

National Indigenous Consumer Strategy



5 June 2012

General Manager
Retail Investor Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir

I write on behalf of the National Indigenous Consumer Strategy's (NICS) Reference Group, in response to The Treasury's Discussion Paper "Strategies for reducing reliance on high-cost, short-term, small amount lending".

The NICS Reference Group was established by the former Ministerial Council on Consumer Affairs (MCCA) in 2005 to guide Australian consumer protection agencies' policies and activities in Indigenous communities. MCCA renewed the Strategy in 2009.

The Reference Group's concerns relate to the issue of Centrepay in Chapter 2: "Reducing the Need for Small Amount Loans", in particular the proposal to possibly extend Centrepay eligibility for a broader range of businesses.

The Reference Group acknowledges that Centrepay has been a successful tool for people in managing their money and providing options for people on low incomes. In order to protect customers the Department of Human Services has restricted access to Centrepay to organisations that align with specific service reasons defined in Centrepay policy.

Indigenous consumers have, however reported serious difficulties to Reference Group members regarding businesses utilising Centrepay. These include problems with payments to funeral funds and rental companies which provide whitegoods, furniture and electrical goods to vulnerable communities at high cost.

Reference Group members follow up these reports, liaise closely with Centrepay and take appropriate regulatory action. From our experience, working with Indigenous consumers and Centrepay, we wish to make the following suggestions which we hope will promote compliance with consumer protection legislation by Centrepay third parties.

- A mechanism to facilitate Centrepay's enquiries when assessing an application for registration to minimise approvals of businesses which might not meet legislative requirements for consumer protection, for example, a requirement to identify whether they are licensed with the Australian Securities and Investments Commission or an authorised credit representative in relation to a financial service or credit activity. This would include capacity to assess assertions of compliance made by third parties.
- Inclusion of expectations of compliance with consumer protection standards as a criterion of approval for registration.
- Support for Centrepay to actively monitor businesses and their transactions with customers to ensure they are meeting their commitments, capacity to regularly test assertions of compliance and permission to release information to consumer agencies where non-compliance is suspected and should be investigated.

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While the issues set out above are internal matters for Centrepay to resolve, the Reference Group raises them for consideration, particularly if Centrepay was to extend its eligibility for a broader range of businesses. Compliance by these businesses with consumer protection legislation is essential in order to avoid increasing the exposure of vulnerable communities to unlawful or poor practices. If further information is required, then please contact me on 02 4925 7008.

Yours sincerely

Handwritten signature of Paul Coles.

Paul Coles
Chairperson
National Indigenous Consumer Strategy