



Committee	Parliamentary Joint Committee on Corporations and Financial Services
Inquiry	Oversight of ASIC, the Takeover Panel and the Corporations Legislation
Question No.	068
Topic	CentrePay and Credit
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Committee member	Senator Louise Pratt

Question

Senator PRATT: In the context of 'by franchisee and by location', if you investigate these entities, do you have to investigate each individual entity? If there is a finding against, for example, Layaway or Rent4Keeps, to what extent does a determination from ASIC automatically capture those franchises, or are they all dealt with separately?

Ms Chester: From our perspective, if we've had an action against an entity and there are a number of franchises that are controlled by the entity, then that would impact them all. But, to be honest, these entities still remain on the list, despite us having successful actions against them.

It goes back to how Services Australia responded to your question about their risk compliance framework when they're assessing the entities that they allow to be on the Centrepay register. From our perspective, looking at that, there are a couple of categories where we could help them. The first one is where there have been findings of misconduct or an action taken against the entity. We identified those ones in our QON response to you, but I note that many of those entities still remain on the register.

The other area within their own criteria is where a consumer lease may be of little or no value, or expensive and high-cost credit, and we identified that there were an estimated 122 consumer lease providers still listed on the Centrepay register. We would consider that they should all be very closely reviewed.

The other category was: selling a high proportion of high-cost low-value goods. There's a number of entities that we're familiar with that come under the 'household items' classification, where they sell basic household goods, that are known to be, or are likely to be, selling them at high cost. We identified on the list 21 stores of this nature, predominantly in Western Australian and Northern Territory locations. What we're proposing to do is: we're happy—

Senator PRATT: Would they include places like Urban Rampage?

Ms Chester: I don't have the names in front of me. There's a detailed list that the team have worked through. We're happy to provide that information to you. We're also happy to follow up again with Services Australia, but we have these meetings with them regularly and we've brought these concerns to their attention. It just doesn't seem to be having any impact in terms of the entities being removed from the register. We would appreciate your support in doing this as well.

Senator PRATT: You certainly have that. In that context: with your successful actions against some of the retailers that you've named, what provision is made for people to retain their goods if they've already been paid for? It strikes me that Centrepay might well be saying, 'Well, we can't take them off because we don't know. People still need access to these goods et cetera,' if they've already got an arrangement in place. How have you dealt with those kinds of consumer questions in relation to the actions that you've already taken?

Ms Chester: I'll need to take that question on notice. I know that's a transitional issue that's come up before, and my understanding is that some of the consumer groups, especially those representing First Nations consumers, such as ICAN and Mob Strong, have got very good workarounds for how this can be managed. I don't think that the reasons being put to you are reasons to prevent them from coming off ultimately.

Answer

The impact on consumers' rights under consumer leases, where ASIC achieves an outcome, varies. ASIC does undertake to ensure consumers are not inadvertently disadvantaged in these circumstances,

and some examples are provided below where steps have been taken to ensure consumers impacted by misconduct are able to retain the leased goods.

In ordinary circumstances where a consumer lease is cancelled, consumers do not retain ownership of the goods and the entity has recourse rights to have the leased goods returned to the store. This is however not always a commercially viable option for the lessors, many of which only deal in new goods.

Examples of ASIC ensuring arrangements for consumers to retain goods when ASIC achieves a regulatory outcome are provided below:

- The orders sought by ASIC following successful civil action against Layaway Depot included an undertaking to the Court that Layaway Depot email affected consumers advising them that they could immediately cease making payments and terminate the contract whilst maintaining possession of the goods. Layaway charged excessive interest rates on 70 loans taken out by consumers to buy electronic goods including mobile phones, televisions and speakers. (23-139MR)
- ASIC entered into an enforceable undertaking with Thorn Australia regarding its consumer leasing businesses Radio Rental, RR and Rentlo Reinvented. The enforceable undertaking covered a range of areas for Affected Consumers as defined in that agreement, including that in certain circumstances Thorn Australia waive all its rights to require the Affected Consumers to return the goods to subject of the lease (clause 3.3.6(b)(iii) (18-017MR)
- Alongside the issue of 3 infringement notices, ASIC entered into a court enforceable undertaking with Local Appliance Rentals requiring them to remediate affected consumers, appoint an independent compliance consultant, and pay a Community Benefit Payment of \$100,000 to The Smith Family. Clause 3.9 provided that Specified Consumers as defined in that agreement, whose leases were cancelled, could retain the goods leased (18-337MR); and
- ASIC cancelled the Australian credit licence of Rent To Own Appliances following concerns regarding exceeding interest rate caps. In response to ASIC concerns, Rent to Own Appliances agreed to stop collecting payments on all current contracts and allowed consumers to keep the goods. Rent To Own Appliances also agreed to maintain its membership with an external dispute resolution scheme, the Credit & Investments Ombudsman (CIO), for a period of at least 12 months after its' credit licence was cancelled (16-403MR).

ASIC has strong relationships with consumer groups which we leverage to understand the nature of the misconduct and ensure we deliver strong regulatory outcomes. Our Indigenous Outreach Program (IOP) is committed to achieving outcomes where Indigenous consumers are affected by misconduct, and engages closely with consumer groups such as the Indigenous Consumer Assistance Network (ICAN). The IOP's involvement in the Local Appliance Rentals example was critical in achieving strong consumer outcomes.