

Small Business Access to Credit

The federal government has introduced legislation to make it easier for small businesses to access credit by reducing red tape and improving competition.

The National Consumer Credit Protection Amendment (Supporting economic Recovery) Bill 2020 was tabled in the House of Representatives on Wednesday, 9 December.

Key elements of the legislative reforms include:

- Removing responsible lending obligations from the National Consumer Credit Protection Act 2009, with the exception of small amount credit contracts (SACCs) and consumer leases where heightened obligations will be introduced.
- Ensuring that authorised deposit-taking institutions (ADIs) will continue to comply with APRA's lending standards requiring sound credit assessment and approval criteria.
- Adopting key elements of APRA's ADI lending standards and applying them to non- ADIs.
- Allowing lenders to rely on the information provided by borrowers, replacing the current practice of "lender beware" with a "borrower responsibility" principle.
- Removing the ambiguity regarding the application of consumer lending laws to small business lending.

In addition, a new licensing regime will be introduced to protect consumers from the predatory practices of debt management firms by requiring them to hold an Australian credit licence when they are paid to represent consumers in disputes with financial institutions.

In response to the legislation, Assistant Treasurer Michael Sukkar said the principles which underpin responsible lending obligations (RLOs) have been implemented in a way that is no longer fit for purpose and which risks slowing our economic recovery.

“The prescriptive approach outlined in RLO guidance and adopted by lenders leaves borrowers and lenders facing a ‘one-size-fits-all’ approach — imposing a similar approach to credit assessment for most consumers and credit products, irrespective of their circumstances,” Mr Sukkar said.

“The government’s reforms will remove the ‘one-size-fits-all’ approach, enabling the more efficient flow of credit to consumers and small businesses, while also strengthening protections for higher-risk products and vulnerable consumers using small amount credit contracts and consumer leases.”

Further, Mr Sukkar said the reforms will simplify Australia’s credit framework, reduce red tape, improve competition and enable a more efficient flow of credit while maintaining strong consumer protections.

“Credit is the lifeblood of the Australian economy, with billions of dollars in new credit extended to households and businesses in Australia each month, helping them to buy a home, grow their business and invest to create jobs,” he said.

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