



25 November 2022

Senator
Parliament House
CANBERRA ACT 2600

Dear Senator

Finance Sector Reform Bill needs to be passed this year

We write following media reports that the Finance Sector Reform Bill 2022 will be taken off the Senate program for the current sitting.

We urgently call on all Senators to debate and pass the important consumer protections contained in this Bill before Parliament closes this year. Delaying this bill will prolong and entrench unfair lending practices, causing further distress to low-income and vulnerable Australians.

The Bill will:

- Enact vital reforms to payday lending and consumer leases—these reforms were first proposed some 6 years ago and have been repeatedly delayed through Parliament. Any further delay will result in continued and needless harmful lending in the marketplace. This is particularly destructive during this period of high inflation. There are a growing number of people being pushed towards the edge with cost of living pressures, and many will turn to high-cost and exploitative lenders.
- Empower the Australian Securities & Investments Commission to tackle avoidant business models, like Cigno Loans—Cigno Loans charges up to 900% interest and has defied ASIC's enforcement action, including a finding in the Full Federal Court that it is engaged in unlawful lending, by using tricky contract changes. The new anti-avoidance provision would come into effect immediately upon Royal Assent and mean that ASIC could take action without delay. A further delay will mean countless low-income earners will be pushed further into financial distress due to this egregious lender continuing to operate.

- Finally implement an industry-funded Compensation Scheme of Last Resort—there are thousands of people who have received awards from the Australian Financial Complaints Authority that have been unpaid, many of whom have lost their entire life savings. The Australian consumer protection framework for financial services provides that people affected by wrongdoing should be compensated. However, where businesses are insolvent, people miss out often affecting livelihoods and their financial security during retirement. This compensation scheme would provide people with redress. Not passing the Bill this year would likely mean that the scheme could not be established by its proposed set-up date of 1 July 2023.

Many of the provisions in this Bill were the result of recommendations from the Hayne Financial Services Royal Commission in 2019. It is now 2022, and we urgently call on Senators to pass this Bill without delay.

Yours sincerely,

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