



**To: Senator Walsh, Senator Bragg and the Senate Economics Legislation Committee**

**From: CHERPA – The Consumer Lease Industry Association**

## **Give Consumer Lease Customers and Industry a “Fair Go”**

On Friday 14<sup>th</sup> October 2022, the Senate Economics Legislation Committee held a Public Hearing into the Financial Sector Reform Bill 2022 but sadly the Consumer Lease Industry was not invited to attend the Hearing despite several requests to attend.

This Committee, chaired by Senator Walsh with the following Senate Committee members: Senator Andrew Bragg, Senator Nick McKim, Senator Deborah O'Neill, Senator Dean Smith and Senator Jana Stewart, discussed four bills which, if passed, are likely to have a significant impact on the consumer leasing industry. However, there was no one present at the Public Hearing to represent or advocate for the consumer leasing industry. Again, this was despite the industry's express requests to be heard.

The Chair, Senator Jess Walsh asked a consumer advocate during the Public Hearing, *“Are you in a position to tell us a bit more about consumer leases? We haven't had a lot of evidence on that yet today?”* The Chair also commented *“Hearing stories from the coalface.....has been extremely valuable.”* We are very disappointed that we were not able to assist the Chair with correct answers but as we were not invited, the responses came from people who do not write consumer leases.

Further, one industry participant has over 40,000 customer signatures stating that customers want and need consumer leasing available to them, moreover a recent survey shows that 95% of customers reject the 10% Protected Earnings CAP – these customers don't want to be told by Government how to spend their income, and want Consumer Leases.

The exclusion of CHERPA (the peak consumer leasing industry body) from the Public Hearing, deprived the Public Hearing of a balanced discussion with the position of the consumer leasing industry on the draft bill unable to be tabled.

We therefore seek the opportunity, as soon as possible, to meet with you to submit the industry's evidence-based information to you and the committee. In this way, the Committee can satisfy itself that it has heard from both sides of the debate.

During the 2016 SACC Review, the Panel was challenged *“to find the correct balance between consumer protection and industry viability.”*

The industry supports most of the Bill but requests minor amendments to ensure its survival and thereby the survival of the industry:

- Protected Earnings Cap - to be 20% of net income (not 10%)
- Establishment Fee - to be 20% of total lease value (the same as SACC)
- GST - to be added to the permitted cap
- Delivery Fee - to be charged at cost
- Base Price - to equal the RRP of the product

We believe that on Friday 14 October, 2022, the consumer leasing industry was again misquoted and misrepresented by some fortunate enough to be invited to the Public Hearing. These misquotes and misrepresentations remain unchallenged as we were not present to refute them on behalf of hundreds of thousands of our customers.

Some comments made at the Public Hearing that we believe were inaccurate include:

- *“Customers don’t know what they will pay for the lease”* – This information is always provided.
- *“There are a few consumer lease providers [inaudible] run a barbecue, offer people goods on the spot”* – we believe this is an outrageous statement to make about the industry.
- *“Door to door sales have been shown to lead to shocking outcomes...and consumer leases are the same.”* we believe this is another outrageous statement about the industry.
- *“Forty percent of my clients have these pay day loans. I didn’t look at consumer leases, but they are equally damaging”* – we do not know how someone can comment on something they admit they have not looked at.

The long disputed and proven fact that SACC loans (cash) and consumer leases (products) are very different products (over very different term lengths), was again ignored and unchallenged as we were not allowed to be there to provide a balanced and true position.

**Some consumer lease facts we want to discuss with the committee include:**

- Consumer Lease customers have limited access to credit from banks etc.
- Consumer Lease customers value consumer lease businesses as they respect and help them.
- Consumer Lease customers are aware what they pay for the goods – this is a legal requirement.
- Government funded groups created to support low-income earners spend approximately 60% of their funding on administration costs.
- The Consumer Lease industry receives no Government support and provides their services at no cost to the Taxpayer.
- The industry Code of Conduct allows for customers to exit their agreement and return the goods at any point in time during the agreement, so there is no financial hardship.
- The Consumer Lease industry receives few customer complaints as can be verified with AFCA
- Replacing the Consumer Lease industry will cost Australian taxpayers more than \$1 billion.
- Consumer Lease businesses manage repairs, trouble shoot technical issues and generally assist customers throughout the agreement period.
- Without Consumer Lease businesses, there will be a significant ‘black-market’ and many other unintended consequences.
- The proposed base price model will make every rental company unviable as it fails to make provision for the lessor to recoup any increase cost, such as increase in insurance premium, increase in wages, increase in various government regulatory fees, such as AFCA and ASIC, increase in delivery cost, such as fuel and vehicle maintenance.

**Request for a meeting:** Through the Chair, Senator Walsh, we respectfully ask for the Committee to meet with representatives from CHERPA as soon as possible to listen to our side of the debate and discuss amendments to the Financial Sector Reform Bill 2022 to ensure a 90-year-old industry does not disappear overnight through a lack of understanding of what the industry provides to hundreds of thousands of Australians.

Yours sincerely,



**Steven King**  
**President – CHERPA**