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## **Franchise Dealers looking for answers on Australian Credit License plan**

Members are advised that VACC, in conjunction with the Australian Retailers Association (ARA), Australia's largest association representing the country's \$310 billion retail industry sector, is calling on the Australian Government to consult with industry before implementing any recommendations contained in the final report (the report) of the Hayne Royal Commission into *Misconduct in the Banking, Superannuation and Financial Services Industry*.

### **About the Hayne Report**

On 4 February 2019, the Government released the final report of the Commission. In the Report, Commissioner Kenneth Hayne made 76 recommendations, some of which will impact VACC members.

Of greatest concern to VACC and ARA is recommendation 1.7 that puts into play that retail dealers acting as a broker for loan applications having a requirement to hold an Australian Credit License (ACL) and comply with the National Consumer Credit Protection (NCCP) Act.

Already dealers and retailers are representatives of ACL holders. Under the current NCCP Act, it is mandated that the current ACL holder is currently accountable for dealers and that ACL holders have the onus to ensure dealer compliance with credit legislation. This extends to dealer participation in training and management of conflicts. This was not acknowledged in the Report.

### **Abolishment of Point of Sale Exemption for dealers**

VACC and ARA are rallying against the implementation of such a licensing requirement and seek a positive commitment from Government that it will not abolish the Point of Sale Exemption (POS) that was introduced as an interim measure in 2009-10 as part of the NCCP reforms. Industry is concerned that under potentially new arrangements consumers will not have access to credit at a store or dealership and that this will impact their buying intentions.

The fact that a consumer can currently obtain finance from a dealership in a cost effective, convenient one stop solution that benefits all parties, makes the proposed tougher criteria all the more staggering. It must be noted that Government concern regarding dealer arranged finance belies the Royal Commission opinion that, although delinquency indices for motor vehicle loans have increased since 2012, they remained at low levels in absolute terms.

VACC and ARA were surprised that as the POS exemption was only briefly mentioned in the Royal Commission's interim report that the government took such a stringent policy direction. At a recent meeting with The Treasury it was requested that the Government show where the market has failed and why the Government reaction is disproportionate to the level of consumer complaints or issues.

It is the Government's intention to enact the ACL obligation from July 1 2020. This would be catastrophic for Government and Industry.

### **What are the concerns with dealers being required to obtain and maintain an ACL?**

The implementation process for an ACL, from ASICs perspective, would involve receiving thousands of finance consultant and credit-lending applications for positions employed in retail goods outlets and new car dealerships across Australia. It is VACC's viewpoint that this is a red tape disaster for industry and government.

VACC research indicates that approximately 8 per cent of VACC Victorian Automobile Dealer Associations (VADA) 640 members hold an ACL. Startingly, none of these (8 per cent) VADA members are based in regional Victoria.

### **What will be the long-term impacts?**

VACC and ARA do not understand why the Government would seek to curtail the access to a credit service offered at the retail level. Ultimately, the infrastructure and maintenance costs associated with an ACL will flow to consumers.

It is the view of VACC and ARA members that the last thing industry needs in the current economic climate is another reason for consumers to simply not front up to a dealership or retail business to purchase a product. Consumers will be forced to go overseas or to on-line providers.

We have seen the implications of restrictive and draconian lending practice in the recent new car sales figures (VFACTS). The current regulatory impost on access to consumer finance is having a negative effect on car sales.

It's getting too difficult for good people to get credit and even tougher for good businesses to provide it.

### **Will it be individual or business licencing requirement?**

VACC has not been informed as to whether the ACL regime will extend to an employee individual licence or whether it will solely be dealerships businesses being required to be licenced.

Our major concern is that any licensing regime does not necessitate the need for individual licensing requirements for employees. Turnover or availability of staff to coordinate any finance or credit arrangements at the POS make this an unpalatable situation, particularly for dealerships in regional Australia.

### **What action is VACC taking in response to the Government position?**

On behalf of VACCs new car, used car, motorcycle, farm machinery and truck dealer members VACC has taken the following approach:

- VACC, has as recently as Monday, 14 October been in dialogue with Treasury. Dialogue will continue to ensure best outcomes for members. VACC will maintain an information stream to its affected members.
- VACC has entered into a strategic lobbying agreement with Australia largest retail member industry group, the Australian Retailers Association and the Australian Finance Industry Association (AFIA).
- Through collaborations with ARA, AFIA and other associations VACC looks to meet with Treasurer Frydenberg and Prime Minister Morrison in a bid to overturn the government's intention to implement Hayne Recommendation 1.7.
- If Treasury moves forward with Hayne Recommendation 1.7, VACC has appointed Deloitte to roll out a series of seminars where dealers will be able to be informed as to licensing and reporting obligations attached to the ACL regime.

What VACC and ARA seek is transparent consultation from Treasury and ASIC before any measures are put in place and that the POS exemption is maintained.

Members are encouraged to provide feedback to VACC on this issue.

VACC is meeting with Treasury in Canberra today in a bid to ease the burden the ACL will place on Dealers.

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