



April 2019

# POLICY AND CAMPAIGNS

## PRIORITIES 2019-20

## About us

Consumer Action is an independent, not-for profit consumer organisation with deep expertise in consumer and consumer credit laws, policy and direct knowledge of people's experience of modern markets. We work for a just marketplace, where people have power and business plays fair. We make life easier for people experiencing vulnerability and disadvantage in Australia, through financial counselling, legal advice, legal representation, policy work and campaigns. Based in Melbourne, our direct services assist Victorians and our advocacy supports a just marketplace for all Australians.

## Selecting our priorities

Our policy and campaigns team work closely with our advice, casework and engagement teams to deliver on our 2017-21 strategic plan. We identify consumer issues from our casework and other sources, and work to shape a fairer system by leading change to policy, laws and industry practice.

There are many consumer issues that impact Australians. We take a strategic approach to selecting our Policy and Campaigns priorities to ensure that our limited resources are used most effectively. We select issues based on a range of factors, including:

- Concerns emerging from our advice, casework and engagement services;
- Their impact on people experiencing vulnerability or disadvantage;
- Opportunities for timely and significant change;
- Our ability to contribute specialist skills and knowledge;
- Our capacity;
- Difficulty for people to self-advocate when experiencing problems with the product/service;
- Protecting our wins and building on existing campaigns;
- Achieving a balanced mix of priorities; and
- The priorities of other organisations, including the potential for collaboration.



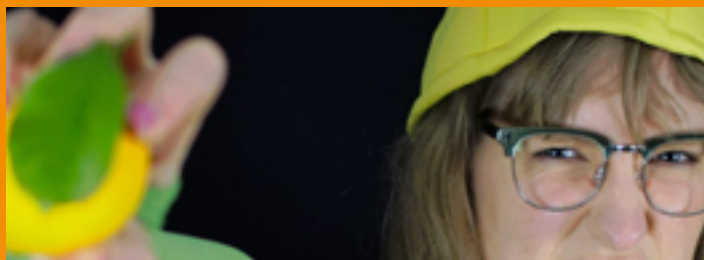
## Policy & Campaign Priorities 2019-20

We will be focusing on the following priority areas during 2019-20, while remaining responsive to emerging consumer issues as they arise:

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# CONSUMER GOODS AND SERVICES



## LEMON CARS

Consumer Action will continue to advocate for strong laws, regulation and enforcement to ensure that Australians have robust consumer rights.

In particular, we will campaign for **better protections for people who purchase faulty or 'lemon' cars**. We need cars to get our kids to school, drive to work and stay connected with friends and family.

A car is often one of our most important purchases, but too often people are being left stranded when their car turns out to be a lemon.

### WE WILL

#### BE FIGHTING FOR:

- ✓ Independent, low cost alternative dispute resolution mechanisms for Victorians who purchase lemon cars;
- ✓ Stronger consumer guarantees that make it easier for people to enforce their consumer rights and require car dealers to lift their standards; and
- ✓ Increased industry accountability with tough penalties and enforcement for breaches of the Australian Consumer Law and motor car trader legislation.



## TELECOMMUNICATIONS

Consumer Action will advocate for **stronger consumer protection laws and regulation in telecommunications** to help ensure that Australians have access to fair, affordable and suitable telco products.

Too often we have seen Australians experiencing vulnerability and disadvantage sold unaffordable or unsuitable telco products by pushy sales staff.

The industry is largely self-regulated meaning enforcement and dispute resolution can often be ineffective.

### WE WILL

#### BE CAMPAIGNING FOR:

- ✓ Law reform that requires affordability and suitability checks for telco products;
- ✓ Increased industry accountability with tough consequences for breaking the rules; and
- ✓ Improved dispute resolution and hardship procedures to help people get quick and fair resolutions when things go wrong.

We will also continue to advocate for stronger economy-wide consumer protections to address unfair trading practices and high-pressure sales, including a ban on door-to-door and cold call sales.

# FRINGE LENDERS AND SERVICES



## ROGUE LENDING

Consumer Action will advocate to close regulatory loopholes that allow predatory fringe lenders to flourish.

When things go wrong, Australians dealing with unregulated lenders are left without proper protections and access to redress.

### WE WILL BE FIGHTING FOR:

a level playing field across the consumer lending industry by campaigning for unlicensed consumer credit providers and rogue traders to be captured by our national credit laws by:

- ✓ Introducing anti-avoidance provisions;
- ✓ Expanding the definition of credit and removing harmful exemptions; and
- ✓ Pushing regulators to take action against rogue traders that refuse to play by the rules.



## PAYDAY LOANS AND CONSUMER LEASES

We will also campaign for law reform that will make payday loans and rent-to-buy products safer and more affordable.

These lenders often target Australians who are doing it tough, and the huge fees often exacerbate financial hardship.

### WE WILL BE FIGHTING FOR:

- ✓ Implementation of the Small Amount Credit Contract Review recommendations;
- ✓ A 48% interest rate cap for all forms of consumer credit; and
- ✓ The removal of consumer lease providers from Centrepay.



## DEBT VULTURES

We've all seen the commercials: So-called 'credit repair' or 'debt relief' firms promising to take your financial woes away, 'fix' your credit rating and wrangle your debts so you don't have to.

While these promises of a quick-fix sound like a saving grace, they are too often far from it. Between conflicting advice, inappropriate debt solutions and high or hidden fees, many Aussie households are left in an even worse financial position and with more stress than before.

## WE WILL BE ADVOCATE FOR:

a robust regulatory framework for these debt vultures, including:

- ✓ Mandatory licensing;
- ✓ External dispute resolution scheme membership;
- ✓ Ban on upfront fees;
- ✓ Requirement to act in the client's best interests;
- ✓ Ban on unsolicited selling; and
- ✓ Requirement to inform people about free and independent advice options.

We will also continue to push for increased funding for free financial counselling services, which provide expert independent advice to people struggling with problem debt.

# LOANS SOLD BY RETAILERS



The Banking Royal Commission exposed a multitude of harmful lending practices during its hearings in 2018. Commissioner Hayne noted in his final report that people often deal with financial services entities through an intermediary (like a car dealer or broker).

In many cases, the intermediary is paid by the financial services entity and acts in their interests rather than the customer's. Often these intermediaries are not subject to proper regulation or training standards, leaving Australians at risk of being ripped-off.

## WE WILL BE CAMPAIGNING TO:

lift the standards of third-party retailers that sell loans, such as car dealers, by fighting for:

- ✓ The removal of the 'point of sale' exemption in our national credit laws;
- ✓ Appropriate training standards for retail staff that sell and give advice about loans; and
- ✓ Tough penalties and robust enforcement that ensures banks and retailers are held to account if they break the rules.

We will also continue to fight for improved lending standards, compensation for victims and enforcement to ensure that banks lift their standards following the Banking Royal Commission.



# INSURANCE

## SALES PRACTICES

The Banking Royal Commission also put the insurance industry squarely in the spotlight, exposing the **harm caused by mis-selling of junk add-on insurance, high pressure unsolicited sales and exorbitant commissions.**

The insurance industry has long been exempt from important consumer protections, including the ban on conflicted remuneration introduced as part of the Future of Financial Advice reforms. **We will fight to close loopholes and improve sales practices in the insurance industry.**

## WE WILL ADVOCATE FOR:

a level playing field across the consumer lending industry by campaigning for unlicensed consumer credit providers and rogue traders to be captured by our national credit laws by:

- ✓ An effective deferred sales model for all add-on insurance; and
- ✓ Extending the ban on unsolicited selling to insurance products.
- ✓ Extending the ban on conflicted remuneration to insurance products;



## FAIRNESS AND SUITABILITY

The Banking Royal Commission also exposed examples of **unfair and unsuitable insurance policies that are poor value for money** and leave Australians without coverage when they need it most.

## WE WILL FOCUS ON:

- ✓ extending the ban on unfair contract terms to insurance policies, and
- ✓ improving the regulation of funeral expenses policies targeting Aboriginal communities.

The ban on unfair contract terms applies to all sectors of the economy, except insurance. The regime renders void a term in a consumer or small business contract that is 'unfair'. The Banking Royal Commission recommended that the unfair contract terms regime be extended to insurance contracts, and we will be fighting to ensure the Commission's recommendation is implemented in full.

We will also pursue an improved regulatory framework for funeral expenses policies. These policies are frequently targeted at Aboriginal communities and can be unaffordable or result in people paying more in premiums than they will ever be paid in a claim. These products were also highlighted during the Commission's hearings.

# ENERGY



## AFFORDABILITY

Energy is an essential service, and it's critical that it is accessible and affordable for all consumers.

Disconnections in Victoria are still too high – that's just not acceptable. Disconnection should be a last resort option, and we want retailers to better support to people who are struggling to afford their energy bills.

## WE WILL FIGHT TO IMPROVE

energy hardship practices by:

- ✓ Monitoring implementation of the Payment Difficulty Framework and disconnection rates;
- ✓ Working with the Essential Services Commission and EWOV to ensure compliance and dispute resolution processes are used to improve retailer conduct;
- ✓ Investigating the potential for debt waivers for those with unrecoverable debt.



## COMPETITION

Consumer Action will continue to push for reforms that will ensure energy prices are no higher than necessary, acknowledging that market competition alone has failed to reduce prices for everyday Australians.

## WE WILL ADVOCATE FOR:



## NEW ENERGY PRODUCTS AND SERVICES

Consumer Action will also campaign for improved regulation and industry codes for new energy products and services, such as solar panels.

We want to ensure that people can access new energy products and services that are most suited to their needs and aren't subject to high pressure sales tactics.

## WE WILL ADVOCATE FOR:

- ✓ An appropriate consumer protection framework for solar and related products;
- ✓ A robust and responsive industry code for new energy products and services;
- ✓ Strong protections in relation to high pressure sales and finance products; and
- ✓ Improved access to external dispute resolution services through EWOV.

- ✓ A fair regulated energy price through the Victorian Default Offer implementation process;
- ✓ Improved powers and resources for the energy regulator (the Essential Services Commission); and
- ✓ Robust energy marketing and consumer protection rules as recommended by the Thwaites-Mulder review, in addition to election commitments on unsolicited selling, win-back deals and other marketing tactics.