

21 December 2018

Matthew Sedgwick  
Consumer and Corporations Policy Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

By email: Regmod@treasury.gov.au

Dear Mr Sedgwick,

### **Modernising Business Registers Program Review of Registry Fees**

The AICM represents the interests of over 2,500 credit professionals responsible for maximising the cash flow and minimising the bad debt risk of companies in a vast array of industries.

The credit provided by our members supports businesses of all sizes, a significant portion of our membership provides unsecured trade credit. Trade credit enables businesses to fund their trading and manage cashflow. Efficient access to accurate and up to date information is essential for credit trade credit providers to perform this function.

Efficient access to information enables credit providers to make informed credit decisions and fuels technology solutions that provide efficiencies to credit providers.

Although AICM members predominantly represent large businesses, search fees and accurate information are two issues that members regularly raise as a barrier to efficient, detailed and accurate credit decision making.

Company registry information is fundamental to all credit decisions and forms the basis on which additional data points are evaluated. ASIC search fees set the minimum cost of credit checks and credit reports provided by credit bureaus.

Current registry search fees limit the use of additional data sources especially at for low level credit applications, in trade credit (where there is not a direct fee for the provision of credit) and periodic reviews of credit limits as credit providers are under pressure to minimise costs. The AICM sees the impacts of this regularly when members report losses and risks that could have been mitigated by the use of additional data sets.

Additional impacts as a result of the cost of search fees includes:

- Risks post initial application not adequately identified and mitigated as updated reports are not obtained.
- Loss of sales as a result of unnecessary requests for security that could be avoided by a better understanding of the quality of business through additional data sources.
- Not implementing automated and real time credit assessment and risk management technologies that could support business growth.
- A reduction in credit limit and terms provided as limited information presents a limited view of the applicant.

The AICM also notes that many organisations have complex company structures and search fees often prohibit the understanding of these due to the additional fees required for each entity in the structure.



It has also been noted by the AICM that search fees often create potentially significant costs borne by creditors during insolvency process due to the administrator/liquidator being required to perform multiple searches to conduct their investigations.

Below are our specific responses to the questions raised in the consultation paper.

## Questions:

### 1. Do you agree that the principles of making fees simpler, easier to understand and more equitable are the best guide to review registry fees?

The complexity of current fee structures has not been raised by members as a concern. The priority of members is to reduce the quantum of fees.

Members have commented that not only are fees restrictive to their credit roles but when seeking to obtain information for personal matters or to assist family members operating small businesses the fees have been seen as significant barriers.

#### Should any other principles be considered?

The AICM advocates for the minimisation of search fees to maximise the availability of information and provide accurate and efficient credit assessment.

As corporate entities create the need for the registries it is reasonable that they bear the costs for funding the services.

### 4. How could the late fee system be reformed to incentivise compliance and make the system simpler and more equitable?

Late lodgement creates significant issues for those seeking to understand the company as this may result in incorrect assessments being made. Specifically, late lodgement of annual accounts prevents accurate and timely information being available, see the attached submission of AICM, ARITA and AFIA which details the issues.

The current late payment fees do not discourage the intentional delay of lodgement by businesses that seek to delay lodgement for as long as possible due to their desire to limit the availability of information that may be detrimental to them but of significant benefit to credit providers and other users.

The AICM recommends a significant increase in late payment fees. This would be further justified by initiatives of the MBR such as regular and timely alerts.

### 5. Do you support the introduction of interest on late payments rather than the late payment fee?

We do not oppose the charging of late interest. However, note that the low value of late fees will make the late interest amounts very low.

AICM members report that charging late interest can cause administrative complication such as when the initial fee/charge is paid excluding late interest. The quantum of the interest generally does not justify enforcement so administrative burden is incurred manually reversing interest or continuing to accrue.

AICM recommends all current late fees be increased significantly with fees applying for each week/month of delay.

The late fee should be set so that it encourages all businesses to lodge on time therefore a fee relative to company size (Revenue, Assets and/or staff) would be appropriate.



## 6. Do you support lowering late payment fees but increasing late lodgement fees, or eliminating late review fees?

The AICM supports the increase of all fees related to delays in payment or lodging to encourage prompt action and as an alternative to search fees.

## 7. How could search fees be reformed to make data more accessible, the system simpler and more equitable?

The AICM welcomes implementation of models such as applies in the United Kingdom where no fees are payable for searching companies house.

The AICM asked Philip King CEO of the UK credit management association, the Chartered Institute of Credit Management (CICM) to comment on the effect of the move to free searches in the UK, he stated *“Knowing your customers is imperative to ensure prompt payment and avoid bad debts. The availability of information supports profitable business and economic growth. Making information freely and easily available is a massive step forward.”*

The benefits of removing and reducing the cost barriers to accessing accurate company information are substantial including:

- Reduction of fraud and illegal practices such as phoenix activity
- Improving transparency of companies
- Public confidence in the entities
- Risk management
- Automation, efficiencies and increased productivity

In recent discussions with Credit and Collections associations in Canada, United States of America and New Zealand all agreed that removing barriers, such as cost, to the access to basic company information is beneficial to the whole economy including the registered entities, credit providers, tax payers and consumers. The types of information deemed basic by the group include:

- Registration status
- Director and office holder information (current and past)
- Company registered office and other contact information
- Shareholders
- Related entities
- Annual Financial Reports
- Revenue, Assets and staff numbers

## 8. Should an infrastructure fee be introduced if it is payable by users of an API or comparable technology?

The AICM does not support significant fees being charged to companies providing services that facilitate interaction with the registers so as to minimise the cost barriers as stated in point 7.

Minimising the cost structures of parties that facilitate interactions with the registries makes access to the basic company information more efficiently available and increases access to additional benefits, for example:

- Credit Bureaus can also provide additional information to further reduce credit risk
- Software providers that facilitate lodgements can provide efficiencies and productivities by further simplifying the processes and integrating the service into existing business systems.



9. Should funds raised from an infrastructure fee be set aside to cover the costs of upgrading the registry and/or a testing environment?

Due to the economy wide benefits of an efficient registry the AICM believes registry infrastructure should be funded by the entities subject to registration and/or from government/tax payer revenue.

Should you have any queries arising from our submission please contact me.

Yours sincerely

Nick Pilavidis  
Chief Executive Officer  
Australian Institute of Credit Management