

Recommendations

Recommendation 1

1.12 The committee recommends that the government should have a strategy to raise the incomes of low income Australians. This strategy should, at a minimum, include protecting penalty rates and reviewing the adequacy of government payments including Newstart.

Recommendation 2

1.21 The committee recommends that the National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2017 exposure draft released by Treasury be introduced, and passage facilitated by the government.

Recommendation 3

1.29 The committee recommends that the government provide additional funding to strengthen the capability of the Australian Securities and Investments Commission to police the small and medium credit contract sector and consumer leasing sector.

Recommendation 4

1.30 The committee recommends that the Australian Securities and Investments Commission, the Australian Competition and Consumer Commission and the Australian Financial Complaints Authority undertake a review to assess what systems and mechanisms would counteract the chronic underreporting of malpractice and how best to allow consumers to make complaints about the behaviour of consumer lease and payday lending providers.

Recommendation 5

1.35 The committee recommends that Treasury undertake a review to identify necessary reforms to regulatory arrangements for medium amount credit contract products.

Recommendation 6

1.37 The government should implement Recommendation 1.7 of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry removing point of sale exemptions from the *National Consumer Credit Protection Act 2009*.

Recommendation 7

1.41 The committee recommends that the *National Consumer Credit Protection Act 2009* be amended to contain strong anti-avoidance provisions that are capable of capturing both new, emergent credit-like products, and attempts to disguise the nature of existing credit products.

Recommendation 8

1.54 The committee recommends that the government implement a regulatory framework for all credit and debt management, repair and negotiation activities that are not currently licensed by the Australian Financial Security Authority, including:

- compulsory membership of the Australian Financial Complaints Authority, giving clients access to an External Dispute Resolution scheme;
- strict licensing or authorisation by the Australian Securities and Investments Commission or the Australian Financial Security Authority;
- prohibition of upfront fees for service;
- prescribed scale of costs;
- an obligation to act in the best interests of their clients; and
- banning unsolicited sales.

Recommendation 9

1.65 The committee recommends that the government consider, in consultation with the Australian Securities and Investments Commission, consumers and industry, what regulatory framework would be appropriate for the buy now pay later sector. This regulation should ensure that:

- before credit is extended, providers appropriately consider consumers' personal financial situations;
- consumers have access to internal and external dispute resolution mechanisms;
- providers offer hardship provisions;
- products are affordable and offer value for money; and
- consumers are properly informed, prior to entering into agreements, about their terms and conditions.

Recommendation 10

1.66 The committee recommends that the buy now pay later sector develop an industry code of practice.

Recommendation 11

1.68 The committee recommends that product intervention power currently proposed in the Treasury Laws Amendment (Design and Distribution Obligations and Product Intervention Powers) Bill 2018 legislation be extended to cover buy now pay later products.

Recommendation 12

1.73 The committee recommends that the Australian Securities and Investments Commission review how financial products and services (including credit) are advertised and issue an updated regulatory guide to how credit products interact with consumers in an online environment.

Recommendation 13

1.82 The committee recommends that Centrepay should only be available to entities that can demonstrate historic and ongoing compliance with relevant regulations, and that provide products at a fair price and in a fair manner.

Recommendation 14

1.85 The committee recommends that the Department of Human Services develop the capability to review Centrepay data to identify clients who are at risk of serious financial hardship and develop appropriate interventions, such as referral to a financial counsellor.

Recommendation 15

1.93 The committee recommends that the government increase the funding available to financial counselling organisations to enable a substantial increase in the number of full time employed financial counsellors across the country. The funding should be directed to ensure there are sufficient financial counsellors available in areas of need, including regional Australia.

Recommendation 16

1.94 The committee recommends that the government increase the funding available to community and financial rights legal centres.

Recommendation 17

1.99 The committee recommends that future tenders for financial counselling be conducted in a manner and to a timetable that gives service providers confidence in the outcome, and allows them to continue their work without significant disruption.

Recommendation 18

1.104 The committee recommends that the government consider what tax and other incentives could be used to encourage mainstream credit providers to offer low interest products to vulnerable Australians.

Recommendation 19

1.105 The committee recommends that the No Income Loans Schemes and Step-Up grant programs should be expanded, with longer funding cycles that are aligned to the other grants in the Department of Social Services Financial Wellbeing and Capability funding stream.

Recommendation 20

1.106 The committee recommends that the government should actively promote the No Income Loans Schemes and Step Up programs through Centrelink offices, and other forums where there is contact with people at risk of financial hardship. The government should also consider whether information regarding these programs should be included alongside the information regarding the debt helpline on bills and other documents.

