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**Senate Economics Legislation Committee**  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600  
AUSTRALIA

**CHERPA Inc.**  
PO Box 156  
Moonah TAS 7009  
2<sup>nd</sup> February 2021  
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Re: National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020

Dear Sir or Madam,

Thank you for the opportunity to participate in this inquiry.

Please find attached our submission. We welcome any feedback, or further dialogue on this matter.

We would appreciate a confirmation of the receipt of this submission.

We look forward to your response.

Sincerely,

**Steven King**  
President  
CHERPA

[Redacted signature block]

**Nicholas King**  
Media Contact and Submission Author  
CHERPA

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# CHERPA Submission

## to Economics Legislation Committee

2<sup>nd</sup> February 2021

**Regarding the National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020.**

### Overview

CHERPA (Consumer Household Equipment Rental Providers Association) is the peak body for the domestic household rentals industry (the industry”), or more specifically, operators that provide consumer leases within Australia. As an industry organisation, CHERPA is broadly in favour of federal regulatory change for the betterment of the industry.

Although CHERPA exists to represent industry members, as a non-profit peak body we are equally concerned for our consumer stakeholders. We strive to assist our industry members with effective self-regulation through adherence to our [Code of Conduct](#), a prerequisite for CHERPA membership.

Our code of conduct exists to preserve not only the safety of our consumers, but to provide an ethical and responsible framework for our industry members to operate within. The code of conduct is the industry benchmark for best practice and aims to preserve the wellbeing of all stakeholders.

### Submission Purpose

This submission supports the passing of the government’s *National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020*, and to draw particular attention to the necessity of specific sections of the Bill that are relevant to the consumer leasing industry. These elements are referenced and explained in the sections following.

### Key Points Summary

1. **Urgent Support of Bill:** CHERPA supports the *National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020* and urges the Parliament to pass the Bill at the earliest possible opportunity.
2. **Essential Consumer Protections:** CHERPA asserts that Schedules 3 and 6 of the Bill provide essential additional consumer protections for recipients of consumer leases. In that context CHERPA emphasises the following:
  - a. The referenced schedules provide additional consumer protections for consumers of consumer leases, including vital controls such as the introduction of a *protected earnings amount* and a *cap on costs*, each of which under the Bill’s regulatory framework are to be set at levels tolerable for both consumers and industry members, thereby preserving the industry’s overall viability, and also preventing financial exclusion while avoiding excessive financial burden to consumers; and
  - b. The referenced schedules raise consumer protections within the consumer leasing sector to the level of standards already independently maintained by CHERPA via its code of conduct, thereby expanding the implementation of already proven standards throughout the entire industry;

3. **Federal Government Mandate:** Consumer leases should indeed be regulated by the federal government as a national economic activity. Failure to do so will likely see state governments “go it alone” with inconsistent attempts at regulation and a protracted process, which would be negative for the economy, business and consumers generally.

## Assertions

### 1. Urgent Support of Bill

CHERPA urges the parliament to pass the Bill at its earliest opportunity. The consumer lease sector has long been awaiting reform and regulatory controls to ensure appropriate consumer protections are in place that nevertheless also maintain industry viability.

This Bill achieves an excellent balance of such protections while allowing conscientious industry members the opportunity to continue in their everyday business operations with minimal interruption. Moreover, the bill leaves little room for industry rogues to remain viable and will likely reduce industry corruption to negligible levels.

### 2. Essential Consumer Protections

Schedules 3 and 6 of the Bill provide essential additional consumer protections within the consumer leasing industry.

Among other points, Schedule 3 provides for the *protected earnings amount* and *cap on costs*, each of which are essential to ensuring a fair and equitable approach to managing the financial impact upon recipients of consumer leases, while also allowing the consumer leasing industry to remain viable.

a. **Protected Earnings Amount:** The *protected earnings amount* for consumer leases (or the proportion of income which the regulations will allow a consumer lessor to accept for repayment of leased goods) is to be set to a maximum of **20% of a consumer's total income** for consumers generally, with Small Amount Credit Contracts (SACC loans) to form no more than 10% of that amount for consumers who derive 50% of their income or greater from Centrelink payments.

This amount matches CHERPA's broad industry experience in determining general affordability of consumer leases and is adequate in the vast majority of cases to both prevent financial exclusion in consumers needing to secure essential household items, while mitigating any excessive financial burden to those consumers. The inclusion of the 10% income limitation on SACC loans for consumers with primarily Centrelink-based income is also appropriate as an added precaution.

Furthermore, we note that as a non-profit industry peak body, CHERPA's primary purpose is to provide a viable sector for all industry stakeholders, including consumers. To that end, CHERPA's member base is committed to preserving the financial viability of consumer leases as well as each individual consumer's financial safety and wellbeing, as we consider this to be mutually beneficial in all cases for positive leasing outcomes.

b. **Cap on Costs:** The *cap on costs* sets forth the total multiple of the base price of goods (plus installation and delivery fees, plus GST) that may be charged over the life of the lease. This is to be set to **4% per month**. This is in line with recommendations from the 2016 final report of the *Review of the Small Amount Credit Contract Laws* (“The Review”).

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A cap on costs is essential for ensuring that consumers are not charged exorbitant amounts over the life of their lease. This cap nevertheless needs to recognise the inherent risks taken by operators within the industry, especially in regard to general operational expenses plus loss of goods due to consumer defaults combined with a lack of genuine recovery powers on the part of industry members. The cap as presented in The Review is sufficient to protect consumers from excessive spending while still allowing industry members to mitigate their risk exposure.

CHERPA therefore supports this finding and its implementation into the Bill and associated regulations.

Additionally, Schedule 6 introduces essential privacy protections for consumer information via *constrained documents*, further strengthening consumer safety during the consumer lease process.

CHERPA observes that the Bill also introduces a range of related constraints that are targeted at protecting consumers broadly and improving the general standard of business practices within the consumer leasing industry.

Once this legislation passes the Parliament, CHERPA looks forward to ongoing consultations with both the Treasury and ASIC concerning the proposed legislative instruments outlined in Schedules 3 and 6 of the Bill.

### 3. Federal Government Mandate

As consumer leasing is a national economic activity, CHERPA asserts strongly that the federal government is indeed the appropriate body to produce legislation and regulations governing the industry. To negate this opportunity would very likely see state governments attempting to “fill the void” with their own legislation, which would lead to a patchwork of inconsistent government approaches throughout the country.

An example of this is the recent consideration of a similar bill in the South Australian parliament. States and territories are eager to see legislation on these matters implemented and are willing to take responsibility for it themselves if possible, to the detriment of the national economy, business, and consumer stakeholders.

## Concluding Remarks

The journey of regulatory reform for the consumer leasing industry has been a relatively slow one. However, this has enabled CHERPA and other similar organisations to have their say on what is an essential matter for hundreds of thousands of Australians throughout the country who rely on consumer leases for everyday essentials such as white goods and more.

As an industry leader and peak body, CHERPA has been uniquely placed to contribute its thoughts and experience on these matters, and after much consultation is pleased to be aligned to the government’s attempts at regulatory change.

The Bill provides superb consumer protections in a manner that CHERPA feels is balanced toward all key stakeholders. Therefore, we strongly urge all participants in the Bill’s legislative process to pass the Bill as soon as practicable.