



8 April 2021

Mr Jason Lange
Executive Director
Office of Best Practice Regulation
Department of the Prime Minister and Cabinet
1 National Circuit
BARTON ACT 2600

Dear Mr Lange

REGULATION IMPACT STATEMENT – LICENSING DEBT MANAGEMENT FIRMS – SECOND PASS FINAL ASSESSMENT

I am writing in relation to the attached Regulation Impact Statement (RIS) prepared for the licensing of debt management firms.

I am satisfied that the RIS addresses the concerns raised in your letter of 31 March 2021. Specifically:

- Clearer articulation and factual evidence of the size and scope of the problem has been provided through the expansion of the Background and Problem sections to more clearly articulate the existing problem that provides the rationale for the licensing regime. Case studies and supporting evidence from past reviews, stakeholders and media observers have been included;
- More information on the status quo and alternative options have been provided. Greater detail on the expected disadvantages of Option 1 has been provided, as well as the expected benefits and costs of Options 2 and 3. In particular, a deeper explanation of the Australian Credit Licensing regime has been included along with the subsequent requirement to hold membership with the Australian Financial Complaints Authority;
- Information provided by stakeholders from consultations has been included and the RIS identifies how the feedback was used to inform identification of the problem, the need for Government action and the impact analysis. Treasury has received feedback from stakeholders, including consumer groups, industry and regulators, over the past year regarding concerns with the debt management industry and the impact on consumers. The Consultation section has been expanded to include a summary of the views expressed during these consultations in the lead up to the Government's announcement on 25 September 2020, as well as the four week public consultation that occurred on the draft Regulations from 15 January 2021 to 12 February 2021;
- The RIS incorporates more robust impact analysis by providing monetised costs calculated in accordance with the Regulatory Burden Measure Framework for Options 2 and 3. The difficulty in ascertaining meaningful estimates of the monetary loss caused by debt management firms is addressed. The unregulated nature of debt management firms has meant there is a lack of comprehensive data on the scale of losses caused by the wide variety of services offered. However, there is sufficient evidence provided by stakeholders regarding the harm to consumers, in order to make the assessment that the benefit to consumers of



Australian Government

The Treasury

regulating debt management firms outweighs the increase in regulatory burden on these firms; and

- The best option has been considered by assessing the net benefits of each option. Table 1 in the Option Selection/Conclusion section provides an analysis of the net benefits and costs of each option, including consideration of ease of implementation, estimated regulatory cost burdens, and the benefit to consumers.

Accordingly, I am satisfied that the RIS is now consistent with the six principles for Australian Government policy makers as specified in the *Australian Government Guide to Regulatory Impact Analysis*.

I submit the RIS to the Office of Best Practice Regulation for formal final Assessment.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Meghan Quinn'.

Meghan Quinn
Deputy Secretary
8 April 2021

FIND TREASURY ON   