



The Salvation Army Australia Territory

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Senator Jess Walsh
Chair
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Financial Sector Reform Bill 2022

Dear Chair,

We thank the Senate Standing Committee on Economics for the opportunity to provide feedback on the *Financial Sector Reform Bill 2022* and other legislation (the Bill).

The Salvation Army has long advocated for stronger regulations regarding Small Amount Credit Contracts (SACCs) and Consumer Leases. We have provided significant submissions upon the issue of SACCs in the form of Committee inquiries, and consultations conducted by the Commonwealth Treasury.

Since the SACC review in 2016, along with various incarnations of regulations and proposed legislation under successive parliaments, we have been vocal in supporting a number of rational regulations which will protect vulnerable individuals from falling into unmanageable debt.

The Salvation Army's services, including our financial counselling service, Moneycare, have seen numerous instances where individuals experiencing financial hardship are drawn in by Consumer Leases and SACCs. Hidden fees, payments which are unserviceable on their income, or predatory marketing for further products, prevents individuals from retiring the loans, often forcing them into a debt spiral. These practices have a significant impact upon individual's economic security, and mental and physical health.

Previous legislation to regulate the sector has fallen short of the recommendations of the SACC review. The incremental improvements included in the *National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020* were tied to unintended consequences, constituting an unacceptable compromise. Due to the short deadline, The Salvation Army has attached our contribution to the Committee's inquiry into the *National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020*. (Attachment A). That submission highlights our concerns with the previous legislation and outlines the steps we consider appropriate to more adequately regulate SACCs and Consumer Leases.

The current Bill incorporates most of the critical recommendations of the SACC review. The removal of social security payments as a consideration for the protected earnings calculation is a

Founders **William & Catherine Booth**
General **Brian Peddle**

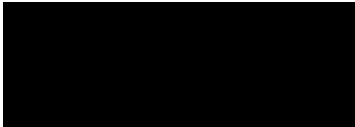
*Wherever there is hardship or injustice, Salvos will live, love and fight
alongside others to transform Australia one life at a time with the love of Jesus*

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welcome regulatory change which The Salvation Army wishes to see made urgently. Repayments of 20% of any person's income, regardless of source, were always unsuitable for individuals with limited incomes. This regulation not only harmed borrowers, it unfairly treated recipients of social security payments differently.

It is the opinion of The Salvation Army that the consumer credit reforms incorporated in Schedule 4 of the *Financial Sector Reform Bill 2022* should be enacted without amendment.

Yours sincerely,



Paul Hateley, Major
Head of Government Relations
The Salvation Army Australia

6 October 2022

The Salvation Army acknowledges the Traditional Owners of the lands and waters throughout Australia.

We pay our respect to Elders and acknowledge their continuing relationship to this land and the ongoing living cultures of Aboriginal and Torres Strait Islander peoples across Australia.

We also acknowledge future aspirations of all First Nations peoples. Through respectful relationships we will work for the mutual flourishing of Aboriginal and Torres Strait Islander Australians and non-Indigenous Australians.

We commit ourselves in prayer and practice to this land of Australia and its people, seeking reconciliation, unity and equity.

