

The Commercial Asset Finance Brokers Association of Australia (CAFBA) welcomes the opportunity to provide a submission on the Inquiry into Small Business in Australia.

With over 500 individual members who are predominantly small businesses operated by family members, our members arrange commercial equipment finance in excess of \$6b annually to mainly small businesses. We are therefore in the unique position of being able to provide informed comment particularly in reference to the access and cost of finance to small business in Australia.

Our particular concern however is the proposed introduction of legislation that would not only severely restrict the access of finance to small business but also greatly diminish the effectiveness of our members to carry on in their business. This legislation, which is effectively applying the same criteria of the National Consumer Credit Protection legislation to Commercial Credit is both unnecessary and unwarranted.

CAFBA members arrange finance for small business to acquire equipment that is used in the business to earn assessable income. Often this equipment is needed quickly for certain projects or contracts to be undertaken by small business, and any delay can be costly (and even result in the opportunity being lost). Additional regulation will severely delay the provision of this finance.

We contend there is currently no systemic failure within the market that would require additional regulation. There are already mechanisms in place to protect commercial borrowers.

Lenders conduct proper credit assessments before approving finance and are satisfied that the borrower has the ability to repay the loan. The equipment is normally the only tangible security for the loan (as opposed to additional real estate security in other consumer loans). Therefore the analysis for each loan is dependent on cash flow and the small business's ability to repay the loan. If a third party guarantee is required the Code of Banking practice already requires the guarantor is fully aware of the circumstances of the borrower and the loan, and has sought independent legal advice. Third party guarantees are rare, as lenders require the applicant to be self - supporting, however safeguards are in place if it is required.

Enforcing a regulatory regime of small business will add a cost burden to small business, restrict the amount of credit available and cause costly delays in obtaining necessary equipment to earn additional income and increase efficiency.

The Global Financial Crisis caused many small businesses to delay acquiring new equipment, much of which would normally be financed. Ultimately however this equipment is required as new machinery and technological advancements require business to continually renew or update equipment. Additional regulation would only further obstruct small business from making these crucial and necessary acquisitions.

Regulatory intervention in the Business finance market would have adverse cost and time implications to Equipment Finance brokers (who are predominantly small businesses themselves), and would only serve to constrict commerce within the small to medium business sectors without delivering any corresponding benefit.

Many CAFBA members are family businesses, and in their role as Equipment Finance Brokers meet the community's needs for prompt service and ongoing relationships. To properly act on a client's

behalf it is common for Equipment Finance Brokers to arrange and manage multiple credit facilities, as instructed by clients, where the ability to settle immediately is critical to the client's business. Equipment Finance transactions often need to be discussed, approved, documented and settled within sometimes very short timeframes.

The impact therefore on Family Businesses for those seeking commercial finance and those arranging it on their behalf by introducing unnecessary consumer style protections would ultimately disadvantage small business operators.

In summary we believe that enforcing a regulatory regime on family business will add a cost burden to small business, as well as restrict the amount of credit available to small business which it clearly needs to provide economic benefits to the nation.