then everything else," Liz told PayDay News.

"Suddenly, two o'clock became three o'clock then four o'clock, five o'clock, we were still sitting in the estate agents saying, what are we going to do? You know, how are we going to manage this? We can't get the key. Vendor won't allow us to have keys early. Their solicitors won't do anything. So eventually we went home thinking, well, that's our entire organisation for the next couple of weeks, gone down the gurgler, and we postponed the flooring guy for the next day." Eventually they received a message saying the settlement had gone ahead and contacted the floorer who agreed to come in later the next day.

"We were very lucky, the whole project could have been delayed possibly by weeks, we were distressed, and went to bed," Liz said.

It's a story that's repeated across the country on a regular basis. PEXA now has a 90% share of Australian property settlements and settled 650,000 in the 2023-2024 financial year - over 1,700 each day.

PEXA has no competition and there is none in sight due to the company's serial pushback on allowing anyone else to connect to its network - originally set up by Australia's state governments but bewilderingly sold off into private hands. If PEXA goes down, there is literally nowhere else to go.

Liz and Brett had accommodation and their household goods in storage but Liz said the previous time they moved they had everything in a truck, waiting. Others are not so fortunate.

"It can be devastating", said Richard Bootle, founder of conveyancing company Lawlab. "There can be people sitting there in their cars, outside their new house. Their real estate agent can't give them the keys yet, so they're sitting there, so they can be in the car overnight. Things like that have happened."

"In the past (pre-PEXA), it wasn't always great. You had to run down with another cheque or, things went wrong and in the paper world, but you could always solve it, whereas with PEXA, there's only one actor. There's no alternative system to go on to. PEXA has been down in a serious way three or four times over the last two years. And it's a shit show."

In the past 12 months there has been 95 such incidents - most of which it sheets blame home to "other providers including the Australian Tax Office (ATO), the Reserve Bank of Australia (RBA) whose payments network PEXA uses and a raft of financial institutions



PEXA won't offer any explanation beyond the perfunctory details available on its incident page.

It won't talk about compensation for its customers and their end users, Australians buying and selling their homes and other property, beyond the fact that it deals with compensation on a "case by case basis".

Despite legal advocates pushing for a regulated and/or automatic compensation scheme, PEXA's lobbyists have kept such pesky things at bay.

The best the company seems to offer is to say it's "sorry."

PayDay News has learned that PEXA did pay out thousands of dollars in compensation for the Queensland outage. But the company refused to answer questions on how much, to whom and if anyone not represented by bigger conveyancing groups received a single cent, despite PEXA boasting about investing \$100 million in its network "over the past three years."

Just this week, PEXA has had two outages - events it minimises as "service disruptions". At the time of writing one, due to problems with the Australian Taxation Office's network, has been ongoing since the weekend.

"We are currently investigating an issue impacting ATO GST forms. In the meantime, for urgent settlements, we recommend lodging ATO forms 1 and 2 directly via the ATO website and manually creating the GST Withholding payment line item as needed," PEXA's incident page - and messages to its customers - states numerous times this week

Despite all this, PEXA appears to exist in a parallel universe where it tells its investors, in official filings that it has "100% uptime". Customers who spoke to PayDay News were bemused about this claim, to say the least.

"There is a distinction between a service outage and a service disruption (or incident)," a PEXA spokesperson tried to explain. "There have been no service outages preventing all PEXA Exchange users from accessing the system. That is what the 100% uptime figure is based on, and why it is accurate."

There are no rules or regulations that point to "uptime" it appears to be PEXA's own construct. And please bear with us, there is more.

"For context, regulatory obligations require PEXA to demonstrate 'service reliability' during service availability hours of: Not less than 99.8% during core hours (6:00am – 10:00 pm); and, not less than 99% during non-core hours (10:00 pm to 6:00 am)." These rates are significantly less than those promised by people who make and run other IT and telecommunications networks.

"There are service disruptions that may temporarily impact some customers on some transaction types. All of the incidents are **published**. We also communicate with any impacted customers frequently to keep them updated on the service disruption. Customers are also able to contact our Support Centre and have access to dedicated account managers for any further information



In summary, unless every single person using the PEXA network can simply access the system - not use it but access it - the network is "up". Telstra, Optus and Vodafone can only dream.

Bootle, an industry veteran, says that prior to PEXA being mandated by its state government owners because take up was slow and there was competition in the settlements market.

"Now there is none, we are stuck with PEXA and they just lobby, lobby, lobby to stop competition - and that's all we want. Imagine being handed a \$300 million market as a monopoly!" Bootle said. "Since when did we give away our registries to private companies?"

This is especially true in a property sector that is so central to Australia's economy.

It's worth noting that those same state governments who pocketed hundreds of millions from the PEXA sale in 2018 are now responsible for regulating PEXA. They continue to balk at introducing competition.

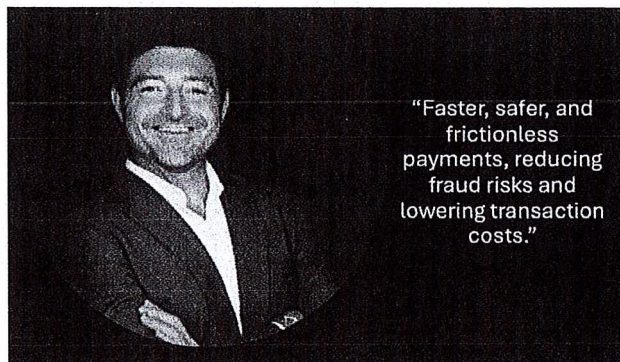
The benefits of competition in all industries and in network industries in particular, such as telecommunications, are well documented.

In the case of electronic property settlements, competition would build resilience in the network by having a second set of infrastructure in the case of a major outage. Competition would also drive innovation, benefiting end users in that way as well as offering price and service differentiation.

PEXA claims that only 1 in 2000 settlements are affected by "service disruptions" but that works out at about one a day. So each year, hundreds of Australians are distressed, inconvenienced and out of pocket because PEXA is allowed to run its own race without the worry of competition.

* Not their real names

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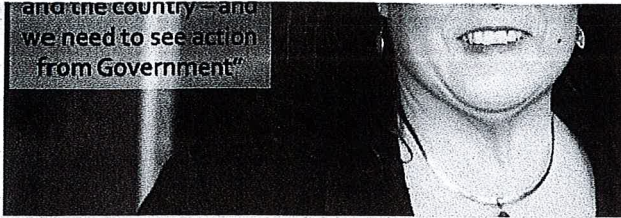


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