Reference: 42710
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Ms Meghan Quinn

Deputy Secretary

Department of the Treasury

Dear Ms Quinn

**Regulation Impact Statement – Second Pass Final Assessment – Consumer Credit Reforms**

Thank you for your letter received on 4 December 2020 submitting a Regulation Impact Statement (RIS) on Consumer Credit Reforms for formal Second Pass Final Assessment. I note the RIS has been formally certified at the Deputy Secretary level consistent with the *Australian Government Guide to Regulatory Impact Analysis*.

I appreciate the Department’s constructive engagement on the RIS.

The Office of Best Practice Regulation’s (OBPR’s) assessment is that the quality of the regulatory impact analysis in the RIS, and the process that underpinned it, is adequate. The RIS adequately outlines the extent of duplicative, overlapping and prescriptive regulatory frameworks applying to consumer credit, and the presence of harm to consumers through loss of access to credit.

The RIS addresses the seven RIS questions, and provides well demonstrated case studies to detail the nature of the problems that give rise to costs to consumers. For the RIS to be considered ‘good practice’ against the Government’s Regulatory Impact Analysis (RIA) requirements, the analysis could have been further improved by:

* additional evidence as to whether the existing responsible lending obligations (RLOs) are currently protecting borrowers from unsuitable loans, over and above existing protections, and balanced against the broader objectives of reducing unnecessary and duplicative requirements;
* extending the analysis in the RIS of the circumstances where some consumers may be exposed to potential harm should lenders not to act in their best interests, given the overlap of the RLOs with the protections provided by lending obligations under APRA’s prudential frameworks; and
* a consultation period of longer than 16 days, which is shorter than the recommended period of a minimum 30 days, for changes as significant as the removal of RLOs.

The RIS may now be provided to the decision-maker to inform a final decision.

We would appreciate you advising us when a final decision has been announced and forwarding a copy of the RIS in a form meeting the Government’s accessibility requirements. The OBPR will publish the RIS, along with your certification and this assessment, on the OBPR’s website [www.ris.pmc.gov.au](http://www.ris.pmc.gov.au).

If you have any further queries, please do not hesitate to contact me.

Yours sincerely

Jason Lange

Executive Director

10 December 2020