

A fairer approach to credit and debt

Background brief February 2025



Australians are continuing to face financial difficulties wrought by the cost-of-living crisis.

Financial Rights speaks to thousands of people calling the National Debt Helpline who struggle with debt, are in disputes with lenders, insurers or other creditors, or are simply not being treated fairly by their financial service provider.

Addressing the cost-of-living crisis is an enormous and complex task. However, there are clear, simple steps that the incoming Australian Government and 48th Parliament can take to alleviate many of the stresses and harms that debt-laden Australians face during this difficult period.

Goal 1 – Make bankruptcy fairer

Reforms to our bankruptcy system are urgently needed to help people draw a line under unmanageable debt, and free them to re-enter economic life.

Following a comprehensive consultation process the Attorney General announced in 2023 the government's support for 4 straightforward and sensible reforms:

- » **Increase the threshold** for involuntary bankruptcies from \$10,000 to \$20,000, indexed annually
- » **Increase the timeframe** in which a debtor may respond to a bankruptcy notice from 21 days to 28 days
- » **Reduce the length of time** a discharged bankruptcy is publicly recorded on the National Personal Insolvency Index from a lifetime listing to seven years following discharge, and
- » **Remove debt agreements** as an act of bankruptcy.

The Attorney General also announced in July 2024 a proposal for the **introduction of a Minimal Asset Procedure**. A Minimal Asset Procedure is vital to assist people who have already accrued significant debt that, due to their low personal income and asset levels, will never be able to repay.

Key ask

Bankruptcy reforms including a Minimal Asset Procedure should be legislated as soon as possible.

Goal 2 – Improve Centrepay to empower Australians

Services Australia's direct bill paying service Centrepay is meant to financially empower people, however predatory behaviour from some sectors has led to the service not operating as intended and undermining the overall confidence in the program.

In December 2024 the Government announced a process to reform Centrepay. The reforms aim to increase scrutiny, accountability and consequences for businesses exploiting consumers via Centrepay, as well as improve communications and support services for Centrepay users.

These improvements will empower customers to manage their own expenses, buy goods and services and help improve financial independence. However, they need continuing government support to see these reforms through to completion.

Key ask

Support Centrepay reforms announced in December 2024.

Goal 3 – Make financial products safer

Financial abuse victim survivors commonly hold significant levels of complex debt to multiple financial service providers. Sometimes their debts are owed as a direct result of financial abuse, through fraud, coercion to take on the debt, or entering debt because their abuser does not contribute to shared costs. In other instances, the debts arise in the aftermath of abuse, as they try to escape or re-start a safer life.

Australia's financial services framework fails victim survivors in multiple ways including not requiring service providers to actively prevent misuse of their products, inconsistent and largely voluntary rules across the sector to redress victims, and lack of awareness, understanding and training.

Whatever the cause, the challenge for victim survivors is the same – navigating a complex web of financial problems that need to be unravelled and resolved. This compounds trauma and impedes escape and recovery.

The financial services regulatory framework must better support vulnerable Australians by requiring financial service providers to actively consider the prevention of financial abuse in the design of their products and services. Strengthening laws such as the Design and Distribution Obligations to require firms to prevent, disrupt and respond to financial abuse are key.

Key ask

Ensure financial products and services are safe by requiring abuse prevention to be considered in the design and distribution of financial products.

Goal 4: Protect Safe Lending Laws

Australia's world leading approach to lending responsibly has protected Australian homeowners during turbulent times and prevented our economy and society from financial ruin.

Our responsible lending laws have set standards of conduct that have encouraged prudent safe lending, curtailed undesirable market practices and provided appropriate redress where irresponsible lending has taken place. Serviceability buffers required by APRA have also ensured the stability in the sector.

Housing affordability is a real and difficult challenge that must be addressed. However, giving people bigger loans doesn't make housing affordable – it condemns people to financial stress and feeds the cycle of increasing prices.

However there have been recent calls to weaken these strong protections, including reducing the serviceability buffer for first home buyers.

Our lending regulatory system works and gives Australians who are buying their homes a far better chance of also keeping them.

There remain no problems with the flow of credit. Reducing safeguards during a housing crisis will only hurt individuals and families.

Key ask

All major parties commit to protecting Australia's Safe Lending Laws.

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