

## **Buying a new car to become less complicated with access to credit reforms**

The VACC and its national body, the Motor Trades Association of Australia, welcome today's announcement by the Federal Government to introduce reforms that will free up credit lending criteria.

The reforms are further evidence of Government getting the balance right between essential and appropriate consumer protections while enabling through a suite of changes to laws and regulations, streamlining the flow of credit to consumers and business to overcome the impacts of COVID-19.

VACC and MTAA have supported some changes to enhance consumer protections where necessary and appropriate, including enhanced obligations, increased penalties, and greater oversight. But other planned protections or requirements have gone too far and risk further skewing an adequately balanced approach. Already consequences of restricted lending, complicated credit access regimes and increased business costs, have caused depressed sales, consuming and costly unnecessary red tape and significant consumer dissatisfaction.

The impacts of credit restrictions and onerous lending criteria are a significant contributor to 29 consecutive months of falling motor vehicle sales.

This was highlighted in the *Victorian Automobile Dealers Association (VADA) – ShineWing Roadmap to Recovery* submission to the Federal and State Governments ([attached](#)), point 12, where VADA recommended that:

### **12. Clarify responsible lending guidelines**

SW Australia and VADA recommend the Federal Government in conjunction with ASIC, provide clarification on the responsible lending obligations.

The *National Consumer Credit Protection Act 2009* (NCCP Act) contains two separate, but interlinked "responsible lending" obligations for lenders assessing consumer credit applications:

- make reasonable inquiries about the applicant's requirements and objectives, and reasonable inquiries and verifications about their financial situation; and
- not enter into a credit contract that is unsuitable for the applicant.

New car dealerships are finding lenders requirements onerous and detrimental to their business.

We contend this is because of misinterpretation of the NCCP requirements, in particular undertaking "reasonable enquiries" about the consumers financial situation, treatment of living expenses and lifestyle choices/discretionary spending.

We request ASIC provide new guidance and clarity to credit providers as to what exact requirements are required to satisfy their NCCP obligations.

## **Further advice on this issue**

Even now, regulators are persisting with additional unnecessary regulatory changes that threaten to increase the complexity of the access to products and services and impede economic recovery efforts.

VACC, VADA and MTAA will continue to advocate strongly against the imposition of these further changes.

VACC, VADA and MTAA believe these significant reforms will significantly aid economic recovery and will continue to work with the Federal Government on implementation.

VADA and VACC thank MTAA CEO Richard Dudley for his work in Canberra and to Steve Edmonds from ShineWing for his professional advice on this matter.

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