

3 February 2021

Committee Secretary
Senate Standing Committees on Economics
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Committee Secretary

Submission: National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020

The Tasmanian Council of Social Service (TasCOSS) welcomes this opportunity to provide a submission to the Senate Economics Legislation Committee's inquiry into the *National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020* (the Bill).

TasCOSS strongly opposes the Bill and calls on our Parliament to vote against the Bill in its entirety. We also urge Members to reject any measures that result in weaker protections for consumers. Weakening consumer protections will lead to greater financial hardship that will hamper, rather than support, Australia's economic recovery.

Introduction

TasCOSS is the peak body for the community services industry in Tasmania. Our membership includes individuals and organisations active in the provision of community services to Tasmanians, as well as member organisations that provide financial services and financial counselling.

We advocate on behalf of Tasmanians on low incomes, in particular those who are experiencing vulnerability and disadvantage. We are concerned the Bill will weaken consumer protections, reduce borrowers' legal rights and not effectively protect consumers from predatory behaviour, especially those on whose behalf we advocate.

Issues of Concern

TasCOSS has concerns with Schedule 1 of the Bill that will weaken responsible lending obligations and Schedules 2-6 of the Bill that introduce inadequate protections in small amount credit contracts (SACCs) and consumer lease laws.

Responsible lending obligations

In our 2018 submission to the *Senate Standing Economics References Committee Inquiry into Credit and Financial Services Targeted at Australians at Risk of Financial Hardship*¹, TasCOSS called for legislation to protect vulnerable consumers from SACCs and consumer leases likely to cause financial hardship. We are concerned that this Bill winds back, or removes, responsible lending protections that ensure lenders can only contract with borrowers who are able to repay.

Our key concerns are the Bill will weaken responsible lending obligations by:

- removing civil and criminal penalties for irresponsible lending;
- reducing the legal rights of borrowers;
- reducing the chances of identifying financial abuse; and
- removing important credit card protections.

TasCOSS is also dismayed that the changes in Schedule 1 of the Bill appear to be in contradiction with a number of the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* recommendations. In particular, the Bill is contrary to Recommendation 1.1 (altering the obligation to assess unsuitability) and Recommendation 6.1 (retaining the ‘twin peaks’ model of financial regulation).

The lessons from the Royal Commission must not be forgotten. It clearly identified the need for stronger – not weaker – rules and oversight of financial services. In the midst of our national recovery from significant health and economic challenges, where all Australians have experienced some form of uncertainty or vulnerability over the past 12 months, retaining consumer protections and responsible lending laws are vital.

Our economy is currently experiencing higher levels of unemployment, reduced income and COVID-19 support measures, such as the Coronavirus Supplement and JobKeeper, being wound back. Removing vital consumer protections in this environment will result in more Australians experiencing financial hardship or being burdened with harmful debt.

Inadequate protections in SACCs and consumer lease laws

In last year’s submission to the *National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2019 (No.2)*², TasCOSS expressed our support for legislation to protect vulnerable customers of SACCs and consumer leases.

With the use of payday lending growing faster in Tasmania than any other state³, we supported regulation that prevented providers from issuing loans or leases when repayments exceed 10% of the consumer’s income and capped consumer lease fees at 4% of the base price of the goods per month for a maximum of 48 months.

¹ TasCOSS 2018, [Submission to Senate Standing Economics References Committee Inquiry into Credit and Financial Services Targeted at Australians at Risk of Financial Hardship](#).

² TasCOSS 2020, submission to the [National Consumer Credit Protection Amendment \(Small Amount Credit Contract and Consumer Lease Reforms\) Bill 2019 \(No. 2\)](#).

³ https://consumeraction.org.au/wp-content/uploads/2019/11/200217_PaydayLendingReport-1.pdf, p25.

This Bill will double the protected earnings amount cap to 20% and allow for extra charges in consumer lease cost caps. It will also, illogically, create less protections for larger loans (up to \$5,000) than it does for a smaller loan (up to \$2,000).

These measures contained in the Bill will water down protections for consumers, make them more vulnerable to predatory lenders and expose them to greater risk of financial hardship and higher levels of debt.

Conclusion

TasCOSS strongly opposes the Bill and calls on our Parliament to vote against the Bill in its entirety. Our key objections to the Bill are that it weakens responsible lending obligations and introduces inadequate protections in SACCs and consumer lease laws.

We are opposed to any moves that weaken consumer protections. The banking, superannuation and financial services Royal Commission identified the need for stronger rules and oversight of financial services, not weaker. In the current environment of higher levels of unemployment, reduced income and the winding back of COVID-19 support measures, introducing weaker consumer protections will result in more Australians being saddled with harmful debt or experiencing financial hardship, rather than supporting our economic recovery.

If you have any questions about this submission, please contact Mr Stephen Durney, Senior Policy Officer, on 03 6169 9508 or email stephen@tascoss.org.au.

Yours sincerely



Adrienne Picone
CEO