



Major creditor forum

On 13 February AFSA held a Major Creditors Forum at its Sydney offices.

Attendees included representatives from the ATO, Westpac, Citi Group, Credit Corp, ACM Group, Baycorp, Max Recovery, IMS and the Kessler Group. The Attorney-General's Department also attended.

Debt agreement reform

A key agenda item was an overview of the changes to the Debt Agreement regime commencing 27 June 2019 and the impact of those changes upon creditors.

The amendments are designed to increase standards applying to registered debt agreement administrators (RDAs) and protect vulnerable debtors.

There was discussion by creditors about the possibility of lower returns as a result of a 3 year term limit being introduced for agreements put forward by debtors with no interest in their principal place of residence.

This is in contrast to the current absence of a restriction on the length of agreements with the de-facto standard now approaching 5 years.

Hardship schemes

Creditors raised concerns about fees in debt agreements and the suitability of the product for many of their more vulnerable customers, observing that there may be other more appropriate solutions including the use of creditor's internal hardship provisions or other, less formal arrangements.

This led to discussion around the lack of publicly available information regarding the operation and effectiveness of creditor's hardship schemes and informal arrangements.

Right information at the right time

There was agreement on the need to get the right information to debtors at the right time outlining all options, including insolvency.

AFSA highlighted one current activity focusing on revising the Prescribed Information provided to all debtors considering proposing a debt agreement—and will consult with stakeholders shortly.

Once the key messages in that document are agreed, this could form the basis of more work with creditors and others on strategies to get this information to debtors earlier.

Informal debt agreements

Some creditors raised concerns about an increase in RDAs contacting them directly with informal debt agreements.

AFSA advised they were monitoring these and requested creditors bring instances to the attention of their Regulation team; noting that AFSA is supportive of solutions that help debtors avoid insolvency where that is likely to produce a better outcome for the debtor.

Contacting debtors

Creditors cited barriers to contacting debtors who are represented by third parties, including RDAs, as potentially limiting their ability to assist clients in financial hardship.

They also indicated that in some instances there were delays of up to nine months after a RDA was engaged before a debt agreement was proposed.

Complaints

AFSA spoke about the relatively low level of complaints relating to debt agreements noting that this appears to be out of sync with industry sentiment.

AFSA asked creditors to lodge complaints promptly where warranted to ensure any breaches of legislation or poor conduct by practitioners are investigated and addressed accordingly.

Moving forward

AFSA's role in facilitating a dialogue between creditors and RDAs was raised and there was support for involving creditor representatives in RDA forums.

Overall the Major Creditors Forum was seen as valuable and interest in holding it annually confirmed by all parties in attendance.