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Changes to Disclosure Requirements under the National Consumer Credit Protection Act 2009 (Discussion Paper)

GE Capital welcomes the opportunity to make this submission in response to the Discussion Paper on changes to disclosure requirements under the *National Consumer Credit Protection Act 2009* issued by the Treasury in April 2013 (the "**Paper**").

GE Capital's operations in Australia began in 1995. GE Capital is now one of Australia's leading financiers. We provide a range of commercial and consumer lending products that are offered both directly to customers and via intermediaries, such as our major retail partners.

We request the opportunity to participate in any industry roundtables or any other consultation forum that is part of the consultation process with respect to the Paper.

We would be happy to discuss any aspect of this submission with you. Please contact Matthew Cowman on 03 8807 6728 or matthew.cowman@ge.com.

Sincerely

Rachel Cobb
Managing Director - Consumer
GE Capital Australia & New Zealand

Executive Summary

1. Our view is that the regulatory landscape has changed significantly since the release of the Uniquest Report and more work should be done to understand the Uniquest Report's recommendations in the context of the current regulatory landscape.
2. Credit providers have incorporated into their businesses a large volume of regulatory change since the enactment of the National Consumer Credit Protection Act 2009. Currently, credit providers are providing significant resources to facilitate changes arising from amendments to the *Privacy Act*. In our view, there should be a clear gap between the implementation dates of the *Privacy Act* reforms and these proposals.
3. Our further recommendations are set out at the end of this submission.

Issue 1: Removing the requirement to provide the Information Statement

GE Capital commends the Government's decision to reconsider the utility of certain disclosure obligations given the further disclosure obligations that have been introduced in recent years, such as requirements for Key Facts Sheets.

We are generally supportive of the proposal to remove the requirement for an Information Statement, and do not believe any further information should be incorporated into the Credit Guide. The tenor of the Paper appears to be that "less is more" in terms of disclosure and in that respect we believe that creating a more lengthy Credit Guide would be unhelpful to consumers.

Issue 2: Changes to disclosure requirements in section 17

We do not support the proposal to include an estimate of the amount of commission to be paid to introducers. The fact that providers of credit assistance are required to provide an estimate of commission complicates rather than clarifies the issue for consumers. In many instances the amount of commission is not capable of precise estimation at the time of contracting, and under these proposals would need to be estimated based on certain assumptions. In our view, it would be unhelpful if, given the assumptions to be made, credit providers and credit assistance providers were to provide to consumers different estimates of the amount of commission payable. Any such instance would be confusing to consumers, and complicated for introducers and credit providers.

We are also concerned that the proposed requirement to disclose estimates of commission will stifle innovation. Currently, GE Capital runs small, short and regular promotional campaigns which typically have different commission characteristics. Under this proposal, any such campaign would need to incorporate IT system changes, which would not only be costly to the campaign but also impact timing.

It is also our view that any obligations imposed on credit providers in respect of commission disclosure should equally be imposed on lessors.

In our view this proposal disproportionately focuses on commission as a driver of credit sales behavior, where in our experience that behavior may instead be driven by factors such ease and speed of approval. We would be happy to further discuss this with you.

Issue 3: Timing of pre-contractual disclosure

We note Treasury's comments at paragraph 1.31 that the proposed change in timing to disclosure is unlikely to make a significant difference to retail credit, given minimal difference in time that occurs between applying for a retail credit product and contracting. This is consistent with our view. We would encourage Treasury to take a more targeted approach with this initiative and focus on the policy imperatives, which appear to be changing disclosure practices for home loans and large amount lending. If the proposal were extended to retail credit it would create a compliance burden for little policy benefit. We would therefore request that any reform here be limited in application to home lending and large amount lending.

Other matters

Uniquest Report

We are concerned that the Uniquest Report recommendations are based on research conducted some years ago. Since the Uniquest Report was released in March 2010, a number of consumer credit reforms have been made. For example, key facts sheets were introduced 2012, which were intended to provide key information to consumers in a clear form.

The need to stimulate productivity is currently a key pillar of Government policy. Given the potential for regulation to impact on productivity, we urge the Government to ensure that it has identified a real problem that has not already been addressed by regulatory change subsequent to the Uniquest Report before determining that legislative change is necessary.

In our view, further research should be undertaken to understand whether the reforms proposed in the Paper are necessary given the subsequent reforms to consumer credit regulation. The proposed changes would come at a significant cost to credit providers, which emphasizes the need to support any such reform with the further research we have suggested. We would be happy to discuss with you the likely cost of these reforms.

Financial Summary Table for Credit Cards

We make the following comments on the proposed Credit Card Financial Summary Table:

- We agree that the Financial Summary Table should be flexible enough to allow for annual fees and/or monthly fees;
- Minimum Payment Warnings – in our view the minimum payment warning required on statements is more relevant to consumers and there is no need to repeat it in the Financial Summary Table;
- Term - in our view the inclusion of a "term of loan" entry is of no particular benefit. Credit card holders can typically cancel their account at any time without penalty and we believe this is well understood; and
- Interest Free Period – it is not clear to us how this would accommodate retail promotional interest free offers, as opposed to the typical interest free days that apply to any credit card.

The duration of retail promotional interest free offers is typically settled in the advertising accompanying any such offer and as such it would not be possible to state this in the Financial Summary Table in the way that is suggested in Model C4. We would be happy to discuss this further with you.

Financial Summary Tables for Car Loans and Personal Loans

We make the following comments on the proposed Financial Summary Tables for car loans and personal loans:

- We note the suggestion to provide separate statements of the amount of credit provided for motor vehicles and the amount of credit provided for other purposes. This does not appear to be a recommendation of the Uniquest Report or be the result of any other research. We would urge Treasury to carefully consider the implications of this reform and the likely benefits before implementing. We expect this reform would be costly to implement and such cost would rise significantly if the requirement to distinguish between credit for the motor vehicle and other items were extended to, for example, statements.

  We also see practical difficulties in complying with any such requirement, as credit providers' compliance would depend in part on their introducer's ability to enter information correctly to origination systems. We would be happy to further discuss this aspect with you.

- We do not object as such to the proposal for a personalized comparison rate, but again note that it would require material systems development. We would urge Treasury to quantify the benefits of the proposal through research before implementing such a change.

Financial Summary Table for Consumer Leases

We support the proposal to include a notional interest rate in the Financial Summary Table for consumer leases and believe this will aid consumers in comparing consumer leases with other forms of consumer finance. It might further aid consumers' understanding and ability to compare products if this notional interest rate were styled as a "personalised comparison rate", as is suggested for other forms of consumer credit.

Timing of Implementation

Our preference would be for an 18 month implementation period, rather than 12 month. Credit providers are currently allocating significant resources to *Privacy Act* reforms, which will continue to be needed through early 2014. It would be preferable if there were a clear gap between the implementation dates of the *Privacy Act* reforms and any reforms arising out of the Paper.

Recommendations

1. Refresh the research undertaken as part of the Uniquest Report so that it is relevant to the current regulatory landscape.
2. Avoid complicating the Credit Guide by incorporating material from the Information Statement.
3. Maintain the existing requirement to disclose commission amounts only where ascertainable.
4. Apply changes to timing of disclosure to home lending and large amount lending only.
5. Further consider consumer's need for separate information for motor vehicles and other costs in car loan summary tables, as well as the proposal for personalized comparison rates for car loans and personal loans.
6. Provide a material period of time between implementation of *Privacy Act* reforms and these proposals.