



Submission to the Review of the Small Amount Credit Contract Laws

MAKE IT MINE FINANCE PTY LTD
ANDRE LANG, CEO

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14 October 2015



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SACC Review Secretariat
Financial System and Services Division
Markets Group
The Treasury
Langton Crescent
PARKES ACT 2600

RE: Submission of the Review of the Small Amount Credit Contract Laws

Dear Ms Danielle Press, Chair,

I would like to take this opportunity to thank you for considering my submission to the Review of the Small Amount Credit Contract (SACCs) Laws. It is something that I feel is of significant importance to the Australian public and something that I hope will ensure that all parties including the consumer, business and government can work together to achieve a positive outcome for all involved.

I note that as a part of the review into Small Amount Credit Contracts, the panel is also considering whether the provisions that apply to SACCs should be extended to comparable consumer leases and it is with this reference that I provide this submission to the panel for review.

As the CEO of Make It Mine Finance Pty Ltd (MIM), I feel that we are qualified to make such a submission as we operate as an authorised Australian Credit License holder (ACL402033) and provide Consumer Leases of home & personal appliance products such as computer goods, whitegoods and televisions Australia wide to all states and territories. As such, any recommendations or changes that the panel may put forward will directly affect our operation.

I would also like to point out that MIM is also a current and founding member of the Consumer Household Equipment Rental Providers Association (CHERPA), the industry body for Consumer Leases. While it is my understanding that CHERPA will provide a submission for the panel to review; and, while I agree with their suggestions and concerns, I felt it necessary that we provide a submission independent from CHERPA to ensure that the position of MIM could be understood.

If there are any details or issues that the panel wish to discuss further with me, I would be happy to make myself available to the panel at their convenience.

All correspondence can be sent attention to myself to: hello@makeitmine.com.au; or, by phone on 1300 87 77 74.

Sincerely,

A handwritten signature in grey ink, appearing to read 'Andre Lang', written in a cursive style.

Andre Lang
Make It Mine
CEO

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Overview

The purpose of this review, as we understand it, is to review the adequacy of current laws being the National Consumer Credit Protection Act 2009 (NCCP Act) with respect to Small Amount Credit Contracts (**SACCs**) and, provide recommendations to the Federal Government on a number of protective provisions of the NCCP namely, the cap imposed currently on fees and charges as well as the rebuttable presumption that a loan is unsuitable where the consumer has held two other SACCs within the past 90 days.

There is also a consideration for the panel to ascertain whether the provision in the NCCP Act that apply to SACCs should also apply to comparable Consumer Leases; and, it is to this point that we have focused the discussion of our submission to the panel below.

As we currently do not offer SACCs to our customers, we will make mention of our position under the discussion questions assuming that these would apply in regards to a Consumer Lease and what effect, if any, there may or may not be to the operation of our business and consumer experience.

In brief, the overall contention that we will put forward in this submission is that;

- Introducing a cap of fees and charges or a notional interest rate cap into a consumer lease will result in the services no longer been able to be provided to consumers as consumer leases will become economically unviable.
- A Consumer Lease & SACC are not comparable given that:
 - leases are fixed term agreements (typically 12 – 36 months);
 - leases have no establishment fees;
 - lessors hold inventory and therefore carry capital costs and risk;
 - leases require physical distribution & supply chain;
 - leases require ongoing support and warranty servicing beyond the manufacturer's warranty period if the lease exceeds 12 months;
 - leases allow cancellations and returns;
 - leases typically do not charge fees;
 - leases have a different cash flow model because the capital outlay is upfront yet the return on investment is generated over the life of the lease whereas SACC cash flow model is very different and short term.
- A Consumer Lease ensures that the credit is utilised for items that the customer needs in their home or for their family as the credit and the item the customer chooses to rent are linked inexplicably.

Make It Mine & Our Customers

We would like to present an overview of the consumer leasing industry as a whole and the position that Make It Mine holds in the market. We believe this is pertinent, as it will provide clarity to a somewhat misunderstood industry that has been misrepresented in recent media reports that may have disadvantaged our position. In particular, the media reports highlighted the Consumer Leasing industry as damaging to consumers by charging excessive interest rates. We believe this statement to be a gross simplification of the Consumer Leasing industry when you take into consideration all the facts that we will look to address below.

Make It Mine (originally known as Cash for Computers) started out as a company that specialised in recycling and reselling IT equipment from schools, businesses and government

organisations. The focus changed when many of the customers were struggling to come up with the funds to purchase a second-hand computer and it was then decided the business would provide a Consumer Leasing model. In 2010, the first consumer lease was written and began offering refurbished computers to individuals via Centrepay.

By our estimates, Make It Mine has now become the 3rd largest company in the consumer leasing industry, behind Radio Rentals and Mr Rentals. There are a high number of franchise groups in the rental industry so it is difficult to obtain exact figures; but we estimate that companies such as Rent The Roo and Rent4Keeps are slightly smaller than Make It Mine. Make It Mine is one of the very few non-franchise groups in the industry, behind Thorn (Radio Rentals).

We have experienced significant growth since we entered the industry largely attributed to our focus on outstanding customer service, which, in turn, has led to a high rate of customer retention. We base this claim on figures from July 2015 that showed existing customers placed 70% of all orders for FY 14-15. We now employ over 55 staff, and have a significant volume of contract under written in 2014/2015. Over the past 5 years, we have served over 38,000 customers and we enjoy a substantial retention of customers. We enjoy a Net Promoter Score (NPS) of +84% (as verified by a recent independent survey conducted in July, 2015). To put our NPS score into perspective, that is a score higher than many well-known local and international brands such as Virgin, ebay, Dan Murphy's and iiNet¹.

The reason we choose to highlight these satisfaction scores is to address a key aspect overlooked by recent outside commentary and a misunderstanding portrayed in the market place, which is: it is the overwhelming majority of our customers (that is, people who are using the service and the people that will be most affected by any recommendations of this review) are more than happy with the product and service that we provide. So much so, that they are willing to recommend our service to their family and friends and become repeat customers themselves. As outlined above, in the case of MIM, 70% of our customers will take up another rental when they are eligible.

Essentially, it is our view, that if customers were not happy with our product and service, they would vote with their feet, as it were; and, choose to take their business elsewhere. If they felt that we were taking advantage of their situation, they would protest by simply deciding not to take up our offer.

To illustrate this, we have attached a few comments from customers below which show how our customers feel towards consumer leasing from the independent survey conducted in July, 2015.

The access under-privileged people need to get a better quality of life and furthering their education .

Being able to have nice things. A single mum with four children makes it hard and now I can with MIM .

When my computer broke down I was able to get a replacement quickly and continue my school work .

We also wanted to provide details to the committee which will assist the committee to distinguish between SACC and a consumer lease as recent media publications have accused consumer leases of overcharging interest.

As explained, a consumer lease is a fixed term rental agreement pursuant to which the consumer does not have the right or the obligation to purchase the leased goods. To do otherwise will result in the lease being a sale of goods by instalments.

It is well known, as recently acknowledged by the ASIC report (REP 447) into the consumer leasing industry, that the majority of operators will negotiate, at the conclusion of the lease, the sale of the leased goods to the consumer for as little as \$1; but, throughout the lease, the consumer will be paying a fixed rental payment.

It is a fundamental error in our view to simply take the total rental repayments under the lease and through that figure create a notional interest rate that the lessor is charging. This creates a distorted picture and it confuses fundamental commercial principles of interest rates with gross and net margins and mark up for certain products.

As will be explained below, the media publications created a confusing picture mixing these terms whereas, in fact, each one of these terms has a substantial and different impact on the business.

Types of Rental Markets

The Consumer Lease industry operates under three distinct models currently that we would like to highlight. This is important from a business perspective so that we may be able to illustrate the financial differential of the two.

The market that MIM operates in is for a fixed-term consumer lease which is distinctively different from other players in the market who offer in-store finance as they do not have the overheads of holding stock, distribution and warranty support.

They also have a slightly different customer base. The customers we deal with often rely on their Centrelink benefit, which they then supplement with casual or part-time work. Overall, the in-store provider has a customer base which is made up of full-time employees. Therefore, their customer base could be described as lower-risk. Fundamentally, this is why they can charge a lower cost base compared to businesses such as MIM who take on higher risk customers and who have a greater chance of defaulting on the credit provided. Understanding this key differential will help us explain our response to the suggestion of placing a cap on interest rates, something currently imposed on SACCs.

Models, such as that in-store leasing employ, also places a heavier reliance on generating revenue at the end of a lease. By comparison, the MIM model is reliant on a pre-determined flow of rental payments and commonly accepts an offer to buy the item and the transfer of ownership from \$1. Some in-store leasing models will show a reduced cost base to the consumer at the beginning of the lease but will rely on higher cost recovery towards the end of the lease.

There is also a third market currently operating outside of the provisions of the National Consumer Credit Protection Act (NCCP), which are leases that are provided for an indefinite period. Given that indefinite leases are outside of the NCCP act, this means that these consumers are not afforded the same protections as leases which fall within the NCCP act such as the requirement to obtain a Credit License, verify a consumers financial situation

and provide an External Dispute Resolution service. We feel that this is a gross oversight by the Act and MIM requests that these type of leases be brought in line with other consumer lease providers in the industry.

The Difference Consumer Rentals Make to Everyday People

The consumer leasing industry, as a whole, has been painted in a negative light. In most cases, this is unwarranted. As highlighted above, our customers rave about consumer leases. In their opinion, companies like MIM, provide them with access to the essentials, which are often unattainable to them for financial reasons; but also items considered a “luxury” (e.g. entertainment centre) which they normally would not have access.

The customers who choose to rent are commonly people who are not able to access any form of credit and who normally would not have the opportunity to access essential items that many take for granted, such as a credit card or a personal loan.

In fact, the rental industry, as a whole, operates in the space of consumers who are either severely or fully financially excluded in Australia. In a 2014 survey conducted by Centre of Social Impact for the National Australian Bank and these consumers accounted for 15.9% of the population².

Operating in this space, however, comes at a cost. Because lessors take the capital risk and costs of acquiring the assets upfront on terms of cash on delivery and the credit risk of default, as well as extended warranty services, the costs charged to consumers by way of rental payments is higher than the interest rate costs that a personal loan would have charged.

Our customers typically do not have the good credit history to access a credit card or a short-term loan, or the minimum income or accessible cash required to purchase items outright. Neither, do they wish to wait until they can pay off a layby over 6-10 months to access a product which commonly they require or need immediately such as a refrigerator.

We are aware of services offered such as No Interest Loan Schemes (NILS), however, we understand that a high amount of cases, due to their circumstances and or the costs of goods they wish to acquire, they do not qualify for the NILS services.

Often, we find that our customer’s needs are urgent as a refrigerator or a computer may have broken down and these customers do not wish to wait prolonged periods of time until they can save the money required to acquire the product outright or pay it under a layby arrangement.

For these customers, consumer leasing is an accessible and simple alternative of securing the essential products they need or want. We believe that the demand in the market for consumer leasing is what keeps the industry strong.

Whilst we acknowledge that renting is a more expensive option for the consumer to access domestic household products, we are also of the view that renting has many positives over other finance models. Renting is relatively low risk for the consumer. Lessees receive services to their product notwithstanding that the manufacturer’s warranty had expired. If lessees experience financial stress, they can negotiate a payment plan with most providers, or return the product (in the case of MIM) at no additional cost. The customer does not have the risk of large default fees and penalties, which could see the costs of a loan double

as do some SACCs. Essentially, this means that the consumer can avoid the potential pitfalls of SACCs to ensure that they do not adversely affect their financial situation or indeed their future credit needs.

The customer also receives support along the way from the rental provider providing contact and assistance with the manufacturer. This is beneficial to the consumer as, with most consumer leasing providers having a relationship with the product manufacturer, they are able to provide a good level of support for the consumer if their appliance becomes faulty.

A SACC provider, on the other hand, provides only the means for credit and does not take into consideration how that credit will be utilised by the consumer. As evident in the ABC, Four Corners report broadcast on Monday 30th March 2015³, there is potential for that credit to be misused on items such as illicit drugs and gambling which has been highlighted by the recent case against Cash Converters as raised by the Consumer Action Law Centre⁴. While this is at the extreme end of the market, it highlights significantly the key difference that we would like to identify: a Consumer Lease ensures that the credit is utilised for items that the customer needs in their home or for their family as the credit and the item the customer chooses to rent are linked inexplicably.

¹ Bradley, K. & Hatherall, R., Bain & Company NPS Consumer Survey, December 2012, *The Powerful Economics of Customer Loyalty in Australia*, available from:

<http://www.bain.com/offices/australia/en_us/publications/articles/the-powerful-economics-of-customer-loyalty-in-Australia-au.aspx>. [29 July 2013].

² Center for Social Impact for National Australia Bank, *Measuring Financial Exclusion In Australia*, available from: <http://cr.nab.com.au/docs/measuring_financial_exclusion_in_australia_2014_final.pdf>. [April 2014].

³ Long, S. & Richards, D., Four Corners, ABC, *Game of Loans*, available at: <<http://www.abc.net.au/4corners/stories/2015/03/30/4205225.htm>>. [30 March 2015].

⁴ Consumer Action Law Centre, *Cash Converters Taken to Court After Reforms Fail to Protect Vulnerable*, <<http://consumeraction.org.au/cash-converters-taken-to-court-after-reforms-fail-to-protect-vulnerable/>>. [24 September 2015].

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Response to the Questions Raised in the Review

We will attempt, where we are able, to reply to questions raised in the review from the point-of-view of a Consumer Lease provider given that the review is also assessing whether to include the provisions of SACCs to the Consumer Lease market.

Please note that our answers to the questions posed under the review fall under the question heading (i.e. Question 1) and have been itemised to reference the said question (i.e. 1.1, 1.2, etc).

Question 1

How is the need to protect consumers balanced with the need to ensure that the industry remains viable and consumers can still access credit.

- 1.1 Our major concern with introducing provisions for SACCs into the Consumer Leasing industry is that it will not be viable financially to ensure we are able to operate. We will address these issues further in Question 14-16 detailing the financial impacts on our business model.
- 1.2 Introducing SACC provisions will mean that businesses will charge greater fees. This will result in a product that is confusing for customers and may in fact increase their financial obligations to the provider by allowing extra charges to exist which do not currently operate in the market place. These include but are not limited to: establishment fees, service fees, default fees; all are currently absorbed into the MIM payment schedule ensuring that the consumer knows exactly what their financial obligations are.

Question 2

Could the current regularity regime be simplified in a way that provides consumers with the same, or a higher level of, protection while reducing the regulatory burden on industry?

- 2.1 We believe that the current responsible lending requirement under the NCCP Act to ensure that a credit contract is not unsuitable is sufficient to ensure appropriate protection to the consumer. We think that the requirement that restricts additional credit products and limits to some Centrelink benefit holders would be of considerable detriment if applied to the Consumer Leases. As identified in our Overview statement above, MIM & the Consumer Lease industry, service a large part of the customer base who receive Centrelink benefits. We believe that taking into consideration the consumers financial position provides us certainty around what they can afford based on personalising a Credit Limit to the consumers circumstances. Accordingly, introducing an arbitrary number of leases a consumer can have as a blunt instrument of limitation ignores the current requirement to ascertain, with respect to each credit contract, the customer's affordability.
- 2.2 The overwhelming majority of customers who undertake a Consumer Lease currently are Centrelink customers. Providing provisions that would require a Consumer Lease service to actively discriminate against these customers would restrict even further their options when it comes to obtaining credit, as outlined above in the study conducted by National Australia Bank et al; as well as, serving the potential to create a monopoly in the market by restricting competition in the industry.

Question 3

The Credit Act imposes three types of sanctions - civil penalty breaches, criminal breaches and infringement notices.

3.1 The current regime we feel provides adequate provisions for penalty.

Question 4

The law currently requires SACC providers to consider a consumer's bank account statements for at least the preceding 90 days.

Is the requirement to obtain and consider bank account statements necessary given the broader responsible lending obligations?

4.1 MIM fully support the requirement to examine 90-days bank statement as a fundamental tool to achieve compliance with responsible lending. A 90-days bank statement provides a reasonable reflection of the financial position of the applicant and their income capacity and spending habits.

MIM asks the review panel to endorse changes to the NCCP Act in that the Act and Regulations provides better guidance as to what the NCCP Act means when imposing the requirement to make reasonable inquiries and reasonable verifications of income and expenses. In our view, the Regulations should provide that obtaining 90-days statement is considered reasonable inquiry and verification.

Is it appropriate for SACC providers to use bank account statements for the purposes other than complying with the responsible lending obligations, such as for marketing?

4.2 MIM believes that the use of any information should be restricted to the primary purpose for which the collection of that information was made and for any secondary purpose as allowed under the Privacy Act unless the customer opts out of the secondary purpose.

Question 5

There is a presumption that a SACC is unsuitable if either the consumer is in default under another SACC or in the 90-day period before the assessment the consumer had two or more other SACCs.

How do SACC providers determine whether a prospective customer has a SACC with another SACC provider or is in default under another SACC?

5.1 This is difficult to determine even with current tools on the market such as MIM use to determine consumers credit history. There is also the potential for delay as information may not have been updated or rulings not yet complete. Essentially, we need to rely on the information provided by the customer which is seemingly contradictory given that we are not permitted to make the same assumptions in relation to their financial situation.

Is a restriction on repeat borrowing necessary to protect consumers?

- 5.2 We do not feel that this is of particular concern in the Consumer Lease industry. Other mechanisms that would be more effective would allow the consumer to be better protected such as personalised Credit Limits based on the consumers financial situation.

Is a rebuttable presumption or a bright-line test (eg. an outright ban or limitation on the number of SACCs that a consumer can take out in a certain period of time) more effective?

When responding, please consider:

- *The degree of protection afforded to customers;*
- *The complexity for SACC providers who are making a decision to grant a loan;*
- *The cost of complying with the requirement; and,*
- *The flexibility afforded to SACC providers and whether the flexibility is desirable*

- 5.3 Responsible lending as it currently applies under the NCCP Act to consumer leasing is an effective tool to ensure that unsuitable contracts are not offered to customers;
- 5.4 A lessor is unlikely to know if the lessee has other leases unless the lessor has access to the Centrepay schedule or payments.
- 5.5 A 90-day bank statement is unlikely to accurately reflect how many leases the customer has.
- 5.6 Imposing an arbitrary number of leases we feel is a blunt tool which does not provide better protection than the current responsible lending regime.
- 5.7 It would also be easy to avoid, given that the consumer lease provider could add additional leases by altering an existing agreement without signing a new agreement. This would also provide the added effect of blocking out the competition to the detriment of the industry.

Question 6

The Credit Act prohibits loans with a term of 15 days or less

Has the prohibition on short-term lending been effective in preventing lenders from offering loans with a term of 15 days or less?

- 6.1 This requirement would not effect the Consumer Lease industry as there would be no supplier that would be able to make a profit under a consumer lease contract for less than 15 days.

Has the prohibition on short-term lending had any unintended consequences that mean it should be changed? If so, please provide examples of these consequences.

- 6.2 As this provision has not been implemented on Consumer Leases, we would have nothing to add to this discussion point.

Question 7

The Credit Act requires SACC providers to provide a specific warning statement to consumers.

Are the warning statements effective? Could the statements be improved? When responding, please consider:

- *The content of the warning; and,*
 - *the manner in which it is displayed.*
- 7.1 This is currently not a requirement in Consumer Leasing. MIM has taken it upon itself to make its customers aware that they will be paying more for a rental item overall than purchasing an item outright both in its FAQ section as well as its online application form. We feel this was necessary to ensure that our customers were made aware of the total cost of a rental agreement before they agreed to apply. We also advise our customers that if they can afford to buy the item outright, then they do just that.
- 7.2 If this was introduced into Consumer Leasing, we feel that the content should be reflective of the service that is being provided given, as we have addressed above, the service that is provided by a Consumer Lease extend further than just the credit alone.
- 7.3 Displaying this statement should be made where it is most effective. Given that we are an online operator, we feel that this should be regulated to areas of the application process & Frequently Asked Questions to ensure it is able to serve the needs of the customer. The reason for this is that if a customer has either decided to submit an application or gone through the Frequently Asked Questions it is more than likely that the consumer is going to make an actual decision to take up a lease at this point as opposed to the homepage where a consumer may simply be investigating their options.
- 7.4 As we are a website service and do not operate bricks & mortar stores, we feel that placing provisions on where the warning message is displayed on the site would not serve to protect the consumer further given that customers are already familiar at finding such information in such places as the 'footer' of a website in other industries and other sites including Banks. If an online application is provided, as MIM currently offer, we feel that this message would be best served at the application process to inform the consumer as to the exact nature of the contract that they are entering.
- 7.5 In principle, MIM supports steps that are designed to ensure better transparency and accordingly better protection to our customers; but, we submit that the content of the warning should be reflective of the services, not overwhelming and it can be displayed or brought to the attention of the customer prior to the customer completing an application and not necessarily as the greeting card.

Should SACC providers be required to include a hyperlink to the MoneySmart website when warnings are displayed on webpages?

- 7.7 We believe that the MoneySmart website link should be provided in the warning, we see no reason that this should not be provided given that it is a public service provided by the Government.

Question 8

The Credit Act currently caps establishment fees at 20 per cent of the credit amount, monthly fees at 4 per cent of the credit amount and the total fees payable in default to twice the credit amount.

The Policy intention in respect of the rate at which the cap on cost was set was to provide adequate protection to consumers and continue to allow SACCs industry to operate. Do stakeholders think the cap has broadly met this objective?

When providing a submission, please provide data, such as evidence that it is not viable for businesses to operate or evidence as to how the amount of the cap is causing financial hardship to consumers?

ASIC Class Order 13/818 granted temporary exemption from the cap for certain medium amount credit contracts (MACCs) and allowed small amount credit contracts (SACCs) providers to exclude fees charged for direct debit processing from the caps. Should the temporary exemptions provided by Class Orders 13/818 be made into regulation?

- 8.1 Whilst we cannot comment on the affect that the cap has had on SACC providers, we can interpret how this cap if introduced to the Consumer Leasing industry will be affected which we will address in Question 14-16 below.
- 8.2 If the cap on SACCs were introduced into Consumer Leasing the viability of the Consumer Leasing industry would be called into question and could merely lead to Consumer Lease providers attempting to utilise complicated fee & charge structures to compensate for the loss of profit that would be endured.
- 8.3 A cap also does not take into consideration the many 'other' associated costs that Consumer Lease attracts that a SACC does not such as the cost of goods. The price of the rental item (ie. a refrigerator) is determined by worldwide factors that are out of the Consumer Lease providers control. For example, the recent decrease in the Australian Dollar has meant that the buy-price of appliances has increased significantly. While most providers have absorbed these increases, a cap would mean that these costs would always be passed onto the consumer in some way.
- 8.4 The introduction of a cap currently imposed on SACC providers would also have the unintended consequence to reduce competition in the market. As illustrated, the cap would severely reduce the ability for Consumer Lease providers to profit which would require Consumer Lease providers to provide their services to the maximum allowable under the cap reducing the choice for consumers to 'shop around' and allow the market to dictate terms. It would mean that those suppliers who are able to gain the best 'buy-price' for their goods given their size and buying power would essentially monopolise the market given that the access to wholesale pricing is limited in Australia to certain retailers.

Question 9

The Credit Act caps the amount of repayments for consumers who receive 50 per cent or more of their gross income from Centrelink payments to 20 per cent of the consumer's gross income.

Is the protection for consumers who receive 50 per cent or more of their income under the Social Security Act 1991 working effectively?

- 9.1 Currently, MIM's customer base has currently a high majority of people receiving Centrelink Benefits. Of this, the greater majority of customers are receiving over 50% of their total income from Centrelink. If a provision such as the 20% rule would mean that our Consumer Lease contracts would need to be longer (our estimation would be in the vicinity 3 to 4 years) for the provider to be viable. The adverse effect of this is that many of the items that consumers are renting significantly reduce in value over only a few years. Currently, MIM operates on a 12-month lease, which means that at the end of the lease, and if the customer makes us an offer to buy the item, the customer is able to take possession of goods that still hold considerable value. For example, a laptop sold 12 months ago, with a retail value of \$800 would still attract a market value of approximately \$400 offering the customer a considerable asset. Having to extend the contract terms out to 3 or 4 years would mean that the value of that item would be practically worthless and the consumer would not be able to obtain the value of the asset.
- 9.2 There would also be an adverse effect on the cash flow of the business as collection of rental amounts would severely reduce which we will address in Question 14-16.
- 9.3 Overall MIM is of the view that arbitrarily restricting consumer lease payments to 20% of the customer's gross income is a blunt tool that ignores the ability and effectiveness of the current responsible lending regime which does not take into account limits and percentages but takes into account affordability.

Consumers should be able to freely choose products that they wish to lease and creating a 20% of income rule will devoid consumers of their choice irrespective whether the consumer is able to afford the rental payments.

We do not believe that introducing the 20% of gross income rule to consumer leasing will provide additional or better protection to consumers. On the contrary, we are of the view that the detriment outweighs any potential rewards.

Do any additional groups of consumers need to be subject to specific protection in relation SACCs? For example, should the provisions be extended on a similar basis to other persons whose income is less than a specified amount or recipients of payments under the Veterans' Entitlements Act 1986?

- 9.3 Given that MIM does not currently operate as a SACC provider we would not be able to make further comment on this question.

Question 10

The review is required to consider whether a SACC database would enhance the capacity of SACC providers to meet the responsible lending obligations by providing them with access to more comprehensive and accurate information.

Is there sufficient information currently available for a SACC provider to meet the responsible lending obligations?

- 10.1 Not being a SACC provider, we can only reply to this question from the responsible lending requirements of the perspective of a Consumer Lease. However, reviewing the key areas outlined for a SACC we feel that, if the Consumer Lease industry was subject to the same requirements, that there is enough systems in the current

market to make a compliant determination. The tools MIM currently have access to include a credit history checking system; as well as, a tool for reviewing bank statements and collating data, which provides us details of income & expenses; as well as, payments received from Centrelink benefits.

- 10.2 The only real concern we would have is determining whether a consumer lease was compliant or not under the similar provisions as SACCs, would be the requirement to assess whether the applicant is in default with other SACC providers, or by extension, Consumer Lease providers. Whilst asking the applicant to advise us if they are in default could be easily captured on the application process, to verify this would entail that data updated in the consumer's credit history were kept up-to-date and current at the time of application. In our experience, while every effort is made by the credit history service providers to keep their records up-to-date, in practice, this information is not always current and may take some time to be updated. If this were to be applied to a Consumer Lease, detail would need to be provided as to the extent at which verification would need to take place to make this relevant.

If not, would a database or alternatives such as a comprehensive credit reporting be a more effective way to meet the responsible lending obligations?

- 10.3 Currently, comprehensive credit reporting is at its early stages of development and not something currently utilised by MIM to make our decisions. Whilst the process would enable a consistent viewpoint of a consumers credit history equally accessed by all providers, again, in practice, there would be some disadvantages in delay of data being updated, for example.

If a SACC database is considered an effective method to meet the responsible lending obligations, please comment on:

- *the cost of the database*
- *any privacy concerns*
- *the advantages and disadvantages of having multiple databases operating in parallel*
- *whether a database would assist SACC providers to discharge the responsible lending obligations*
- *the effect of the comprehensive credit reporting (CCR) regime, including whether or not additional information could be obtained through a SACC database that would not be available through CCR.*

- 10.4 Given that we have not operated such a database in the past, we would not be in a position to comment categorically as to the cost of running and developing such a database. We would only say that these costs would be substantial.
- a) The privacy concerns would be an issue that could potentially cause unnecessary harm if that data were used inappropriately and would need to be stringently adhered to be effective and negate any advantage that such a database would create.
 - b) Multiple databases would create unnecessary management overheads and negate any advantages; and, create unintended potential compliance breaches. For instance, what if one database held data on an applicant that the other did not crucial to be able to make a decision to provide credit to

an applicant and ensure compliance with the legislation? Would that provider be subject to a breach given that they did not have access to the data? A single database would ensure that all providers had access to the same information.

- c) Depending on the information that the database contained, it would be difficult to see it completely being able to discharge the responsible lending obligations given that there would be information held outside the database relevant to make a compliant decision.

If a recommendation was made to introduce a database:

- *What information should be included in the database?*
- *Who should manage the database (a third party or government agency)?*
- *How should the database be funded?*
- *Should reporting of key information be mandatory or voluntary?*
- *Should SACC providers be required to check the database and, if so, when should this obligation be triggered?*
- *Should SACC providers be charged a fee for accessing the database and, if so, should the fee be included in the cap?*
- *Who should be permitted to access and amend information on the database?*
- *What mechanism should be available to ensure that the database was accurate?*
- *How should the database interact with the other responsible lending obligations?*

- 10.5 We believe that the data that should be included in the database should be:
- Personal data such as to identify the applicant.
 - Date of an 'Approved' SACC/Consumer Lease application.
 - Date of 'defaulted' SACC loans/Consumer Lease.
- 10.6 A third party such that works currently in the industry would be suited as many of these systems are already being utilised by providers meaning smaller costs to roll out.
- 10.7 We would advocate for a 'per use fee' model as this would allow for an 'as required' system to be in place and not unnecessarily charge Consumer Lease providers for services that they are obligated to access, however, not necessarily used as much as other larger organisations.
- 10.8 Reporting of data specific for the purpose of pertaining to compliance matters should be mandatory.
- 10.9 If the data was mandatory, then a Consumer Lease provider should be obligated to check the database as part of the compliance checks of an application process before an approval is made. That would need to be consistent regardless of the consumer lease model the provider chooses to undertake.
- 10.10 As mentioned above, a fee for service would be the favoured model, however, this should sit outside the cap given that cost could increase over time and, as we will detail in Question 14-16 below, erode even greater profits.
- 10.11 Access and the ability to amend data should be limited to paid members of the database who have also agreed to the terms and conditions for its use. The provisions outlined in the Privacy Act principles should apply as they do for credit history databases so that individuals have a right to the information, as well as the ability to correct that information, held about them on the database.
- 10.12 As mentioned above, the accuracy of the data should be self-determining by the individual with the same rights as per a credit history database. Penalties for members of the database should be put in place to deter organisations from

- purposely providing incorrect data or where that information has been grossly entered without justification or is reasonable.
- 10.13 Given the limitations that such a database could provide, it would only be able to form 'part' of the responsible lending obligations and not fully comply with the provisions of the act.
- 10.14 Of significance is the point that if the NCCP Act is changing in relation to responsible lending then there should be better guidance given by the Regulations or by ASIC in relation to the responsible lending test. Currently, the legislation and regulations are not prescriptive and ASIC's guides are generic in their nature leaving the industry to wonder whether a particular action taken to inquire and verify information is sufficient. In the absence of judicial determinations under the NCCP Act as to what is reasonable, the industry has to rely on legal advice which does not have solid grounds to hold onto. Better and clearer regulatory guidance from the Regulator should be made mandatory.

Question 11

The terms of reference require consideration of whether any additional provisions relating to SACCs should be included in the Credit Act.

Are there any additional provisions relating to SACCs that should be included in the Credit Act taking into account the objective of the legislation? For example are there any provisions that have been effective in other jurisdictions that could be introduced?

- 11.1 Given that MIM is not a SACC provider, and our service is limited to Australia only at this stage, we would not be able to make further comment on this question.

Question 12

Are stakeholders aware of any avoidance practices in relation to the Credit Act? If so, provide details of these practices and the scope (if known).

- 12.1 Given that MIM is not a SACC provider, we are not aware of any avoidance processes currently employed by SACC providers. Similarly, we are currently not aware of any such practices that exist in the Consumer Lease industry.

Should any additional anti-avoidance provisions be included in the Credit Act? If so, should there be any distinction between business model avoidance and internal avoidance?

- 12.2 In relation to Consumer Leases, we feel that this would be better served by providing a provision in the NCCP that is solely dedicated to the industry instead of simply combining the provisions of Consumer Leases and SACCs. We feel that the alignment Consumer Leases have been placed with other credit providers, such as SACC providers, is not sufficient enough to adequately service the industry. The one size fits all approach that has been suggested in this review does not allow for the nuances of the service offering we provide consumers to be taken into account such as has been outlined in Question 14-16 below. This would then ensure that anti-avoidance practices were not employed by Consumer Lease providers given that their individual circumstances were taken into consideration.
- 12.3 The alignment also makes the assumption that the consumer of a Consumer Lease and other credit providers such as SACC providers are one and the same. We feel this is fundamentally incorrect given that our customers typically are prepared to

pay over a longer period of time as opposed to SACC providers who are looking to complete the loan term in a shorter time frame.

Question 13

The Credit Act requires lenders to make an assessment that the proposed SACC is not unsuitable.

How do SACC providers currently meet the requirement to make a suitability assessment and what records of the decision-making process are maintained?

- 13.1 As a Consumer Lease provider, we are required to conduct a financial assessment of the applicant. We complete this by:
- a) Ask the applicant to provide particulars of their current situation including: marital status, number of dependents, income, expenses and any contingencies for unexpected expenses.
 - b) We then complete a crosscheck of this information against Household Expenditure Measure (HEM) which helps determine the level of expenditure a customer will typically have given their circumstances.
 - c) We also complete a check of their credit history to determine the applicants risk, listed defaults, judgments or bankruptcies.
 - d) We then verify the applicants financial situation by obtaining their bank statements where we have established an affordability algorithm based on their income & fixed expenses.
- 13.2 Each stage of this process is documented and stored in our Customer Relationship Management (CRM) software.

What is the most efficient and effective way to document suitability assessments? Is it possible to use the same steps for actual compliance and demonstrable compliance?

- 13.3 Using software, such as a CRM, allows for the most efficient practice to document these suitability assessments given that there are many aspects that can be automated with the right connections to other systems and would be possible to be used to demonstrate that compliance to the provisions of the act were maintained.

Should SACC providers be required to document the assessment? Please consider whether such a requirement could lead to greater transparency?

- 13.4 Given the provisions of the act to provide details of their credit assessment completed by the credit provider, documenting this process would certainly provide clarity and transparency to both consumer and the business that the provisions of the act were upheld.

Question 14

The Credit Act applies different obligations to transactions according to whether or not the product is structured as a credit contract or consumer lease.

Which leases could be considered comparable with SACCs?

- 14.1 We feel that no consumer lease be considered comparable with SACCs given that there are fundamental differences between the two service offerings, as we will

describe below. We are specifically concerned with the provision of an interest rate cap that would affect the ability of consumer lease organisations to remain viable.

14.2 When looking to apply SACC requirements to a consumer lease, it is important to be aware of the fundamental differences between the two products:

- a) Leases are long term.
 - Leases go for a much longer term than do SACCs. SACCs usually do not exceed a commitment term of greater than one month. This allows them to charge the 20% establishment fee and the 4% monthly interest fee.
 - If you extrapolate that over the year, they are able to reap 24% a month on an investment into a loan, as they will be able to reinvest that capital every month to get 24%.
 - As a consumer lease, MIM's term is 12 months which effectively means that our monthly rate is much lower.
- b) No establishment fees
 - SACCs will make most of their profit on the establishment fee. Rental providers do not have establishment fees in the main as it is very difficult for a rental provider to charge an establishment fee, as most of the customers will not have the ability to pay 20% of the total rental cost up front.
- c) Inventory
 - At MIM, we hold a considerable amount of inventory at any one time. This inventory typically needs to be paid within 30-day payment terms.
 - SACC providers have no inventory costs at all.
- d) Distribution
 - Rental companies have large distribution costs. This includes warehousing, freight, return freight, damaged-in-transit stock, warranties, etc. This is a cost not at all associated with a SACC contract.
 - SACC provider's product distribution is automated, fast, and very cheap compared to that of a physical good which needs to be warehoused and shipped.
- e) Ongoing support and warranty
 - With every rental, if something goes wrong we need to have a team at the other end to ensure that their rental appliance is returned to operational order. This overhead is large. We have teams who chase up suppliers, make arrangements for people to come out and fix products, processes to send replacement products if the consumers is faulty and cannot be fixed, etc.
- f) Cancellations
 - SACC providers do not have cancellations. Once you are committed to a loan, you accrue interest. As a lease provider, if a customer after a month wants to return the goods, we allow this to happen at no additional cost to the consumer. We are aware that the NCCP Act allows us to charge cost for early termination of the lease but we concluded that if a lessee cancels their lease early there must be an underlying financial difficulty behind that decision so any amount we were likely to charge we would be unlikely to collect anyway. We are then stuck with a secondhand product, which we struggle to sell at even our cost price and quite often we will lose money on that transaction.
 - This, once again, is something not factored into a SACC.
- g) Fees
 - The rental industry, as a whole, charges relatively low fees. If a customer defaults, or breaks their contract, or wants to skip a few payments, we don't levy on extra charges like a SACC provider does. The only fee which a customer

ends up paying is the end of lease fee, which generally will not be much more than \$1.

h) Cash flow

- The cash flow of a rental provider is also much worse than a SACC. SACC providers are likely to get their money back, with a profit in a month, if all goes well, it takes a considerable amount of time for a rental provider break even depending on the length of the contract, for just the purchase price of the product.

14.3 A SACC has only the single deliverable of financing the loan to consider; where a Consumer Lease has not only the finance component but also the product and its associated requirements such as warehousing, delivery, warranty, cancellations & returns as we have addressed above. All of which come in at a cost to the Consumer Lease operator which impact profits. If a SACC were considered comparable to Consumer Leases, it would only be fair that a SACC provider be responsible for the reason that loan is being provided in the same way a Consumer Lease is currently responsible. For example, if the loan was provided for a television, then the SACC provider should also be required to service the warranty of the said television. Currently, a SACC provider has the ability to deny any request for assistance from an applicant in relation to the reason that finance was utilised. A Consumer Lease provider does not and this comes at a cost that must be absorbed.

14.4 Also, given that a rental item can be returned and the contract cancelled, we would require the ability to charge cancellation fees to the consumer to recoup any costs not collected during the course of the agreement. These costs, with most suppliers are currently absorbed. To compare, an applicant does not have the right to cancel their SACC loan and are required to ensure that full monies have been paid or the applicant has been made bankrupt or judged not capable of paying. Once the item has been returned, the Consumer Lease provider does not have the ability to seek additional payments from the customer and are left to deal with the costs of dealing with the item. One may assume that this is the risk that the industry undertakes and it would be a correct one; however, all businesses need the ability to recoup the cost of those associated risks and the method of absorbing costs into the overall pricing model, such as this, is one that has been implemented in many other industries. For this reason, in particular, it displays how capping interest rates as imposed on SACC providers would not work for Consumer Leases. We believe that the ability to absorb costs such as this helps protect the consumer from associated costs which could potentially put them into a hardship situation.

Should there be greater consistency in the regulatory requirements that apply to SACCs and comparable consumer leases? Please consider:

- *the similarities between the consumer bases for SACCs and comparable consumer leases;*
- *the similar economic outcomes of SACCs and comparable consumer leases;*
- *ASIC evidence which suggests that the effective interest rate for some consumer leases is substantially greater than the maximum allowed for SACCs under the caps;*
- *the effect of introducing new regulatory requirements on the viability of the consumer leasing market and the availability of consumer leases; and*
- *the impact of the distinction based on whether or not the consumer has a right or obligation to purchase the leased goods.*

- 14.5 Given that MIM is not currently a SACC provider, it will be very difficult for us to provide substantial comment on this market segment given that we have done little, if any, consideration that the two customer bases are similar in characteristics. However, as detailed above, there are fundamental differences here. In the SACC offering, the financial element is the only service that the financier is providing; where as, again as detailed above, a Consumer Lease provider has responsibilities to the consumer beyond that of the finance which comes at a cost.
- 14.6 It would be questionable whether there is a comparison of economic outcomes between SACC providers and consumer leases. The reason for this statement is that at the end of the lease period, assuming that an offer has been made to buy the item for a nominal amount, a consumer is left with a physical asset of some value. A SACC leaves the actual use of the finance to the discretion of the applicant; also, the SACC provider, at the end of the agreement, may leave the consumer in a financial position no better than they previously were given that the finance has the potential to be utilised for goods and services that acquire no tangible benefit to the consumer.
- 14.7 As detailed above, it is a simplification to consider that a consumer lease provides to the consumer only the line of credit. The lease cost charged takes into consideration many other factors outside that which a SACC provider has no responsibility to uphold. While we do not disagree that some consumer lease providers provide leases which have excessive costing to it, particularly lengthy 4 years leases, in our opinion, the consumer also has a choice to seek a consumer lease with a markedly cheaper cost base given that it is a competitive market. A competitive market is vital to ensure that monopolies are not created which then are able to hold the industry and the consumer to ransom; and, we fear that imposing a cap will enable such a situation to occur.
- 14.8 If a cap was imposed on the Consumer Leasing industry, we believe this would create the unintended consequence of providers having to develop complex fee based systems which the consumer will not be able to fully understand. The consumer lease model allows for consumer friendly conditions that are easily understood given that there is a set amount over a time period (eg. \$X every fortnight). In MIM's case, we do not charge delivery fees, late payment/default fees, dishonour fees, application fees, administration fees, early termination fees, return fees or the like as these are included in the overall price; however, this would be something that we would need to introduce to ensure that the accumulative effect of these costs could be recouped in some way.

Please provide data, such as evidence as to the effect of any cap on the viability of businesses currently providing comparable consumer leases or evidence of where the absence of a cap is causing financial hardship to consumers.

- 14.9 As we have alluded to in this document, we believe introducing a cap into the Consumer Lease will make it completely unviable to keep operating.

We will provide details below which looks at a hypothetical consumer lease model and compare this to if a 48% interest rate cap were it to be introduced.

Table 1.1 Comparison of a hypothetical 15" Laptop on a 12-month lease

	Current Model	SACC Model @ 48%
Revenue	\$1092.00	\$740.00
COGS	\$500.00	\$500.00
Shipping (Warehouse, delivery)	\$44.00	\$44.00
Office (Marketing, Staff, Admin)	\$115.50	\$115.50
Collections (Debt management, bad debts, cancellations, write-offs)	\$220.00	\$220.00
Compliance (credit history, income verification)	\$27.50	\$27.50
\$Net profit	\$193.00	\$-167.00
Profit per cent	17.5%	-22.6%

If you compare the financial performance, you will notice a -22.6% profit under a 48% cap. This profit is, quite obviously, unsustainable. This forecast also does not include the actual cash flow required to ensure that our operation remains solvent, GST and provisions to purchase new rental products to grow the business.

- 14.12 One of the key differences between a SACC lender and a consumer lease business is the term of the contract. A Consumer Lease is typically over 1-2 years while a SACC loan will only be around 30 days. What differentiates the businesses is that the SACC lender can charge a 20% establishment fee. This is something you cannot do with a consumer lease. Almost all consumer leases have no deposit and no initial setup fee. The return of a SACC over a year will ultimately be 68% versus 48% of a rental. This does not take into account the extra costs a rental provider has, or the extra default and non-payment fees a SACC can charge which a typical rental provider will not.

Rental providers do not generate their profit from charging fees; they generate their profit by collecting the rental payments for the term as a return on investment. Most rental providers have minimal extra fees which they charge a customer.

By contrast, several SACC providers charge dishonour fees each time a direct debit or other payment is not made in full or at a time a repayment is rescheduled forward. In addition, a consumer may also be charged daily recovery fees to cover costs of administering the account while the account remains in arrears. If the account continues to be in arrears and the breach remains unremedied, there are daily fees which accrue on top of the dishonour fee until the total amount owed reaches 200% of the principal amount borrowed at which time the cost to the account is capped.

A rental with MIM, for example, or any of our competitors traditionally, will not have dishonor fees nor daily recovery fees or any other costs, which we would add to the lease under a cap model as these are factored into the total cost of the rental.

- 14.13 MIM purchases stock in order to fulfil consumer lease contracts. The purchase and outlay to buy the product from suppliers takes place prior to or at the start of the consumer lease so there is a significant up front outlay which takes place prior to the receipt of any income. MIM receives income in 26 equal instalments over the 1

year period; so, there is a disconnect between the timing of the expense and when the funds are received. Table 1.2 looks to illustrate this return.

Table 1.2 Cash flow of 15" Laptop on a 12-month lease

Installment Period (14 days)	1	2	3	11	12	13	14	26
30 Day Payment	\$-	\$500	\$-	\$-	\$-	\$-	\$-	\$-
Installment Schedule	\$42	\$42	\$42	\$42	\$42	\$42	\$42	\$42
Surplus (Deficit) by Installment	\$42	\$-458	\$42	\$42	\$42	\$42	\$42	\$42
Surplus (Deficit) Running Total	\$42	\$-416	\$-374	\$-38	\$4	\$46	\$88	\$592

14.15 The return on investment between a consumer lease and a SACC will make clear the impact a cap will have on the market. As we have established above, SACCs make the majority of their income on the establishment fees. Rental contracts do not. Table 1.3 below demonstrates the returns of one SACC vs one Consumer Lease.

Table 1.3 Annual Percentage Rate (APR) comparison between SACC and Leases

	SACC	Lease
Loan/Cash Price	\$800	\$800
Term	1 month	12 Months
Interest paid	\$224	\$214
APR	340%	48%

If you compare the two products, it makes much more sense for MIM to focus its resources on becoming a SACC lender over a rental company at 48%. At 48%, the return for MIM does not become sustainable.

There is also a substantial outlay to regulatory and compliance costs which form a substantial part of our overheads. If an application does not proceed, or is denied, we will not get any money back for that application.

There is also substantial cost in credit controllers, training, legals and other aspects of compliance to the business.

Question 15

As SACC and comparable consumer lease providers market to a similar consumer base, should the same provisions apply?

- 15.1 As argued above, MIM does not believe that SACC providers and consumer leasing operators market to the same demographic.
- 15.2 By the nature of the credit facility, people who seek to loan through SACC are not the same customers who are seeking access to domestic household appliances.

- 15.3 Traditionally, it can be seen that people who are in part-time and or full-time employment will access SACC in order to meet an immediate need when they are cash strapped.
- 15.4 Consumer lease users are consumers who wish to benefit from renting and subsequently negotiating the acquisition of a domestic household appliance through a credit facility in circumstances where that customer does not have access to conventional credit lending such as a credit card or a personal loan.
- 15.5 We reiterate the arguments above:
- a. why capping costs is inappropriate to the consumer leasing industry;
 - b. why warnings should be carefully considered;
 - c. why the current regime of responsible lending is adequate to protect the interest of consumers; and
 - d. why the introduction of an arbitrary number as a limit to the number of leases a Centrelink recipient can have is a blunt instrument that will produce inequalities and unwarranted results.

Should there be additional disclosure requirements for comparable consumer leases, such as a requirement to disclose:

- *the purchase or cash price of the leased good*
- *the amount the consumer will pay in excess of the purchase or cash price*
- *the cost of credit in dollar terms*
- *the cost of credit as an interest rate*
- *the cost of other services financed through the rental payments (apart from hiring of goods, such as a warranty or delivery)*

- 15.6 We do not believe it would fair on the Consumer Lease provider to provide a cash price of the leased goods given the variability to the cost of those goods. A SACC provider, in this situation would be advantaged, as a Consumer Lease provider, in order to be compliant with this requirement, would need to submit considerable resources in the up-keep of a database of the cash price of each item leased. This would be a daily exercise and would also result in some Consumer Lease providers having greater advantages than others as some suppliers purchasing power would be greater, reducing competition.
- 15.7 Additionally, a clearer interpretation should be given if consideration of cash price is entertained. What is a cash price for a product? Is it the Recommended Retail Price? Is it what the large retail shops will offer if you paid in cash? Is it the wholesale price of the goods. There are so many variations to what a cash price can be and introducing a cash price component runs the risk that;
- a. customers of consumer leases will be confused to think that because they have a cash price and total cost, the agreement will result in their ownership of the goods; and
 - b. customers will receive a misrepresentation of pricing because what MIM can buy a product for is not what retail shops will sell the product for cash. It is an irrelevant representation of cost to the consumer as it has no bearing on the consumer lease. For example if a lease operator can buy a TV at

wholesale price of \$600 but the same TV is retailing for cash at \$750 then the lease can be based on \$750 thus creating a higher costs base.

15.8 As mentioned previously, MIM advise customers at the sign-up stage to acknowledge that they understand that they will be paying more to rent than buying the item outright. We feel that this warning provides adequate acknowledgment of this fact without undermining the applicant’s knowledge or intelligence. We feel that a consumer is quite capable of making the determination given that most customers have already researched the item that they require, assessed whether they can afford to buy the item outright and have come to the determination that renting would be the right choice for them given their financial circumstances. They would already have an understanding of the cash price of the goods and understand that to procure a rental agreement where you receive goods on credit would attract a premium. If this provision were applied to Consumer Leases, the contract terms of the consumer lease would open up the consumer to extra fees and charges, as these would need to be itemised on the schedule, also mentioned above.

If greater consistency between SACCs and comparable consumer leases is considered warranted, which SACC provisions should be extended to those leases?

- *Would the SACC provision need to be modified when applied to consumer leases?*

15.8 Given that we feel that current provisions of a Consumer Lease is adequately covered in the legislation as detailed above, we feel that other than the discussions above agreeing to some extensions, there should be no extension of these provisions as provided to by SACC providers.

Question 16

If a cap on consumer leases that are comparable to SACCs was introduced, how would the cap apply?

16.1 We reference the above in Question 14, which refers to our views about the cap.

16.2 We will preface the above, however, by stating that we believe any cap should be based on the ‘Total Interest Charged’ (TIC) as opposed to the ‘Annual Percentage Rate’ (APR) as is currently the case with SACCs. The reason for this is that if an APR were implemented, a consumer would pay considerably more over the life of the lease. Table 1.4 below highlights a hypothetical lease over 12, 36 & 48 months to demonstrate why TIC should be considered instead of APR.

Table 1.4 Hypothetical supplier comparison of TIC opposed to APR as a cap for a 15” Laptop.

Supplier	<u>Supplier #1</u>	<u>Supplier #2</u>	<u>Supplier #2</u>
Term	12 Mth Term	36 Mth Term	48 Mth Term
Periods Per Yr	12	12	12
Cash Price	\$500	\$500	\$500
APR	118%	111%	100%
Mth Payments	\$91	\$60	\$52
Total Cost	\$1092	\$2160	\$2496
TIC	\$592 (118%)	\$1660 (332%)	\$1996 (399%)

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Conclusion

To conclude, we hope that we have been able to make our position clear that introducing similar provisions that are applied to SACCs will inevitably lead to a reduction in the availability of credit to the consumer market and potentially leave a portion of the community without access to credit at all.

Comparatively, there are vast differences between Consumer Leases and SACCs that we have addressed which are above the financial line of credit with a Consumer Lease that are simply not a consideration for the provisions of a SACC.

Ensuring that a healthy competition remains the status quo is not only vital to the industry but the consumers participating in the industry. Continuing to have a vast array of suppliers ensures that industry remains competitive and that market based factors and consumer choice drive the industry to better service their customer base.

Lastly, we ask the review panel to seek the opinions of those utilising the Consumer Leasing industry and not simply from those who advocate for the severely disadvantaged. The default rate on Consumer Leases is relatively low, which means that the greater majority are quite capable of managing their financial affairs and it would be disappointing to see that those people who effectively are managing their finances are missing out. We can assure that no end of protection be afforded this small minority, which is not currently in place under the NCCP, as peoples circumstances change over time, not necessarily for the better.

The feedback that we receive is overwhelming positive. We have provided but a snippet of the literally thousands upon thousands of positive replies that we have received from consumers inside the industry; and, as we have illustrated, a +84% NPS rating is one not obtained lightly and would certainly not be afforded to any organisation where the consumer felt they were being treated unfairly.