



Australian
Retailers
Association

Australian Securities and Investments Commission
Credit Cards: Responsible Lending Assessments Consultation
creditcards@asic.gov.au

RE: ARA Correspondence: ASIC Consultation Paper 303 – *Credit Cards: Responsible Lending Assessments*

Tuesday 31 July 2018,

To Whom it May Concern,

I write in response to the Australian Securities and Investments Commission's (ASIC) current consultation on credit card lending. The Australian Retailers Association (ARA) is the retail industry's peak representative body representing Australia's \$310 billion sector, which employs more than 1.2 million people.

The ARA works to ensure retail success by informing, protecting, advocating, educating and saving money for its 7,500 independent and national retail members covering over 50,000 shopfronts. The ARA ensures the long-term viability and position of the retail sector as a leading contributor to the Australian economy.

Members of the ARA include Australia's most trusted retailers, from the country's largest department stores and supermarkets to specialty retail, electronics, food and convenience chains to mum-and-dad operators.

The ARA is appreciative of the opportunity to represent the retail industry in relation to Consultation Paper 303: *Credit Cards: Responsible Lending Assessments* (Consultation Paper).



ASIC Proposal:

The ARA is understanding of the necessity to monitor and facilitate adjustments to encourage responsible lending practices and consumer debt management. Continuous monitoring of consumer debt and its associated risk is a standard and necessary practice.

However, upon review of the consultation paper, the ARA will not provide broad support to the suggested approach. We believe that the proposal requires further consideration, including more extensive research and broader consultation.

In addition to this, we are supportive of the approach outlined in a submission provided by the Finance Brokers Association of Australia (FBAA) in response to the Consultation Paper.


Small Business and Access to Finance:


The ARA is also concerned that ASIC's proposals listed in the Consultation Paper may further restrict access to finance for SMEs. Many SME retailers rely on credit cards to fund ongoing business expenses. This line of credit is essential for the day-to-day operations of these businesses, especially for newly-established businesses, which already face significant lending access barriers.

Our members are concerned at any limitations which may be imposed on their businesses by these proposals. A reduction in the ability to fund ongoing expenses, combined with a potential loss of custom from reduced consumer spending are unintended consequences of proposed credit restrictions which may lead to the downsizing, or even closure, of some SME retailers.

The Retail Industry:

As a customer-facing industry, the focus of retail is to facilitate goods and services provision to consumers. Subsequently, the retail industry is largely dependent on discretionary and impulse consumer spending in order to survive.





Retail businesses provide crucial economic activity and goods and services provision to localities across the country, especially in rural, regional and suburban areas. Consumer spending in Australia's 130,000 retail businesses supports more than 1.2 million Australian jobs, while contributing more than \$310 billion to the Australian economy in 2017.

With this in mind, it is important to consider the volatile nature of consumer-reliant industries such as retail. The recent decade has seen the retail industry endure a period of great transition. Technological advancements have disrupted business, while online shopping has intensified competition for local retailers, and consumer spending behaviours have changed as a result.


This increasingly volatile trading environment means that the retail industry is vulnerable to even minor adjustments in consumer spending behaviour, including a tightening of credit lending, which is an effective withdrawal of funds from the market.


It is understood that the principle of the proposal outlined in the Consultation Paper is to affect a change in consumer behaviour. However, the ARA is concerned about unintended consequences stemming from regulatory interventions to tighten consumer access to credit card lending. Retailers are reliant on the traditional seasonal trading environment and consider a withdrawal of funds from the market as a material risk to their businesses.

It is well-accepted that spikes in consumer spending, including credit card spending, will occur during peak trading periods such as Christmas/New Year, End of Financial Year, Easter and Mother's Day. Consumers and retailers alike rely on the availability of funds and credit to facilitate business during these periods.

The ARA believes that ASIC should carefully consider its approach to responsible lending provisions, including the potential effects on consumer-reliant industries. The ARA and our members will be pleased to participate in further consultations on these matters.

The ARA would like to re-iterate our appreciation for the opportunity to engage with ASIC on this Consultation Paper. We are in support of the approach outlined by the





FBAA in its submission, and we would be happy to further discuss our position at your earliest convenience.

Please contact ARA Executive Director, Russell Zimmerman, at russell.zimmerman@retail.org.au, or ARA Director of Policy, Government and Corporate Relations, Heath Michael, at heath.michael@retail.org.au for further comment.

Kind regards,



Russell Zimmerman
Executive Director
Australian Retailers Association



Heath Michael
Director of Policy, Government & Corporate Relations
Australian Retailers Association

