

<b>Committee</b>	Parliamentary Joint Committee on Corporations and Financial Services
<b>Inquiry</b>	Oversight of ASIC, the Takeovers Panel and the Corporations Legislation
<b>Question No.</b>	036
<b>Topic</b>	Centrepay
<b>Reference</b>	Spoken, 20 October 2023
<b>Committee member</b>	Senator Louise PRATT

**Question concerning entities listed for Centrepay deduction status (transcription from hearing):**

SENATOR PRATT: If I look at the Centrepay website, Rent for Keeps seems to be a franchise and there are different numbers for each franchise. Does that sound right to you?

KAREN CHESTER: Senator, I am aware that there is some work that we're doing in relation to SACCS and Centrepay. It is better that we take that question on notice, I don't think we have the full set of information in front of us. We are doing some interesting work in the area with the Centrepay folk. I think it would be better if we come back to you with more detail if that's ok.

...

SENATOR PRATT: Can I ask, in that context, if there's a particular business for its products that has got an over-reliance on Centrepay deductions on its books. What would that tell you about the target market?

KAREN CHESTER: That is definitely one of the things we would be looking at in terms of they are effectively targeting people on limited incomes.

SENATOR PRATT: I know you said you would take... I would really like a little bit of an overview of the work with Centrepay so I can follow it up with the Department of Human Services at estimates next week.

KAREN CHESTER: Senator, I might be brave enough to say we will try to get back to you very early next week with that information. But our dealings with Centrepay go back many years, and I probably don't want to go there, but I probably should, with Youpla and ACBF where it was actually ASIC interventions with Centrepay that resulted in Centrepay no longer being extended to ACBF/Youpla products.

SENATOR PRATT: Yes, I wonder if you might get, before next week, just to have a look at the Centrepay Human Services Page, and you can search for Centrepay providers by type of service, so that includes household goods etc, and by state. And there are a number of companies on there that have names very similar to the ones that have had negative determinations against them. Rent for Keeps, Rent to Keep, Rent to Own, there is a very wide variation of them and they have all got quite localised credit licences attached to them. And I'm really keen to see an overall review, rather than just treating it one credit provider at a time. To really make sure that's cleaned up. I'm still getting a lot of feedback from consumer advocates and financial counsellors that say people are paying an interest rate of 400% plus for goods that they still might not own, and equally there wasn't necessarily confidence that once someone had paid off their product that the deductions had stopped. And these are breaches that you currently are pursuing in some of the cases that I can see on your website.

KAREN CHESTER: we will get back to you as soon as we possibly can, Senator.

[Senator Pratt offered to forward the Centrepay link]

**Answer**

The information below reflects work conducted across ASIC, including Enforcement, Credit Banking and General Insurance and ASIC's Indigenous Outreach Program.

## ASIC engagement with Services Australia

ASIC teams undertake regular engagement with consumer advocates and government agencies to understand and address current and emerging consumer issues across financial services and credit.

Relevantly, this includes Treasury and Services Australia (and the former Department of Human Services). ASIC currently has quarterly meetings with Services Australia and a formal Memorandum of Understanding is in place to allow the sharing of information and data between agencies, including complaints.

This information sharing between agencies is critical to the disruption of consumer harm. For example, in 2015 Consumer Affairs Australia & New Zealand endorsed the National Indigenous Consumer Strategy annual project “Avoid a funeral RIP off campaign” highlighting concerns about the promotion of expensive funeral products to First Nations consumers that do not meet their needs. ASIC also commenced preparation of Report 454: Funeral insurance: A snapshot, which highlighted increasing premiums and high cancellation rates in certain segments of the funeral insurance market. Engagement with (then) Department of Human Services then culminated in the Federal Government announcing that funeral insurance products would no longer be supported by Centrepay. This led to the removal of the Aboriginal Community Benefit Fund (ACBF) entities from the Centrepay register in mid 2015, protecting many First Nations consumers from widespread alleged misselling practices.

## ASIC review of the Centrepay provider list

ASIC is currently reviewing the Centrepay provider list that Senator Pratt identified. The information in this list does not readily match to ASIC databases due to variances in company & business names. However, we have conducted an initial review of the list and have identified the following entities that are currently or have previously been the subject of ASIC action:

**Rent4 Keeps [Centrepay register details 555091301S & others]:** In April 2022 ASIC commenced civil penalty proceedings against Rent4Keeps (Aust) Pty Ltd and Darranda Pty Ltd ([22-090MR](#)). Rent4Keeps (Aust) Pty Ltd is the head franchisor of consumer lease franchisees across Australia operating under the ‘Rent4Keeps’ banner, providing home appliances, electrical goods and furniture to consumers, most of whom pay for the goods using Centrepay over a 12- to 36-month period. Darranda is Rent4Keeps’ largest franchisee and is the ‘State Master’ of around 12 franchisees located in Victoria and South Australia. Rent4Keeps and Darranda have common owners, managers and operators, and Rent4Keeps authorises and directs its franchisees to use its business model, systems, contracts, policies and procedures. The decision was made not to sue other individual franchisees (who are otherwise unrelated to the respondents) as the key individuals who benefitted from the alleged misconduct are the directors/operators of the head franchisor and the State Master.

**Local Appliance Rentals (LAR) [Centrepay register details 555071498C]:** in 2018 Local Appliance Rentals paid 3 infringement notices totalling \$157,500 and entered into a Court Enforceable Undertaking requiring LAR to remediate affected consumers, appoint an independent compliance consultant and pay a Community Benefit Payment of \$100,000 to the Smith Family [18-337MR Local Appliance Rentals to remediate customers and pays \\$257,500 | ASIC](#). LAR provides consumer leases nationally through a franchise model, including in regional and remote areas of Australia. ASIC was concerned that LAR had contravened responsible lending obligations, had inadvertently received excess payments from consumers in relation to their lease and charged late fees in excess of amounts set out in the relevant lease agreement and failed to adequately supervise its franchisees.

**Mr Rentals [Centrepay register details 555119149A]:** In 2013, Mr Rental Australia Pty Ltd, a household goods rental business, entered into a court enforceable undertaking with ASIC to

provide refunds to approximately 1,560 consumers (anticipated to be in excess of \$300,000) and amend the standard form rental contract used by the 52 franchisees operating under the Mr Rental banner. ASIC was concerned that the inclusion of a term in the Mr Rental's standard form rental agreement allowing the charge of an additional fee to consumers who terminated their rental agreements early was an unfair contract term. [13-022MR ASIC accepts enforceable undertaking from Mr Rental | ASIC](#)

**Rent the Roo [Centrepay register details 555131227C/5551389235/555083932A]:** Rent the Roo paid an infringement notice of \$275,000 and entered into an enforceable undertaking which required the appointment of an independent compliance consultant to review the RTR's policies and procedures. ASIC was concerned that RTR had breached the responsible lending laws.

Several other entities listed on the Centrepay register are the subject of current investigations. ASIC is unable to provide further information about these investigations at this time.

### **ASIC's concerns about certain industries that commonly utilise Centrepay**

ASIC is aware of certain industries that utilise Centrepay arrangements that may inappropriately target vulnerable consumers. ASIC's concerns are based on information received from consumer advocates and our review of Services Australia data to identify high-risk businesses.

1. Businesses selling goods and services through payment by instalments, operating in remote and regional Australia, with high percentages of First Nations consumers.

These arrangements often result in financial overcommitment and hardship as no consideration is given to capacity to meet Centrepay deductions and customers are unaware of the details of arrangements entered. These businesses advise ASIC they do not charge fees or interest, and therefore are not required to meet the protections to consumers that apply to contracts regulated by the *National Consumer Credit Protection Act 2009*.

Examples of intelligence received and forwarded to Services Australia recently include:

- An advocate raised concerns on behalf of an elderly First Nations resident on income management in the Northern Territory, who had caught a taxi for a '*short trip around town*' but was signed up to a Centrepay deduction target amount of \$660 to be withdrawn in payments of \$110 per fortnight. This consumer was not aware and did not understand the arrangement, nor agree to the total target amount.
- An advocate raised concerns with an unauthorised deduction of \$490 completed by a retail store on the Centrepay register, despite her First Nations client not having shopped at the store since 2020. The business advised it was an '*accidental payment.*'

2. Consumer leases

We are concerned about the impact of certain consumer leases that are high cost, low value products, and the prioritisation of these payments from Centrepay. Consumers may not clearly understand that ownership under a lease is not guaranteed under the law and is at the discretion of the lessor.

We also have concerns about compliance by providers of consumer leases with recent consumer protection reforms. These reforms introduced:

- a *cap on costs* that can be charged in consumer leases for household goods, limiting costs to 4% per month of the base price of the goods leased, for a maximum of 4 years (consumer lessors are also permitted to charge reasonable delivery fees).

- a new *protected earnings amount* where consumers' payments on a consumer lease cannot exceed 10% of a consumer's net income, and
- prohibitions in relation to avoidance conduct.

The recent reforms play an important role in monitoring the sector, given that the Design and Distribution Obligations do not currently apply.

We are concerned there is a risk that lessors will seek to avoid the cap by either inflating the consumer's financial capacity or by developing other avoidance models such as manipulating the base price of the goods.

ASIC has also provided public comments on the effect of Centrepay deductions in relation to consumer leases in its submission to the Senate Economics References Committee in response to its 2018-19 inquiry into *Credit and financial products targeted at Australians at risk of financial hardship*: see Submission 21 at [Submissions – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au/submissions). ASIC found that consumers using Centrepay to make their rental payments could pay substantially more than consumers using other payment methods. For example, expressed as an interest rate, the maximum amount paid by a consumer using Centrepay on a 1-year lease was 247% when lessors offering cheaper leases to consumers using other payment methods charged rent equivalent to 148%.

### **Services Australia powers in relation to Centrepay registered businesses**

Centrepay registered businesses are required to comply with [Centrepay Terms and Conditions](#), which are a contract between the business and Services Australia. Services Australia is responsible for assessing and approving businesses access to the Centrepay register, and for monitoring ongoing compliance with these Terms and Conditions. Services Australia has the power to sanction or regulate the conduct of businesses not meeting these conditions or when advised they are under investigation by another agency. Services Australia can suspend or cancel access to Centrepay or impose conditions that could mitigate consumer harm.

ASIC is aware of consumer advocates raising concerns with Services Australia relating to Centrepay authorised businesses compliance with the Centrepay Conditions including:

- prohibited sales of high-cost low value goods or services, which are specifically excluded from the use of Centrepay, and
- prohibited sale of goods and services that expose Customers to unacceptable risks of financial stress or exploitation.

ASIC is aware of some discrete instances where Services Australia has addressed concerns raised through the options available under the Centrepay conditions, however, we note any action taken in this regard is not public nor highlighted with other government agencies.