



Australian Financial Counselling & Credit Reform Association Incorporated

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ABN: 67 073 167 361

Chairperson: Jan Pentland

Secretary: Carmel Franklin

30 June 2008

Financial Services and Credit Reform Green Paper  
Corporations and Financial Services Division  
Treasury  
Langton Crescent  
Parkes ACT 6200

[financialservicesgreenpaper@treasury.gov.au](mailto:financialservicesgreenpaper@treasury.gov.au)

Dear Sir/Madam,

**RE: Financial Services and Credit Reform Green Paper Submission**

The Australian Financial Counselling and Credit Reform Association (AFCCRA) is the national peak body for financial counsellors. AFCCRA has a federated structure, with each state and territory represented on the Association's National Council. Formed in the early 1980s AFCCRA received funding from the Commonwealth to operate a Secretariat in Canberra until 1996. Since that time however, AFCCRA has received no core funding for its activities and relies on the efforts and energy of its volunteer council. More details regarding AFCCRA can be found on its website [www.afccra.org](http://www.afccra.org).

There are approximately 500 financial counsellors practicing in Australia, in a variety of full-time, part-time, and volunteer roles<sup>1</sup>. The majority of resources for financial

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<sup>1</sup> More information about the sector can be found in Sharon Barker's presentation, '*An overview of the financial counselling landscape in Australia*', delivered at the AFCCRA Conference Melbourne 17 June 2005. A copy is available on AFCCRA's web-site [www.afccra.org](http://www.afccra.org).

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counselling activities are provided by governments, although there is wide disparity in the sufficiency of those resources.

Financial counselling in an Australian context refers to the provision of information, support, and advocacy services to low income and disadvantaged consumers experiencing problems with credit and debt. Key characteristics of financial counselling services and those providing the services include:

- being community based and ‘not-for-profit’;
- being free of charge to service users and
- acting exclusively in the interests of service users, free from conflict.

AFCCRA agrees that this submission be put in the public domain.

#### ***Mortgages, mortgage broking and non-deposit taking institutions***

We agree with the second option, that the Australian Government should assume responsibility, not only for mortgages, but also for other forms of consumer credit, such as credit cards, car loans and other personal loans.

#### ***Margin Lending***

We agree with the second option, to include margin loans as a financial product under the Corporations Act.

Further greater disclosure of the product being presented to an investor and how the “broker” or “advisor” will be paid for a “sale” of such product, should be introduced.

#### ***Debentures***

Introduction of changes to the current regulatory framework which would reduce scenarios such as “WestPoint” are welcomed.

As well as the changes being suggested we would ask for a greater disclosure of the product being presented to an investor, and how the “broker” or “advisor” will be paid for a sale, as well as advice about related entities. This would give consumers additional information to see how “impartial” the advice being given is.

#### ***Property Spruikers***

Property investment advice should be regulated by the Australian Government. As property spruikers have taken advantage of the regulatory gaps between State fair trading laws and Federal law, it would be appropriate to have one overarching law of regulation.

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As with other financial products, we ask for a greater disclosure of the product being presented to the investor and how the presenter and/or company are remunerated and, particularly in the case of property spruiking, all related entities should be disclosed as well. Fines for non-disclosure or non-compliance need to be at a level that is a deterrent to those who choose to disregard the law in these matters.

***Other Credit Products***

AFCCRA **strongly** supports option one, that the Australian Government would assume responsibility for all consumer credit. Such a change would deliver significant benefits to consumers, and to financial counsellors in their work advocating for low income, disadvantaged and vulnerable consumers. It would simplify regulation of the whole area of consumer credit, ensuring uniformity.

With ASIC as the regulator of all credit including mortgages, all credit providers will be required to be a member of an ASIC approved external disputes resolution scheme. AFCCRA strongly supports such an outcome.

AFCCRA is not in favour of making it harder for companies to do business but we firmly believe that it is in the public good to ensure that the disadvantaged in our community are protected and that consumer protection laws are uniform throughout Australia both at a state and national level. By having the appropriate regulations in place, unscrupulous operators once identified are more likely to be prosecuted.

We appreciate the opportunity to make this submission.

Yours faithfully,

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