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Reforms to Unfair Contract Term Protections

Dear Member

I am pleased to announce that almost four years since the extension of unfair contract term (UCT) protections to small businesses, on Friday 6, November 2020, Commonwealth and state and territory consumer affairs ministers agreed to strengthen the existing unfair contract term protections in the Australian Consumer Law.

Key reforms include:

- making unfair contract terms unlawful and giving courts the power to impose a civil penalty
- increasing the eligibility threshold for the protections from less than 20 employees to less than 100 employees, and introducing an annual turnover threshold of less than \$10 million as an alternative threshold for determining eligibility
- removing the requirement for the upfront price payable under a contract to be below a certain threshold
- improving clarity on when the protections apply, including on what is a 'standard form contract'.

These UCT reforms will apply to both the Australian Consumer Law and the ASIC Act (which covers general insurers) and will commence as of 5 April next year.

VACC has lobbied both Federal and State Government extensively on the power imbalance against small business through the use of unfair terms in standard form contracts by large businesses.

These enhancements will help reduce the prevalence of unfair contract terms in standard form contracts and will improve consumer and small business confidence when entering into contracts.

Further detail is outlined in the Legislative and Governance Forum on Consumer Affairs (CAF) meeting [communique](#) and in the Decision Regulation Impact Statement, available on the Treasury [website](#).

Yours sincerely

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