

# **A Better Chance Pty Ltd**

**(Exclusive Australian Distributors for Educational Technologies Limited)**

21<sup>st</sup> October, 2011

## **Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill 2011** **Section 156**

### **Submission on Discussion Paper**

A Better Chance P/L has been the Australian Distributor for Time Life (now Educational Technologies Limited) since 1999. Since then we have provided many thousands of families with products which enhance their children's early learning experiences and stimulate their pre-school development - full product details can be accessed at [www.etllearning.com](http://www.etllearning.com).

We use direct sales methods with Representatives demonstrating and explaining the products in families' homes to ensure a full understanding. We offer flexible finance options to facilitate their purchase.

We are members of the Direct Selling association of Australia and conduct our activities in accordance with the DSAA Code of Practice, which is designed to promote fair dealing between DSAA member companies and their customers.

We comply with all relevant aspects of the Australian Consumer Law.

Depending on various temporary offers we have current between 11% and 22% of our customers choose to pay by cash or credit card. Between 78% and 89% choose to take advantage of our finance terms.

We have made our finance offering extremely customer friendly. The interest rates we charge have not altered since 1999 and are competitive or cheaper than comparable "in-store" rates. The interest is calculated daily on the reducible balance of the customer's account, so is only paid on money actually outstanding. At the time of purchase customers elect a minimum amount to pay monthly but they can pay more, or finalize their account, without penalty at any time, thus reducing the amount of interest they pay.

The simple finance contract we use is government mandated and the customer receives both a pre-contractual statement and a copy of their contract showing the exact terms of their proposed finance arrangement - the cash price of the products, the interest rate, the amount and starting date of their monthly repayments, the amount of interest incurred if they pay just the minimum monthly instalment on the due date, the total amount repaid, etc.

At the time of sale the customer receives a government mandated notice of cancellation rights explaining their various cancellation options - 10 days for no reason other than their 'change of mind' and various longer periods if we, or the sales person, perform or fail to perform certain acts - for both the purchase of the products and the related credit arrangements.

Following the sale it is our practice for a non-sales employee to contact the customer and ensure they understand, and are happy to proceed with, their order and finance commitment.

At the time of taking out the finance contract we advise the customer that if they should experience any difficulty in making an agreed payment to contact us and we will make alternative, mutually agreeable, alternative arrangements with them. We have done this many times over the years.

While the finance arrangement is current we provide the customer with a monthly statement showing amounts they have paid, interest added that month, the outstanding balance and the due date of their next payment. This ensures the customer is perfectly clear about their position and if any errors were to occur they would be immediately apparent and corrected.

We have recently obtained a Credit Providers Licence from ASIC, the terms of which, put our lending activities under constant review by ASIC and, among other things, commit us to responsible lending practices ensuring no customer commits to obligations they cannot afford.

We are members of an External Disputes Resolution Scheme (Financial Ombudsman Service) and advise all customers of their right to take any unresolved complaints to them.

The currently proposed provisions would have the effect of prohibiting our business. We would close down. The Australian Consumer Law and the National Consumer Credit Act have recently greatly strengthened protections for consumers – both purchasers and credit users. We have gone to great lengths to obtain an ASIC Credit Providers Licence.

Surely these law changes should be given time to work, and their effectiveness evaluated, before the outlawing an industry, which has been legal since Federation.

We believe that:-

- 1) our DSAA membership and adherence to their Code of Practice
- 2) our use of government mandated contracts and information statements including rights of cancellation
- 3) our adherence to the Australian Consumer Law
- 4) our Licensing under the National Consumer Credit Act provisions
- 5) our membership of an External Disputes Resolution scheme

together provide adequate protection for our customers and prohibition of our activity is unwarranted.

We believe that the effects of the proposed provision to prohibit direct sellers from offering their customers credit to purchase their products would be the following:-

- 1) up to 89% of our customers would be disadvantaged in their desire to provide a good educational start for their children
- 2) our business would be severely adversely impacted, leading to our closure and a general decrease in economic activity and lower taxation revenue
- 3) our sales people would be severely adversely impacted leading to unemployment
- 4) our office staff career prospects would be diminished including unemployment.

We believe that the current proposal to prohibit direct sellers from offering their customers credit to purchase their products is unnecessary, unwarranted and overkill. We believe that to implement these changes before the extensive recent law changes have been evaluated is premature and, in view of the irreversible consequences, irresponsible.

Yours sincerely,  
Richard Harding  
(Managing Director, A Better Chance Pty Ltd)