



Government Response to the Final Report of the SACC Law Review

The Minister for Revenue and Financial Services, the Hon Kelly O'Dwyer MP, yesterday indicated that the government supports all the recommendations, in part or in full, of the Final Report of the SACC Law Review (see: <http://kmo.ministers.treasury.gov.au/media-release/105-2016/>).

Cash Converters does not support recommendation 1, which caps a customer's loan repayments as a percentage of their net income ('10% cap'):

Extend the protected earnings amount regulation to cover SACCs provided to all consumers. Reduce the cap on the total amount of all SACC repayments (including under the proposed SACC) from 20 per cent of the consumer's gross income to 10 per cent of the consumer's net (that is, after tax) income. Subject to these changes being accepted, retain the existing 20 per cent establishment fee and 4 per cent monthly fee maximums.

The Company is disappointed with the government's decision to extend the protected earnings amount regulation to cover SACCs provided to all customers and limit it to 10 per cent.

"A 10 per cent net income cap would necessarily encourage longer loan terms and, therefore, smaller and more affordable fortnightly repayments." (Review of the small amount credit contract laws, March 2016).

Cash Converters does not think this change is helpful to consumers as longer term loans incur more monthly fees and increases the period of indebtedness. The Company is also concerned that this recommendation will artificially restrict a customer's access to credit, regardless of their affordability test.

This change will impact around 500,000 Cash Converters customers who access our short term Cash Advances (six-week loans). To address their need for credit and meet the new cap, these customers would now be required to take out 12-week loans, resulting in more monthly fees and a restriction of consumer choice.

Those consumers most likely affected will be the lowest income recipients. The Company announced in its release on 30 August 2016 that it was expecting a net profit in the range of \$20 to \$23 million, based upon a decision to transition away from lending to lower income earners – this range has not changed. In a trading update on the 14 November 2016 the Company reported a 30% drop in lending volumes in the first quarter of FY 2017.

These recommendations are not yet law and will only come into effect 12 months after legislation passes through parliament. The government intends to develop this legislation during 2017, subject to its other legislative priorities. This means that the impact of these changes will not occur until at least 2018.

The Company is continuing discussions with the government on this important matter and when further information is available a Company announcement will be made.

Ralph Groom
Company Secretary
Cash Converters International Limited
29 November 2016