



Rent From Us and Get It
BRAND NEW!!



22 January 2016

SACC Review Secretariat
Financial System and Services Division
Markets Group
The Treasury
Langdon Crescent
PARKES ACT 2600
(Sent via e-mail: consumercredit@treasury.gov.au)

**RE: SAAC and Consumer Lease Law Review – Interim Report Consultation
Submission**

Dear Sir / Madam,

Thank you for the opportunity to provide a submission for consideration as part of the review of small amount credit contracts (SACC) and comparable consumer lease laws. We are a consumer lease provider and our submission is specifically related to consumer leases only.

Further information requested by the review panel

1.1 All other products regulated by the Credit Act are subject to a cap on costs. Is there any reason why users of consumer leases for low-value household or electronic goods should not have the benefit of this protection?

Sir Rentalot were the only rental company in Australia who argued in support of a cap on costs in the original submissions to the review panel. This position was taken to offer protection for consumers from companies charging excessive rates well above industry standards. We believe a sensible cap that allows continued extensive competition in the industry would provide the best overall outcome for all consumers.

2.1 If a cap on the cost of leases were to be introduced, is there a reason for lessors not to be subject to the 48 per cent cap that applies to credit contracts in general?



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- A 48% cap on costs is not financially viable for the rental industry
- The rental industry would be decimated if a 48% cap were introduced
- Hundreds of companies would be out of business including many family owned small business ventures
- Hundreds of thousands of people who heavily rely on the rental industry would have even fewer options for access to basic household goods and associated services
- The industry provides more than and is different to cash credit providers. The added services provided are an essential component for many rental customers and are the reason why a 48% cap is not viable. Rental companies have higher operating costs than cash credit providers

2.2 Should there be a limit on the maximum term of a consumer lease?

Based on our current business model our clients get better value overall from shorter term leases. We offer between 1 and 3 year terms only. Our customers mostly prefer shorter term deals. Having an option for a longer term is important for some customers when affordability is the main issue.

3.1 If a cap on the cost of leases were introduced, which types of leases should the cap apply to?

We believe a cap on costs should be introduced for all consumer lease companies who deal with low income consumers.

4.1 How should the cash price for determining a cap on leases be determined?

Please refer to our original submission.

5.1 If a cap on the cost of leases was introduced, how should add on products be treated?

All fees, charges and services should be included in the cap on costs. The typical rental customer would widely benefit from simplified cost comparison between suppliers. More complex rate structures would significantly impede practical price comparison for many consumers.



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5.2 Are there ways of measuring the value of add on products to the consumer (for example, data on the extent to which consumers utilize those products or make claims under them?)

We cannot provide a dollar cost to customers in relation to our “add on products”. We have no way to measure the individual cost and no need to do so. Our business offers all customers:

- In-home application including assistance in obtaining verification documentation
- Delivery, assembly and installation of the goods. This includes some intricate flat pack furniture items which can take 2 people up to 4 hours to assemble
- Pest control for electronic goods
- Instruction and on-going support in the use of the goods
- Repair and replacement options for faulty, damaged or stolen goods
- Fast temporary replacement of critical items such as fridges while the rented goods are repaired

For many of our customers these services are invaluable, particularly the most vulnerable people.

5.3 What are the consequences of including add on services within the cap? Does this pose a particular risk for certain add on features or parts of the market (such as remote areas)?

If the cap is appropriate in terms of industry standard rates our services would not be at risk.

6.1 Are stakeholders able to provide information on whether there are broad or systemic problems with the way in which lessors comply with the responsible lending requirements in relation to low-income consumers and Centrelink recipients?

Our contract assessments are extensive and involves a strict process of verification. We have complete confidence in our policy, procedure, training and compliance process involving responsible lending.



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7.1 Should a protected earnings amount be introduced for leases, similar to option 3 canvassed in relation to SACCs?

We are in support of the introduction of a sensible protected earnings cap within the rental industry. We believe the rental industry is important to many people but should be used in conjunction with other means of acquiring goods.

7.2 If a cap restricting the amount of income that can be used to make lease repayments were introduced, what level would be affordable for consumers and lead to financial inclusion?

We do not believe there is sufficient accurate data available to appropriately assess the impact, positive and negative, of introducing a cap of this nature. We believe a bright line cap of 10% would seriously damage many rental companies and limit options currently available to many people. A low cap will also push the industry towards longer term contracts which is not in the best interest of many rental customers. Each rental applicant is different and many have shared cost arrangements which allow a larger percentage of their disposable income for household goods.

We believe there should be accurate data produced as a baseline prior to introducing a cap. Accurate measurement of the impact of the changes introduced should be an essential part of the process. It is an unfortunate fact that many people currently suffering financial hardship in this country would remain in financial difficulty even if there were no rental industry at all. We would argue that many of these people would be left without basic household items such as fridges and furniture therefore further lowering the living standards for their families.

It would appear cavalier to introduce a low restricted income cap that seriously restrict consumer's options without accurate and measurable data to substantiate the changes achieved the desired results.

7.3 Should a combined cap be introduced that covers both SACCs and consumer leases?

For reasons outlined in our original submission to the review panel we oppose being incorporated with SACC cash providers in any way. The rental industry provides goods and services essential for many people. We believe cash providers of this nature are likely to cause more harm than good to our customer base.



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Further comment;

In any event if a bright line cap is introduced it would be essential for compliance purposes to have access to reliable, up to date information in relation to an applicant's current commitments with other providers.

8.1 What levels of discount on the outstanding lease repayments do lessors provide in their termination clauses?

Sir Rentalot's termination payment is the retail value of the goods from day one and decreases proportionately to zero throughout the term of the lease. We are always flexible with an individual's circumstances particularly if there is some form of financial distress.

Further observations provided by Sir Rentalot

1.0 Page 33 of the interim report states "During consultation, it was noted that the cost of delivery to clients within 10 kilometers of a local franchisee office could be as little as \$10."

We believe this statement is misleading and not representative of anywhere near the true cost to deliver a rental item including:

- Purchase and collection of the item
- The cost of unsuccessful deliveries
- Business overheads
- Direct costs such as labour and vehicle running costs
- Assembly, installation and operations instructions which can take up to 4 hours for some items

2.0 After careful review of the interim report it appears the current intentions of the review panel will have a devastating impact on the consumer leasing industry. We do not believe there is adequate information currently available to justify such dramatic and catastrophic change. The current thinking of the panel, if implemented, will have a significant negative impact for hundreds of thousands of consumers and see hundreds of companies out of business. We believe a level of accountability in terms of measured outcomes against forecast predictions is most appropriate considering the obvious significant harm caused by the changes. Identifying the level of financial hardship caused directly by the rental industry currently, providing a target range that is expected after the changes are made and reporting the actual results achieved should be the minimum justification.



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3.0 The interim report does not provide adequate supporting data to justify the significant proposed changes and does not detail the negative outcomes. Limiting consumer's options to critical goods and services and destroying many consumer lease businesses will be a real outcome of the changes as proposed. Providing an understanding of those issues and predicting the likely outcomes is critical for a balanced report.

4.0 We believe the review process is flawed in that it is not widely consulting with arguably two of the most important stakeholders. Long term rental customers will be dramatically affected by the proposed changes and it appears there has been little if any consultation with these people. In our original submission we provided the opportunity to contact typical rental customers, this opportunity was not taken up by the review panel. The vast majority of people who rent household goods are very satisfied with the services they receive and would be devastated if the rental industry was decimated.

Furthermore, small business operators within the rental industry are not being adequately represented in the consultation process. Franchisees and small business operators represent a significant percentage of the overall rental industry although it appears a very small number have been represented in the review process. We believe that other small businesses such as Sir Rentalot have been excluded from additional consultation that has been taking place with the larger organisations. It seems strange that the only rental business in Australia who supported a cap on costs in the original submissions would be excluded from further discussions.

Yours sincerely
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