

A SUBMISSION

to the

House of Representatives Standing Committee on Economics

INQUIRY

into the

EXPOSURE DRAFT AUSTRALIAN CHARITIES AND NOT-FOR-PROFIT COMMISSION BILLS

from the

Finance Industry Delegation

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Introduction

As explained below, unless the Senate significantly amends the Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill 2011 (hereafter called the Credit Bill), in August/September 2012, from the 1st July 2013 it is highly likely that the charities and Not-For-Profit (NFP) sector will have the major responsibility for providing small amount, short term loans in Australia. As a result, the Australian Charities and Not-For-Profits Commission will have to assume a regulatory and supervisory role similar to that which ASIC currently undertakes in regard to commercial lenders. This role will have to be recognised in the ACNC Bills. The Draft Bills do not include any such recognition at present.

About the Finance Industry Delegation

The Finance Industry Delegation (previously called the Financiers' Association of Australia/Industry/Smiles Turner Delegation) represents some 146 small amount, short term (payday and microloans) lenders around Australia, covering approximately 206 lending outlets and offices.

Retail outlet, telephone, internet and mobile lenders are all represented and the Delegation's policy and editorial committee includes large, medium and small companies and lenders with substantial international lending experience.

In addition, the Delegation represents several major suppliers to the industry sector. These suppliers constantly deal with over 200 other lenders across Australia.

Included among the suppliers are Min-It Software, the industry sector's largest supplier of management systems; Credit 21, a multi-service provider; Easylodge Infrastructure Services, servicing both the credit and insurance industries; and the authors whose consultancy firm, Smiles Turner, has undertaken 26 major consumer and industry sector surveys since 2003 - far more than any other organisation in the world.

Our fundamental concern

The Finance Industry Delegation is very concerned that the Draft Australian Charities and Not-For-Profits Commission (ACNC) Bills (Commission Bills) appear to fail to recognise that, from 1st July 2013, the Charities and Not-For-Profits Commission will have a parallel role to that ASIC currently holds in its oversight of commercial small amount, short term lenders.

We draw your attention to the fact that, should the Senate pass the Credit Bill without amendment, in August/September, at least 92% of the current small amount, short term lenders (payday and microlenders) will not be viable under the price controls included in that Bill.

That means this finance (lending) market segment will not be serviced by most of the 440-odd companies currently involved, with their 689 outlets and lending offices and 58 internet lending services. At best, any lender involved in this segment who remains, will be lending amounts in excess of \$5,000 - when 94% of the current loans in this market are for amounts under \$1,000.

In addition, our recent analysis of the structure of current broker and establishment fee arrangements relating to personal loans, from \$5,000 to \$10,000, primarily for second-hand motor vehicle purchases, indicates that commercial lenders from this loan sector will also exit the market.

With brokerage fees and establishment fees having to be included in the 48% reducible interest calculation, under the Credit Bill, these loans will also be commercially unviable.

The current providers are highly dependent on brokers for the marketing of their products and, like the banks, require an establishment fee to make their loan commercially viable. The opportunity to charge 48% in dollar terms, as opposed to their current 27% to 35%, does not make up for their loss of both brokerage and establishment fees.

These price controls are prescribed in the current Credit Bill, which was passed by the House of Representatives in June, with the price controls commencing on 1st July next year.

In regard to the under \$5,000 personal loans, in order to avoid 750,000 borrowers (who borrow on average 2.4 times per year) turning to illegal lenders, the Not-For-Profit (NFP) sector will be obliged to significantly expand its lending capability. The consumers involved current borrow \$1.2 billion per year.

The Delegation has not commissioned any research in regard to the \$5,001 to \$10,000 personal loan market, but has been advised that 80% of all used car sales from dealers involve such finance and the total loan book is estimated to be between \$500-800 million. Given the need many people have for a vehicle to travel to and from work, we would expect a considerable demand on the NFP lenders after 1st July next year, from this sector of the personal finance market alone. As it will be for smaller loans to pay for vehicle repairs, registration and insurance, this demand will be absolutely at crisis point.

Given this expansion will entail accommodating one hundred times the number of consumers and sixty times the amount of money that the NFP sector lenders currently provide just for the smaller loans discussed above, it will be important to ensure the enabling legislation for the Commission recognises the major money lending compliance monitoring role the Commission will be forced to adopt.

Prior to such on-going monitoring and policing, will be the challenge of establishing the appropriate governance arrangements for the participating NFP lenders.

None of the functions that will be necessary appear to have been recognised in the Draft Commission Bills.

Major impact on governance arrangements

We trust the following examination of governance arrangements will assist the Committee's understanding of what is entailed.

In the absence of any indication that Minister Bill Shorten has accepted the need for the required major changes to the current Credit Bill, it would be most unwise to ignore the very significant governance impost that will face the NFPs who are currently, or will become, involved in providing personal small amount, short term loans. The structure and powers of the ACNC must reflect these.

As the Committee would be aware, these are a very diverse group and include major organisations such as The Good Shepherd Youth and Family Service, Brotherhood of St Lawrence, the Salvation Army and Anglicare, as well as smaller organisations such as Muru Mittigar Aboriginal Cultural and Education Centre and Foresters.

Major regulatory demands and community expectations involved

Because so much cash is involved and there are so many mandatory conditions imposed on lending by the National Consumer Credit Protection Act 2009 and associated Regulations, small amount, short term money lending by the NFP sector requires particular attention to satisfying community expectations in regard to efficiency, transparency, accountability and compliance.

The need for infrastructure development and increased Government funding

Major NFP infrastructure development and associated major funding increases should also be recognised in the governance arrangements being considered for implementation nationally and which the ACNC will have to oversight.

The objective of developing a single governance system must recognise that, currently, delivering money lending services is likely to become a very big issue for possibly hundreds of NFP organisations - whether individually or as local branches of major NFP organisations - operating from approximately 600 different outlets. These will be needed to replace the current 680 commercial lending locations across Australia.

Twin masters and community expectations

Part of the challenge in developing appropriate governance arrangements is that the current thinking is for all NFPs to report back to the ACNC, which will establish the regulatory framework for all NFPs. The current draft does not appear to recognise this dynamic situation in regard to money lending.

It cannot be overlooked that, as money lenders, the NFPs will become involved in the credit licensing, reporting and regulatory framework associated with ASIC, as prescribed for all money lenders under the National Consumer Credit Protection Act 2009 and associated Regulations.

Governance arrangements will have to accommodate both regulatory frameworks and allocate the compliance supervision role to the ACNC.

While it is appreciated that NFP lenders currently enjoy some exemptions from the National Consumer Credit Protection Act and associated Regulations, these exemptions have been provided in an expectation that they would apply to a small number of special circumstances, involving a relatively small number of loans. The environment being considered by this submission is one where the NFPs take over most of the lending currently being undertaken by commercial lenders. This is a very different scenario. If unamended, Minister Shorten's legislation will require the NFP sector to increase their lending from some \$20 million a year (the NAB estimates \$25 million this year), to some \$2 billion in 2013-14. To do otherwise will leave the field entirely at the mercy of the nationally coordinated bkie gangs and the Lebanese-Australian and Vietnamese-Australian loan shark gangs that operate out of the casinos in NSW.

Further, the Government has strongly promoted its post-1 July 2010 involvement as the regulator of small amount, short term lending and has strongly emphasised the importance of the consumer protection measures it has introduced. The public will expect these now established consumer protection measures to continue if the NFP sector takes over from the commercial lenders and undertakes fundamentally the same role. The governance and compliance arrangements will have to recognise management systems for the implementation of a responsible lending regime, with clear responsibility to identify unsuitable loan applications via a rigorous application and verification process and providing towards 40 pages of mandatory documentation for every loan.

Any governance development objective must recognise community expectations concerning three possible misappropriations of the large sums of money that will be responsibility of the NFP sector:

1. NFP entity to employee;
2. NFP entity's lending finance division, to another area of activity of the same NFP, that should be the subject of separate and different funding; and

3. NFP entity to a third party or organisation.

It should also be anticipated that these community expectations will embrace the NFP entity's ability to factually and objectively undertake cost of service delivery analysis. This should be a major inclusion in all funding submissions and a determining factor in Treasury allocations of funding to the different NFP lending entities. It should be expected that the ACNC will be involved.

As the likely NFP entities that will be involved in money lending have never had any experience of major lending costs, the ACNC will need to undertake the necessary cost analysis and appropriate economic modelling to form the foundation of any governance and compliance arrangements.

Finally, the development of the new governance and compliance arrangements will have to recognise the inherent conflict between the traditional understanding of what "not-for-profit" means and the expectation the community will have that the lending activity will be conducted as an economically viable activity, involving the need to at least break even, if not the need to generate profits.

This to not only to achieve the ideal of breaking even in any one period, but to allow a surplus (profits) to accumulate, to cover unforeseen losses that might threaten this break even status in the future. This introduces a further supervisory responsibility for the ACNC

Substantial Government funding expected

Government funding announcements must be expected, unless Minister Shorten signals his approval to his Government colleagues in the Senate, for essential amendments that will leave commercial lenders viable and make such Government funding unnecessary. Alternatively, Minister Shorten could continue with his policy of ignoring the consequences of his legislation and thereby deliver the small amount, short term lending sector to the criminals.

The Government announcements will clarify the substantial funding amounts that the NFP sector will have to be granted by the Federal Government, in order to satisfy the demand created for NFP organisation's loans under any legislation that does not reflect a major change in the existing provisions in the current Credit Bill. The ACNC will have to be closely associated with both the calculation, delivery and deployment of these funds.

Unfortunately, there does not appear to have been any provision made in the 2011-12 Federal budget. However, when appearing before the Joint Committee on Corporations and Financial Services, the consumer advocates were very confident that financial and funding arrangements would be in place in time for the commencement of the current Credit Bill, because they all appeared to reject the Committee members' concerns that there would be nothing in place to replace the commercial lenders. It would be useful for the Committee to liaise with the Consumer Action Law Centre in Victoria (CALC), which has assumed the role of leader of the consumer advocates in the debate over regulating consumer credit. This to see whether or not the consumer advocates have now undertaken the essential contemporary research and can provide any other viable alternatives.

As we will briefly discuss below, the amounts of money involved are far greater than any amount managed and lent by the NFP sector to date. In these circumstances you should assume that governance arrangements will be required to cover the major money lending role for the NFP sector at the conclusion of your review and to be incorporated in the proposed single governance system, which the ACNC will have to control.

The new statistics

In considering the design of new governance and compliance arrangements for the NFP sector and the content of the Bills under consideration, the Delegation believes that it is very important that the following statistics be kept closely in mind. On all current and past indications from the Minister, they reflect what lies ahead for the NFP sector that currently engages in lending small amounts, for short terms, to a small section of the community, when most of the commercial lenders have exited the market during 2013.

1. As the 2011 RMIT University research and the Consumer Action Law Centre Victoria 2008 research found - around 80% of small amount, short term borrowing is for purposes that our society regards as non-discretionary.
2. Only 30% of current borrowers of these small amount, short term loans claim to have an alternative source of loan funds they could access if necessary (Smiles Turner research, November 2010, March/April 2011). Unfortunately, this number will drop when reflected in the actual percentage who will be able to access an alternative to their current commercial small amount, short term lender. There is always a tendency for people to be overconfident, particularly when they have not had to try. Over time, lending criteria may have changed and the relevant lenders faced with all 30% applying at once, may simply not have the resources to cope with all applications.
3. All commercial lending for personal loans under \$3,000, and most for loans between \$3,000 and \$5,000, will cease under the current Credit Bill and the majority of borrowers will be turning to the NFP sector for lending help.
4. It is highly likely that all commercial lending for personal loans between \$5,000 and \$10,000 will also cease from the 1st July 2013, except at the higher end, where the loan terms will be at least 3-4 years. The Committee should be aware that a substantial proportion of these loans are taken out to purchase cheaper, second hand motor vehicles that are essential for many needing to travel to and from their place of employment.
5. The total loan book for small amount, short term personal loans under \$5,000 was \$1.2 Billion in 2010 and there is no indication that lending has decreased over the last 18 months. In the 4-year period up to mid-2010 the annual incremental growth in the market was 18.1% per annum. Since then, it appears to have grown by 4.3%.
6. In regard to the \$5,000-\$10,000 loans, the Delegation has not commissioned research but, as indicated elsewhere in this submission, motor vehicle industry sources have indicated that the loan book must be considered between \$500 and \$800 Million annually.
7. That means governance arrangements for the NFPs engaged in the post-legislation commencement lending, will be responsible for establishing management protocols for lending in excess of \$2 Billion.
8. Currently, each year, 750,000 individuals borrow one or more small amount, short term loans of under \$5,000, constituting in excess of 1.5 million loans.
9. As previously mentioned, the above means that the NFP sector will face a 100-fold increase in demand which means, for the under \$5,000 loan, the NFP lenders will face:
 - (a) accommodating at least 525,000 extra people borrowing annually, many of whom borrow more than once (generously assuming all 30% of current borrowers who think they have access to an alternative source are successful), up from an absolute maximum of 25,000 one-time-only

borrowers, currently handled by the NFPs. NFP sector analysis by Smiles Turner, in early 2011, revealed 18,500 loans were lent annually by NFP lenders. The larger figure is used to reflect public promises of lending growth in 2011/2012;

- (b) lending the annual total of towards \$1.2 Billion in loan demand (at least \$1 Billion), up from the less than \$20 Million per annum currently being lent by NFPs. Again, we include a figure reflecting promises of growth from the NFP lenders' sponsors;
 - (c) reducing their application process time from an average of 4 to 6 weeks, to less than 2 hours for 90% of applicants, and less than 2 days for the remainder;
 - (d) changing their current criteria, so that the current 86% of all commercial loan applications that do not satisfy existing NFP lending criteria can be accommodated;
 - (e) recruiting and training approximately 2,500 full time equivalent employees. The average annual wage for each employee, including on-costs and reflecting applicable awards, is \$61,000;
 - (f) multiplying their lending offices by 4, according to the 2011 annual ACROSS report;
 - (g) introducing major and expensive (average \$60,000) security installations in all lending offices, to reflect the significant increase in cash that will be on the premises during trading hours;
 - (h) establishing major internet lending facilities to replace the current 58 internet lenders, and the 300 sites currently feeding leads to them;
 - (i) recognising that the demand for small amount, short term loans is growing at 18% per annum compound (2006-2010 inclusive); and
 - (j) Smiles Turner estimates \$830 million will be required to fund infrastructure and preparation, before 1st March 2013.
10. There is also the issue of the NFPs having to deal with the 90% of borrowers that the current NFP lenders decline for NILS and LILS loans. These borrowers will not have a commercial alternative to turn to if the current Bill is passed unamended. It should be noted that NILS and LILS generally lend approximately \$800 per loan.
11. In addition, the Government is strongly committed to encouraging longer loan terms, to reduce the amount of individual periodic repayments. Longer loans - for the same amount borrowed - means towards \$1 Billion more will have to be applied to the total loan book capital needing accommodation by NFP governance arrangements.
12. Given the above, the Federal Government funding will need to be approximately \$3.3 Billion over the 18 months commencing March 2013. Thereafter, due to the regime the current Credit Bill will impose on the NFP lenders, an annual subsidy of at least \$400 million will be required to ensure the NFP lenders at least break even. The Delegation does not have information on the default and bad debt rates associated with the \$5-10,000 loans.

As a consequence of the above, there is:

- an immediate need for governance arrangements to apply to the upcoming establishment period;
- a short term need for governance arrangements to apply to the lending surge associated with the 1st March commencement date of the current Credit Bill;

- and a longer term requirement of governance arrangements, to accommodate the second surge of lending demand from the NFP lenders, associated with the 1 July commencement date of the remainder of the provisions in the current Credit Bill.

The ACNC must be provided with the appropriate legislation to fulfil the necessary monitoring and compliance enforcement role that these new circumstances will introduce.

A short timetable

If the timetable included in the current Credit Bill is maintained, Smiles Turner industry research concerning the under \$5,000 loans indicates that 28% of all payday lenders will exit the market before the first group of provisions in the current Bill commence on 1st March 2013, because they will have assessed that they cannot break even operating under the intended provisions.

The remainder of the payday lenders, and most of the microlenders, will exit before 1st July 2013, when the remainder of the provisions in the current bill are scheduled to commence.

The exit will begin before the commencement dates noted in the legislation because lenders do not want to be caught with continuing high operating costs, while being limited to only being able to recover their outstanding loans.

The approach is to completely shut up shop before the commencement date, in order to ameliorate the loss. This is generally 1 to 3 months prior to the commencement of the any new prohibitive legislative provisions.

The first wave of demand will come from payday borrowers - those people borrowing \$100 to approximately \$1,000, with repayments scheduled over a number of weeks (not months), on payday. These people borrow an average of \$285 (Cash Converters) to \$325-327 (Smiles Turner industry research). That means the arrangements that result from the review into Governance Arrangements by Treasury, earlier this year, and the Committee's deliberations with regard to the Bills, must be in place to recognise that, from March next year the increasing demand for loans from the NFP lenders, by the small amount borrowers turned away from the commercials sector, will begin.

From March 2013, the former customers of the 28% of payday lenders who will have totally stopped providing new loans, will be demanding assistance from the NFP sector. These customers will be joined by former customers of the remaining lenders, who will start to exit the industry in late April and May.

In July there will be a surge in demand faced by the NFPs, which will increase dramatically through November and December (particularly with the heavy borrowing traditionally undertaken before Christmas) and roll on after 1st January, when the back to school peak lending occurs.

In the second quarter of 2013, continuing lenders will be reluctant to lend to the increasing numbers of displaced borrowers. Unlike the period associated with 1 March regulatory commencements, there will be little take up of the borrowers who have been turned away by lenders closing, and who attempt to go to the remaining lenders for their loan.

This is because the remaining lenders will also be preparing to exit the market. Significantly, overhanging the whole industry sector during this latter period, will be an increasing reluctance on the part of wholesale providers of lending funds, to provide those funds to lenders they know will be shortly closing down. Therefore, the compliance regulatory role to be adopted by the ACNC will start in March and escalate thereafter.

The Delegation is not in a position to research the NFP sector, to explore that sector's timetable requirements for the necessary management and staff recruitment and training, lending office location sourcing and lending business preparation that will be required. Obviously, to meet the demand surges outlined above, their timetables will have to reflect action deadlines - ahead of the demand to be accommodated.

One major successful commercial lender, with the advantage of 11 years in payday and microlending, with existing trained and experienced management and lending staff to draw on if necessary, and with the experience of opening over 40 outlets over the years, allows 2 months from the time a decision is taken to open a new store and opening day, inclusive of staff recruitment and basic training. The lender allows at least another month to complete the staff training and withdraw intense head office involvement from the new outlet. This timetable is condensed as a result of a very highly entrepreneurial approach, outstanding regional managers and highly efficient very senior management and company owners who are amongst the most capable in the industry.

In establishing NFP governance arrangements for NFP lenders, it would be unwise to assume a similar NFP capability at the commencement of their new lending responsibilities. Consequently, the new ACNC must be equipped to deal with the NFP lenders' almost complete lack of practical industry knowledge.

ACNC educational role

As the ACNC is expected to have an educational role, as well as the ability to develop regulation and provide an effective report recipient entity, staff with knowledge of governance development for lenders, consumer credit protection regulation requirements and the business of money lending, will have to be recruited by the ACNC.

ACNC recruitment advertisements do not show any indication that these roles have been anticipated. Should there be any legislative impediment to recognising this challenge, it would be useful for the Committee to recommend appropriate amendment.

Consumer expectations

The new lending environment will be beyond anything experienced by any existing NFP lender.

Part of that environment includes established consumer expectations. The new governance and compliance arrangements reflected in the ACNC powers provided by the current draft Bills will have to accommodate the expectations from small amount, short term borrowers that:

1. loans will be available within one to two hours from commencement of application, in contrast to the arrangements currently in place for lending by NFP organisations, where lead times of up to 6 weeks are common;
2. the loan amounts will vary from \$100 to \$5,000, in contrast to most of the current borrowing opportunities from NFP organisations where, on average, the amounts appear to be \$800, with a top of \$1,500;
3. the loan terms will be predominantly for periods of less than 6 weeks, in contrast to the current loans provided by most NFP lenders, which are for periods of 6 to 18 months and, for the larger loans, 2-3 years; and
4. the purpose for which the loans are sought will represent a massive expansion on the current borrowing purposes approved by NFP lenders. At present, numerous consumer surveys conducted by Smiles Turner indicate that at least

86% to 90% of the reasons for borrowing from the commercial sector are not consistent with approved reasons adopted by the NFP sector. This change will require considerable adaptation of lending protocols, including risk assessment.

NFP lenders - starting from a small base

The above means the magnitude of the changes for which the NFP sector must be ready are massive and the base from which most have been working is extremely small, in comparison to that with which they will have to deal. For example:

- (a) Smiles Turner's comprehensive industry analysis conducted in February/March/April last year, revealed that NFP lending locations were frequently lending less than 100 loans per year. Many of the current small commercial lenders provide 100 loans in less than a fortnight.
- (b) In recent years, a selection of community organisations associated with an ANZ Bank subsidised scheme facilitated less than 1,000 loans a year, in total. One commercial lender, with a similar number of outlets, lends an average of 10,000 loans, in total, per month.
- (c) Via a network of franchisees, the biggest commercial lender in Australia lends 850,000 loans per year. Smiles Turner has estimated aggregate loan figures, for all the low interest and no interest loan schemes, were less than 25,000 last year. The NFP organisations involved in lending less than 25,000 loans per year are exactly the ones that will bear the major responsibility for lending in excess of 1 million loans per year. The new Commission will have to have the legislative powers and responsibilities to assist in this dynamic growth.

Compliance arrangements for 600 locations and new businesses

Compliance arrangements will have to be developed by the ACNC and implemented by NFP lenders, who will be forced to establish fairly extensive branch networks with all the challenges that senior management from a distance introduces. Consumers cannot be left in a supply vacuum.

Consumers expect reasonable physical location convenience (Smiles Turner 2003, 2006, 2010 and 2011 research). Without this number of retail outlets, it must be expected that criminal elements would move in to fill the void in the local areas not serviced by a NFP lender. Bkie gangs have already had experience in payday lending in South Australia and, via pawnbroking, in Queensland, and the Lebanese/Australian and Vietnamese/Australian gangs in NSW are very experienced small to medium amount lenders in NSW casinos. There are already major criminal lenders on the Gold Coast and in Adelaide, whose collection techniques are inappropriate.

This issue was first raised with concern by a Queensland Office of Fair Trading Task Force, who investigated payday lending in South East Queensland, during 1999-2000.

Governance arrangements will have to be developed and introduced to assist with the tasks of outlet location selection and establishment, recruitment and training of staff, and effective advertising and marketing, to ensure a vacuum is not left for this criminal element to exploit - with the attendant unwanted antisocial and anti-consumer consequences.

The Delegation cautions against having confidence in the statement included at page viii of the Governance Arrangements Discussion Paper prepared by Treasury, *"Most NFP entities will already have adequate governance procedures in place, and therefore we do not expect that they will have to make substantial changes to existing arrangements as a result of centralising the governance arrangements"*.

The fact is, there will be substantial changes and the ACNC will have a major role in ensuring that they occur and compliance continues to be maintained thereafter.

Governance issues

The Delegation is concerned to emphasise the following governance issues that will have to be addressed by the ACNC, in order to maintain public confidence in the funding of the NFP organisations involved in the significantly increased money lending role, currently highly likely to be imposed on them:

1. The system of checks and balances will have to reflect the relationships between management, the lending staff, consumers, the ACNC, ASIC, credit reference agencies, EDR schemes, debt collection agencies and the courts.
2. Duties and minimum standards of responsibility will have to be set for the designated Responsible Managers and the credit representatives (see ASIC Regulatory Guides) . Such including responsible lending (according to the National Consumer Credit Protection Act), advertising (according to the ASIC Act) and levels of continuing professional development training and basic relevant Certificate IV attainment (according to ASIC Regulatory Guides).
3. Risk management must embrace the mandatory Professional Indemnity Insurance and effective evaluation of the suitability/unsuitability of providing a loan of the type for which the consumer has applied.
4. Minimum requirements for the NFP entities' lending rules will have to embrace the mandatory requirements included in the National Consumer Credit Protection Act and associated Regulations.
5. Relationships with borrowers will require the establishment of Internal Dispute Resolution Schemes, with a designated manager, and the membership of an EDR scheme.
6. There will be greater auditing requirements because the activity of money lending, using Government funds, demands a high level of confidence that the money is being allocated according to approved purpose, and that the money lending operation is entirely compliant with the law. This compliance does not just include consumer credit legislation, but also embraces four different acts setting standards for privacy, money laundering and terrorism legislation and strict regulation concerning debt collection.
7. The interface between the NFP organisation's traditional client and the NFP is likely to be very different to the interface involving a borrower. The fact that the borrower will be expected to pay back the loan, as opposed to the traditional client that does not face that responsibility and simply takes the money or other benefit, will be an important governance issue.

It is the Delegation's view that the Australian Charities and Not-For-Profit Commission Bills cannot proceed without appropriate additions and amendments to the ACNC's responsibilities and powers, to reflect the above concerns.

We thank you for your consideration of this submission.