

MEDIA STATEMENT

11 August 2021

Ombudsman welcomes cancellation and suspension of Australian credit licences

The Australian Small Business and Family Enterprise Ombudsman Bruce Billson has welcomed ASIC's announcement that they have cancelled or suspended Australian credit licences for failing to be a member of the Australian Financial Complaints Authority (AFCA).

Australian credit licence holders are required by law to join AFCA, which has been set up to sort out complaints between financial firms that are members and their small business and consumer customers that can't resolve matters themselves.

In the period 1 January 2021 to 30 June 2021, 24 licences were cancelled.

"AFCA provides free, fast and binding dispute resolution to small businesses, saving them time and money by significantly reducing the need for litigation," Mr Billson says.

"Small businesses do not have the time or the money to hire lawyers and challenge banks and other financial institutions through the court system to get a fair outcome to a financial complaint.

"If a finance provider that is an AFCA member can't resolve a complaint directly with a customer, including a small business customer, AFCA decides what a fair and appropriate outcome is and the decision is binding on the financial firm.

"This is a really important service as finance is the oxygen of enterprise, yet too often small and family businesses feel powerless in sorting out complaints they may have with finance providers.

"This move by ASIC serves as a timely and critical reminder to small businesses to ensure the lender or financier they are considering dealing with is an AFCA member.

"Small business borrowers can only access AFCA's free and independent dispute resolution 'umpire' process for their financial complaints if their lender is an AFCA member.

"Not all lenders are AFCA members – in fact many are not – and small businesses need to be aware of the risks and inability to reach out to AFCA to decide a matter.

"My office regularly hears from small businesses that have taken out a loan or some kind of financing deal with a non-AFCA member, and end up in a dispute they are not able to resolve.

"My office can and does help with seeking to facilitate a resolution via mediation, but can't determine and impose a fair outcome like AFCA can when the finance provider is an AFCA member.

"My tip is to always check out your financing options with an AFCA member for your own piece of mind."

Small businesses engaged in a dispute with a financial institution are encouraged to contact ASBFEO for assistance on 1300 650 460 or email info@asbfeo.gov.au. For complaints involving an AFCA member, call 1800 931 768 or lodge a complaint online via www.afca.org.au

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