



Australian
**Small Business and
Family Enterprise**
Ombudsman

MEDIA STATEMENT

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Ombudsman urges prospective franchisees to do their homework

The Australian Small Business and Family Enterprise Ombudsman, Kate Carnell is urging prospective franchisees to do their homework before investing, after the ACCC found some franchisors were failing to provide adequate information to buyers.

The regulator found one-in-three franchisors in the food services sector had failed to disclose useful contact details of former franchisees to allow prospective buyers to conduct due diligence.

“It’s vitally important that potential franchisees know what they are getting into before signing off on a franchise agreement,” Ms Carnell says.

“Part of that due diligence process when considering buying a franchise is speaking to previous franchisees.

“If the franchisor is making it difficult to contact former franchisees, that’s definitely a red flag.

“The ACCC also found a third of the franchisors failed to disclose key ongoing costs such as wages, rent and inventory.

“The cost of setting up a food service franchise can run into hundreds of thousands of dollars, so it makes good business sense to seek independent legal and business advice before making that significant investment.

“My office has received more than 50 complaints in the June quarter from franchisees in strife, highlighting the need for greater awareness in this space.

“We encourage anyone who has been affected by these practices or who is involved in a franchising dispute to contact ASBFEO.”

Further information is available at <https://www.asbfeo.gov.au/industrycodes/franchisingcode>

The ACCC also has helpful resources: [Buying a franchise? Know the risks](#)

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