



Position Paper: ***Credit repair sector reform*** **January 2016**

ARCA Members have a deep and abiding interest in ensuring the best outcomes for consumers, including in the engagement those consumers have with the credit reporting system. As such, ARCA Members have had an interest in the activity of so-called credit repair agents.

ARCA Member responses to credit repair

ARCA Members recognise that they play a critical role in responding to consumer concerns so as to ensure consumers can effectively deal with their own credit reporting corrections and avoid the need to engage a credit repair organisation.

ARCA Members are committed to ensuring effective communications with consumers. Members know that the best way to support consumers is to provide them with direct and clear communications that outline the ways they can manage issues themselves.

ARCA Members also recognise the benefits to consumers of less costly External Dispute Resolution (EDR) schemes. These schemes – which are free for consumers to use – play a valuable role in resolving issues between Members and consumers, outside formal legal proceedings. To that end, Members are committed to supporting the smooth functioning between themselves and EDR schemes – and will continue to improve the way they engage with and provide information to these schemes.

Credit repair sector reform options

Whilst it is tempting to automatically call for the introduction of a new licensing regime for credit repair organisations, licensing itself is a tool to achieve other behavioural changes in the sector.

ARCA has identified a range of options that should be considered as part of this reform agenda, including:

- Compulsory EDR membership for credit repair organisations
- A prohibition on phoenix or shell companies to avoid responsibilities
- Truth in advertising (preventing false and misleading statements)
- Implementing mandatory cooling-off periods post-engagement
- A requirement to act in a client's best interest as a credit repair organisation
- Written disclosure of non-fee rights
- Written cost estimates, and a prohibition on upfront fees
- A prohibition on false or misleading engagement with the credit reporting system – a requirement to act not only in the best interest of their client but the credit reporting system as a whole

One of the critical issues related to this sector is the various corporate structures and arrangements that exist. Consequently, although some of the above options may already apply to some organisations that currently operate as credit repairers (such as a credit repairer that operates a debt consolidation business being a member of an EDR scheme), these options should be considered as a package of reforms to the credit repair sector, and then be structured to achieve that specific outcome.

Next steps

ARCA supports an effective self-regulatory framework towards achieving industry reform. However, a number of pre-conditions for a self-regulatory framework are not present in the credit repair sector, namely:

- An industry association or other organisation to 'own' such a framework
- Wide support and membership of such an organisation
- Support for self-regulation, and willingness to pay for such a framework
- Wide acceptance of a process to develop such a framework

Consequently, ARCA supports the development of an open process, with wide stakeholder engagement – including from the sector itself, for consideration of legislative and regulatory responses to reform the credit repair sector.

If you have any questions or would like more information, please contact:

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