



Australia's property industry
Creating for Generations

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Senate Economics Legislation Committee
Parliament House
CANBERRA ACT 2600

By email: economics.sen@aph.gov.au

National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020

The Property Council would like to thank the Senate Economics Committee for the opportunity to present a submission on the *National Consumer Credit Protections (Supporting Economic Recovery) Bill (2020)*

The Australian Property Industry

The Australian property industry is a key driver of the Australian economy and will be critical to our recovery from the COVID-19 pandemic.

In 2018/19 the Australian property industry:

- Directly contributed \$234.7 billion to GDP – equivalent to **12.8% of total GDP** – and contributed a further \$281.0 billion to GDP through flow-on demand for goods and services.
- Directly employed **1.48 million full time equivalent (FTE) employees** (13.6% of Australia's total) and supported some 1.67 million FTE jobs through flow on activity.
- Generates approximately **26.3% of the wages and salaries** paid to Australian workers, both directly and indirectly.
- Contributes some **\$106.1 billion in combined federal and state tax revenues** and local government rates, fees and charges revenue. This equates to 18.1% of total Australian tax and local government rates fees and charges revenues in 2018-19.

The proposed bill

The Property Council supports the proposed amendment bill in its current form.

We must ensure that our most vulnerable citizens do not fall victim to practices that leave them in any additional financial distress. We must also ensure that Australians who want to buy a home, invest in property or start a business can access credit which will be vital to supporting economic recovery and growth following COVID-19.



The *National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020* will amend the *National Consumer Credit Protection Act 2009* and seeks to implement reforms that will ensure that the current responsible lending obligations are maintained for small consumer credit contracts and consumer leases, while allowing larger credit contracts to have a more streamlined processing system.

The Bill aims to adjust the 'one-size fits all' obligations which have been a feature of the current responsible lending obligations.

Harnessing necessary capital

The current economic downturn created by the Covid-19 pandemic has dramatically shifted the conversation on the need to release credit into the economy.

The implementation of the Government's HomeBuilder program has been a significant initiative that has kept the construction industry afloat through 2020, keeping many tens of thousands of Australian workers on site and employed. However, data has shown that waiting times for first home buyers has blown out from several weeks to several months. The current restrictions within the responsible lending obligations and the delays that these cause means that many Australians have missed the opportunity to apply for HomeBuilder grants.

For Australia to advance out of the current economic downturn it is critically important that potential homeowners and small businesses have access to credit lines that will build new homes, kick start small business, and fund new small businesses.

The implementation of tighter lending requirements has had the unintended consequence of tying some home buyers and small business owners in layers of red tape that is delaying access to loans and small business investment capital.

Whilst rental relief has been provided to many small businesses in Australia during 2020 by commercial landlords through mandated Codes of Conduct, many of these measures will cease during 2021, meaning small businesses will need to re-commence paying appropriate rent to building owners once again. For many small businesses this may mean accessing loans and/or overdrafts efficiently to ensure that their rent is paid so they can continue to operate.

Protecting vulnerable Australians

The measures contained within the Bill appear focused on getting the balance right between a fit for purpose regulatory framework that supports the flow of credit and regulatory oversight that maintains consumer protections.

Specifically, the Bill seeks to establish limits on the amount of credit that a consumer can obtain through small amount credit contracts including, setting limits on Centrelink recipients who will be restricted to assigning no more than 20 per cent of their income to contracts and leases.

Further, the prohibition on unsolicited and door-to-door sales of financial products should further enhance protections to consumers.

These protections should ensure that vulnerable consumers do not over-extend their credit obligations which could lead them into deep financial distress.



Conclusion

While Australia's economic recovery is advancing well ahead of earlier projections, the economic road ahead remains very challenging. A competitive and well-functioning credit market, subject to prudent regulatory oversight, will support jobs and economic growth.

Further information

For more information on this submission please contact – Collin Jennings, National Policy Manager- Cities, Housing and Planning on [REDACTED] or at [REDACTED]

Yours Sincerely,

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