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AFIA Finance Industry Code of Practice

Australian Finance Industry Association

About AFIA and our finance industry members

AFIA finance industry members participate across the entire finance industry in Australia.

These members include banks, finance companies, vehicle and equipment financiers, car rental and fleet providers and fintechs that operate in consumer, business and commercial lending markets.

AFIA is committed to advancing a world-class finance industry and our members are at the forefront of creating more efficient, innovative and competitive finance for Australians.

This Code sets out the standards of practice and expected customer service outcomes for our members and reflects our members' commitment to customers through the promotion of a culture of integrity, transparency and fairness in the finance industry in Australia.

Our members support this Code because it will help to:

1. Improve outcomes for customers and financial firms

The Code supports positive outcomes for customers and financial firms by promoting transparency, fairness, and customer confidence through setting standards of practice and our commitment to strive for best practices. It explains the practices and cultures that our members have in place to support compliance with legal obligations, reflect customer and community expectations, and to strengthen trust and confidence in the finance industry. It provides a framework for responsible conduct and fosters collaboration among stakeholders.

By adhering to the Code, our members contribute to a resilient, sustainable and inclusive finance industry, which ultimately benefits customers, financial firms, our economy and wider communities.

2. Support the adoption of good industry practices and behaviours

The Code fosters transparency and fairness, promotes accountability and ethical conduct, and explains how our members will comply with their legal obligations. It explains what our members will do if things go wrong, including how our members will manage complaints, support customers experiencing financial difficulties and help customers experiencing vulnerability.

The Code will evolve in line with industry developments and customer and community expectations. By embracing and implementing the Code, our members are advancing a more professional, customer-focused finance industry.

Contents

Part A – Introduction

About this Code

1. The Australian Finance Industry Association (AFIA) Code of Practice (the/this Code) is effective from dd/mm/yy [TBA].
2. The words “we”, “us” and “our” are to be read as applying to an AFIA member and/or an entity in an AFIA member's group who is a Code Member.
3. The words “you” and “your” refer to our customers.
4. Other words and phrases that have special meaning are identified with capital letters and are defined in the Definitions.
5. This Code applies to products, services and technologies provided to you if we were a Code Member at the time the product, service or technology was provided to you. For simplicity, we collectively refer to them as "products" in this Code.
6. The Code will no longer apply if another entity takes over the provision of your product and that other entity is not a Code Member.

Scope of this Code

7. This Code applies when we provide products to you in Australia.
8. This Code may offer some guidance more broadly, but it does not apply to products we provide to the commercial property, large corporate, government or semi-government customers.
9. This Code does not apply to other entities we own that are not credit providers, lenders, financiers, or providers of novated leases or salary packaging arrangements. This Code sits alongside the overarching laws, licensing obligations (where applicable) and regulatory frameworks that apply to us. If there is any conflict between this Code and relevant laws, those laws prevail.
10. AFIA has separate codes of practice for Buy Now Pay Later, Insurance Premium Funding, Online Small Business Lending and Car Rental, which are available here. This Code does not apply to those activities, but we may include additional schedules in the future.

Structure of this Code

11. AFIA members participate in different finance sectors or markets, and for this reason we have divided this Code into different sections to help you find the customer protections relevant for your circumstances.
12. This Code contains general and specific commitments by us to you. They are found in:
    a. Parts B, C and D – these contain our general commitments and apply to all customers. These sections explain how we will engage with you and what you can expect from us.
    b. The Schedules – these contain our specific commitments and only apply if we provide you with a product that is listed in that Schedule. The Schedules contain specific and additional details about those products and how we provide them to you.

Part B – Our Key Commitments to You

We will focus on customers

13. We prioritise customer service and positive customer outcomes. We aim to deliver a positive customer experience through good business practices that supports your financial wellbeing over the longer term.

We will be fair, honest and ethical

14. We will act fairly and honestly, and be ethical and transparent, in our dealings with you. If you tell us that you are experiencing financial difficulties, we will work with you to identify ways we can provide support in accordance with our policies.

We will deliver high standards of service

15. We will offer products that are clearly explained. We will be responsive and accountable in our dealings with you.
16. We will give you clear and timely information about our products to help you make an informed decision about whether to use them.

We will ensure our staff and representatives are trained and competent

17. We will ensure that people who are authorised to act on our behalf (for example, our employees, agents, and authorised credit representatives (ACRs) where applicable) are adequately trained and are competent to engage with you in relation to our products.
18. We will ensure that contracts with our Intermediaries refer to our commitments to you under this Code.

We will deal fairly with complaints

19. We will handle complaints in a fair and timely way.
20. We will provide you with clear information on what to do if we do not resolve your complaint in a way that is acceptable to you. This information may be different depending on the product we provide to you. See Part E of this Code for more information.

We will comply with our industry and legal obligations

21. We will comply with our obligations under the law and this Code. We will act in a way that is consistent with good industry practices.

We will support and promote this Code

22. We will promote this Code so you are aware of our commitments.
23. We will make this Code available in different ways – for example, on our website or in our app or digital platform.
24. We will support the monitoring and ongoing effectiveness of this Code and ensure our staff are trained to put it into practice.
25. We will implement systems and processes to support our compliance with this Code, including programs to rectify any problems, if necessary.

Part C – Accessing Finance

Our products, services and technologies will be fit for purpose

26. We will ensure our products are reasonably fit for their intended purpose and are as described in our terms and conditions, disclosures, marketing materials, and agreements with you.
27. We will provide you with different ways to contact us (for example, by phone, through our website or in our app, or through other communication channels).
28. We will periodically review our policies (such as credit assessment procedures, and the design and distribution framework for our products).

We will be clear and concise with you about our products, services and technologies

29. We will minimise our use of complex legal and technical language when communicating with you. However, there may be times where this is unavoidable (such as the when the law requires us to use particular words or to communicate with you in a particular way).
30. We will give you all information we are required to by law (such as our product terms and conditions, fees and charges, and any specific pre-contractual disclosures) before you accept an offer for our products. We may give this information to you in different ways where the law allows us to (such as in hard copy, electronic and digital formats).
31. We will regularly review the disclosures about our fees and charges to ensure the information is up to date and accurate and in accordance with our policies.
32. We will not publish misleading or deceptive marketing, advertising and promotional materials, or materials that are likely to mislead or deceive.
33. We will respond to questions about the features of our products or services and how they work. We may do this in different ways (such as by publishing FAQs on our website or app).
34. We may require you to obtain independent advice before entering into a contract with us. We will tell you if this applies to you. You may need to get your own financial, legal or taxation advice if you have queries or questions about how our products may impact your financial or personal circumstances.

We will consider your financial circumstances when providing our products, services and technologies

35. If your contract with us is regulated under the *National Consumer Credit Protection Act 2009* (NCCP Act), we will make an assessment about whether the credit contract is 'not unsuitable' for you. This paragraph and the following paragraphs 36 to 39 only apply to consumer credit.
36. We will assess whether we will provide our products to you based on your financial capacity (such as how much you earn and how much you spend) and serviceability (such as how much you can afford to repay after taking into account your financial position and allowing for some changes).
37. We may need to ask you specific questions, and to provide specific documents, where the law requires us to (such as where you have applied for a loan that is regulated by the NCCP Act).
38. We may also obtain information about you from someone else (for example, a credit reporting body) and use this in our assessment. We may need your consent to do this because the

information is sensitive (for example, your credit report may include your loan repayment history, your total debt and your defaults to other credit providers).

39. We will only provide you with the product if we believe you can pay us for it – for example, you have the capacity to make the required loan repayments or lease payments. In making an assessment, we will take account of the information you provide to us and other information we have obtained about you, as well as other criteria we consider relevant. We expect you to provide complete and accurate information when applying for a product changing the product or increasing the existing credit limit.

40. Loans that are for predominantly business or commercial purposes are not regulated under the NCCP Act. We will make our business lending decisions, including decisions to increase existing loan products, based on information that has been provided to us or that we have collected. We will only provide our products to you where we believe you meet the requirements of our product and credit policy requirements.

We will tell you about remuneration we pay to Intermediaries

41. We will tell you about the remuneration or incentives we pay to Intermediaries.

42. If you are a consumer, we will also disclose the amount of the remuneration or other benefit if it is ascertainable at the time you enter into the product.

43. If you are a business customer or the product is not regulated under the NCCP Act, we will tell you about the type of remuneration or other benefits that we may pay to an Intermediary in connection with the distribution or referral of our products.

44. An Intermediary should also tell you about the remuneration or incentives they will receive from us for helping you access our products.

We will comply with our industry and legal obligations

45. We will comply with all relevant laws when dealing with you. If we don't, and you are impacted by this, we will correct this in accordance with our legal obligations and our agreement with you.

Accessibility

46. We will comply with all relevant accessibility and discrimination laws, including the *Disability Discrimination Act 1992*, *Age Discrimination Act 2004*, *Racial Discrimination Act 1975* and *Sex Discrimination Act 1984* and the associated standards. These laws generally prohibit discrimination against a person because of a protected attribute (for example, age, gender identity, sexual orientation, or race).

47. We will take reasonable steps to ensure that any website, app, digital or other device-based platform we operate meets relevant accessibility standards (such as the [Web Content Accessibility Guidelines]).

48. Subject to our credit risk assessment policies and the nature of the products we normally provide, we will consider how we can improve customers' access to finance when making decisions about our products. We will also consider the accessibility of our products for customers by reducing barriers that may prevent people from participating in the finance industry.

49. If you tell us that you need extra help to access our products because of accessibility factors (such as a disability or communication, hearing or visual impairment), we will treat you with sensitivity, respect, understanding and empathy, and take reasonable measures to support your interactions with us.

Use of technologies

50. If we use artificial intelligence (AI) as part of our business operations, we will take an ethical approach to the design and integration of AI into our systems, to help reduce the risk of any negative impacts on or unintended consequences for customers.

51. If we use an AI system, we will embed privacy processes and accessibility principles in the development, deployment and training of AI and we will monitor its operation to ensure it is free of bias or discrimination that might otherwise breach relevant laws.

Privacy

52. We will comply with the privacy legislation. This includes the *Privacy Act 1988* and the associated standards in the *Australian Privacy Principles,* and the *Privacy (Credit Reporting) Code 2014*, which sets standards about participation in credit reporting and management of information and data (such as the collection, processing, storage, maintenance, use, transfer and disclosure of your personal information or data).

53. We will publish our Privacy Policy on our website, in our app or on our platform.

Confidentiality

54. We will handle your information, and information about your product, in accordance with our Privacy Policy.

55. We will treat information that you give us or information that we collect about you (including through data collection techniques, such as screen scraping) confidentially.

56. We will protect your confidentiality where the law requires us to. We will not disclose your information unless we are required to by law, there is a duty to the public to disclose, you ask us to disclose the information, you have consented to us doing so, or we are otherwise not restricted from doing so under applicable laws.

Information and data protection

57. We will take reasonable steps to protect your personal information and data from misuse or loss and from unauthorised access, modification or disclosure.

58. We will regularly review the security and reliability of our products.

59. We will aim to implement and maintain information security controls that are commensurate with the size and extent of the information risks and cybersecurity threats we may face.

60. We will apply the security measures or access controls that are reasonably appropriate or necessary for the product you have with us (for example, account registration, password protection and/or multi factor authentication.

Use of security measures and controls

61. If we use additional security measures or controls (such as multi-factor authentication) to verify your identity, open an account or access our products, we will have regard to relevant

standards and authentication protocols (including standards published by the Australian Government from time to time) when designing or updating our systems.

Scams and fraudulent activity

62. To help protect you from scams and fraudulent activity, we will not:

- ask you for information like passwords or PINs in an unsolicited email, text, phone call or message;
- ask for remote access to your computer or devices to "fix a problem" or send you software to download; or
- ask you to make payments through unusual mechanisms (such as stored value cards or gift cards), or transfer assets or funds to another place to keep them "safe".

63. If you receive an unsolicited contact asking for this type of information that appears to be from us or you are not sure whether a communication is legitimate, you should contact us via the contact details on our website, app or platform or another trusted source (such as the contact number on the back of your debit or credit card) to check.

64. If you believe you may have been the victim of a financial scam or some other fraudulent activity that involves our products and services, you should contact us as soon as possible. You can also contact Scamwatch or the police if you think a crime has been committed. IDCARE may also be able to help you in relation to identity theft.

Part D – Treating Customers Fairly

We will help customers experiencing financial difficulties and hardship

65. If your contract with us is regulated under the NCCP Act, you should tell us as soon as possible if you are having difficulty meeting your financial obligations to us or experiencing other hardship. You can do this yourself or through someone else you appoint to act on your behalf (for example, a lawyer, accountant, financial counsellor, or legal aid officer). We may ask you or the person acting on your behalf to complete a form to confirm you have provided your consent for the person to act for you.

66. We will provide you with different ways to contact us if you are experiencing financial difficulties or other hardship. We may also contact you to discuss your situation if it becomes apparent to us that you may be experiencing financial difficulties or other hardship.

67. We may ask you to give us information to help us understand your financial difficulties or other hardship and how we could help. We will consider your specific circumstances and any help we provide will depend on those circumstances and the information you give us.

68. We may provide you with a temporary arrangement to help you or we may both agree to a new repayment arrangement (called a "variation"). We are not required to offer a temporary arrangement or variation, but we will provide assistance if we think it will help you recover your financial situation.

69. We will tell you about the support we can provide after we have considered your circumstances and the information you have given us.

70. We encourage you to provide us with information about your circumstances as this is the best way to help us help you.

71. We will not offer you a temporary arrangement or variation if we reasonably believe it will, or is likely to, make your circumstances worse, or where we reasonably believe you will not have an ability to repay the amounts you owe us after the period of financial difficulty or other hardship ends.

72. If you are a business customer and you tell us you are experiencing financial difficulties, we may consider reasonable modifications to your repayment arrangements or other terms and conditions of your contract, insofar as possible within our credit policies. We are not required to do so but will do our best to explore options that may help your business through a temporary period of difficulty.

We will help people experiencing vulnerability

73. We are committed to helping customers who are experiencing vulnerability. If we become aware that you may be experiencing vulnerability, we will treat you with sensitivity, respect, understanding and empathy.

74. Your vulnerability may include:

- age-related impairment;
- cognitive impairment;
- family or domestic violence (including financial abuse);
- mental illness;
- addiction-related issues;
- serious illness or injury;
- language or literacy barriers;
- issues related to cultural norms and expectations; or
- any other personal or financial circumstances that cause significant hardship (for example, incarceration or institutionalisation, the serious illness or death of a partner or close family member, or a relationship breakdown.

75. We may not be aware of your circumstances unless you tell us about them. If you tell us about your circumstances, we will treat your information confidentially and will do our best to help you address the financial implications of your circumstances.

76. The misuse of our products by another person (whether they are related or known to you, or not) to inflict economic, financial or emotional abuse on you is unacceptable. If we become aware this is occurring, we will do what we reasonably can to help minimise or stop the misuse.

77. If you are the executor of a deceased estate or hold a power of attorney for a customer, we will do what we reasonably can (and as permitted under relevant laws, such as succession and privacy laws) to help you resolve the customer's financial affairs with us as quickly as practicable.

Our debt recovery practices will be transparent

78. The steps we may take to recover or on-sell your debt will vary depending on whether you are a consumer or business customer, the product you have, and the terms of your contract with us.

79. We will comply with our obligations to tell you about late or missed payments, to issue you with a written notice of a default, and to generally give you a reasonable opportunity to remedy the default. If we reasonably think that you cannot remedy a default, we may have rights under your contract and at law to take action without telling you first.

80. If your contract is regulated under the NCCP Act and you have requested hardship assistance, we will generally suspend any recovery action against you until a decision has been made about your hardship request and that decision has been communicated to you via your last known address or contact details. There are some circumstances where we do not need to suspend our recovery action (for example, if you have requested hardship assistance in the previous four months or we reasonably think that urgent action is necessary to protect the vehicle or other goods subject to our contract).

81. If you have made a complaint to the Australian Financial Complaints Authority (AFCA), we will adhere to AFCA's requirements for dealing with the complaint, including any requirements about recovery action.

82. We will not proceed with any recovery action if we have agreed to a financial hardship arrangement with you and you are meeting your obligations under that arrangement. We will not on-sell or assign your debt to a debt collector during a temporary financial hardship arrangement.

83. In certain circumstances (such as where we have agreed a variation to your contract as part of a longer term hardship arrangement), we may reach an agreement with you for you to voluntarily surrender the asset you purchased with the proceeds of our loan so we can sell it and apply the proceeds towards repaying the amounts you owe to us. We may also require you to enter into a new arrangement with us to pay any shortfall following the sale of the asset within a specific period.

84. We may ask a third party to manage these arrangements for us. That party will be authorised to take further actions and implement additional hardship processes, if needed.

85. If you are a business customer and you default, or are at risk of defaulting, on your obligations to us under your contract, you should contact us as soon as possible to seek assistance.

86. If you are in default, we will generally give you a notice to remedy the default within a specific period before we either require you to repay the loan in full, return the asset or vehicle (if your contract is a lease) or start enforcement proceedings (including repossessing any security). We may not give you a notice if the law or our contract doesn't require us to. Your contract will specify how and when we will give you notice. For more information, see Schedule 3 in relation to business lending.

87. We will be guided in our debt recovery practices by the ACCC's and ASIC's *Debt collection guideline: For collectors and creditors.* We will only use as agents, and sell our debts to debt collectors, that to the best of our knowledge comply with the *Debt collection guideline*.

Part E – Resolving Complaints Promptly and Fairly

We will have internal dispute resolution arrangements

88. We will have an internal process for handling complaints in relation to our products. This process should help to resolve most complaints.

89. We are committed to responding to complaints in a way that is:

- prompt, efficient and transparent; and
- consistent with relevant laws and your contract with us.

90. Our internal complaint handling processes will comply with the law, the obligations in our contracts with you and relevant ASIC guidance (such as ASIC Regulatory Guides 271 and 277).

91. We will explain how we deal with complaints in your contract or other documentation (such as our credit guide or terms and conditions) or via other sources, including on our website, app or platform, as applicable.

92. If you have made a complaint to us, we ask you to be available to communicate with us during the complaint process. We may be unable to deal effectively with your complaint if you are not available to respond to our reasonable requests for information.

You will have access to external dispute resolution

93. If we are not able to resolve your complaint to your satisfaction, you will generally be able to escalate your complaint to an external dispute resolution (EDR), mediation scheme or alternative process for dealing with a dispute.

94. AFCA is the main EDR scheme for financial-related complaints in Australia. However, AFCA may not have jurisdiction to hear your complaint and in some cases the EDR or mediation scheme may be different.

95. We will provide you with information regarding any applicable EDR, mediation scheme or alternative process for dealing with a dispute if we are unable to resolve your complaint through our internal complaint handling processes.

Part F – Code Compliance

96. You can report us to the AFIA Finance Industry Code Compliance Committee (CCC) if you believe we have acted in a way that is not consistent with this Code.
97. The CCC is an independent committee that has been established to monitor compliance with this Code. The CCC can investigate matters under its Terms of Reference, including alleged breaches of this Code. An alleged breach of the Code is more likely to be a matter that involves very serious misconduct by a Code Member or a matter that could indicate potential systemic issues in a Code Member's practices, policies or procedures that results in repeated problems occurring over time that are, for example, not identified and/or fixed quickly or are widespread across a category of customer or product.
98. The CCC does not deal with individual complaints or disputes between you and us about our products. You should contact us in the first instance about any complaint or dispute that relates to the product we provide to you. We will consider your complaint in accordance with our internal complaint handling processes.
99. The CCC cannot consider any alleged breach of this Code if the alleged breach is also the subject of a complaint being considered by AFCA or another EDR scheme, is being investigated by any regulatory body (such as ASIC, the ACCC or a State-based agency), or is the subject of a proceeding before the court involving one or more Code Members.
100. The CCC cannot re-open, review or make changes to a decision made by AFCA or another EDR scheme, a regulator or court about a complaint or dispute.
101. The CCC cannot make compensation orders or require us to refund or pay money to you. Similarly, if we have stopped providing a product to you (for example, by closing your account) the CCC cannot require us to offer the product to you again.

Part G – Administration of the Code

102. The Australian Finance Industry Association Limited ACN 000 493 907 (AFIA) administers this Code.
103. This Code operates alongside and is subject to existing laws and regulations. It does not limit your rights under those laws and regulations. Where there is any conflict or inconsistency between this Code and any law or regulation, that law or regulation prevails to the extent of that conflict or inconsistency.
104. AFIA will review this Code at least every 3 years, or sooner if directed to do so by the AFIA Board.
105. The AFIA Board may – after consultation with and seeking comments and suggestions from the CCC, Code Members and other organisations and people it considers appropriate – review and amend the Code at any time.

Definitions

ACCC means the Australian Competition and Consumer Commission.

AFCA means the Australian Financial Complaints Authority.

AFIA means Australian Finance Industry Association Limited ACN 000 493 907.

AFIA Code Compliance Committee (CCC) means the independent committee established by AFIA to monitor and investigate compliance by Code Members with this Code.

ASIC means the Australian Securities and Investments Commission.

Australian Credit Licence (ACL) has the meaning given in section 35(1) of the *National Consumer Credit Protection Act 2009.*

Authorised Credit Representative (ACR) has the meaning given in sections 64 and 65 of the *National Consumer Credit Protection Act 2009.*

Balloon Payment (also known as a lump sum payment) means the lump sum payment agreed before the start of your loan that you make as the final payment at the end of your loan. This payment is larger than your regular repayment amount (hence the reference to balloon) because it also includes the agreed lump sum amount. A Balloon Payment reduces the amount of your regular repayments during the term of the loan. You may be able to negotiate the lump sum amount with your lender.

Business Day means a day which is not a Saturday, Sunday or a public or bank holiday in the place where the relevant act is to be performed.

Business Customer excludes commercial property, [Large Corporate Customer], government or semi-government customers.

By-Laws means the AFIA Finance Industry Code of Practice By-Laws approved by the AFIA Board, as amended from time to time.

CCC Terms of Reference means the AFIA Finance Industry Code Compliance Committee Terms of Reference.

Chattel Mortgage means a finance agreement that is not regulated by the NCCP Act and provides money to purchase an asset which is used as security for the loan.

Code means this AFIA Finance Industry Code of Practice.

Code Member means an AFIA Member that has been accredited as a Code Compliant Member under the By-Laws.

Constitution means the Constitution of AFIA as amended from time to time.

Consumer means a natural person or strata corporation.

FBT or fringe benefits tax is a tax paid by employers on certain benefits provided to their employees or to their employees' family or other associates. FBT is separate to income tax and is calculated on the taxable value of the fringe benefit.

Finance Lease means a type of lease that is not regulated by the NCCP Act where the lessee has full responsibility for (but not ownership of) the asset over the term.

Hire Purchase is an agreement between a borrower and a lender to buy a vehicle or equipment over an agreed period.

Household Expenditure Measure means a standard benchmark developed by the *Melbourne Institute* and used by some lenders to estimate a loan applicant's annual expenses.

Intermediary means people who are involved in the distribution of our products or who refer you to us. In this Code, Intermediaries include, but are not limited to, brokers, aggregators, advisers, motor dealers, introducers, and referrers.

Intermediary Remuneration means an amount paid to the Intermediary for distributing our product to you or referring you to us for a product.

Large Corporate Customer [definition to be confirmed]

Loan means a loan offered or provided to a customer by a Code Member.

Loan Amount means the total amount of credit or finance made available, or to be made available, under a loan contract.

Motor dealer means a person or business who carries on the business of buying, selling or exchanging motor vehicles, and does not include a credit provider.

NCCP Act means the *National Consumer Credit Protection Act 2009* (Cth), as varied from time to time.

Novated Lease Interest Rate means the compound interest rate (where interest is applied or compounded on a monthly basis) that is used to determine your novated lease repayments by reference to the net amount financed, the number and pattern of finance payments and the residual value.

Operating Lease is a type of lease that gives the lessee access to assets it needs to use but does not need to own.

Residual Value (also known as a residual payment) means the payment required to be paid by you at the end of a novated lease for you to own the vehicle outright. It is calculated as a percentage of the finance amount required to purchase the vehicle and is an estimate of the remaining (residual) value of the vehicle at the end of the lease, taking into consideration depreciation. The amount of the payment depends on the lease duration and the value of the vehicle at the end of the lease.

Retailer means a person or business that sells goods or services to the public. In this Code, we make a distinction between a retailer and a supplier (such as a motor dealer).

Security means an asset that is pledged by a borrower to the lender to secure a borrower's obligations to the lender under the contract. For a Consumer, it may be property or a vehicle, or the asset that is acquired with the proceeds of a loan. For a business customer, it may be property, inventory, account receivables or another asset used as collateral for a loan.

Small Business Customer [definition to be confirmed]

Target Market Determination has the meaning set out in section 994B of the *Corporations Act 2001*.

Term Loan is a loan from a lender for a specific amount that has a specified repayment schedule for a defined period. The interest rate could be either fixed or variable (also known as floating) for the term of the loan.

Schedules to AFIA Finance Industry Code of Practice

These Schedules set out additional information about specific products offered by us. The Schedules describe in more detail how we will meet our commitments to you under this Code and form part of the Code.

A Schedule only applies to the product referred to in it. If there is an inconsistency between the detail in a Schedule and any other section of the Code, the detail in the Schedule will prevail to the extent of the inconsistency.

If you are not sure which Schedule applies to your product, please ask us.

Schedule 1: Consumer Finance

Schedule 2: Novated Leasing

Schedule 3: Business Finance

Schedule 1: Consumer Finance

Introduction

1.1 This Schedule applies to contracts regulated by the NCCP Act.

1.2 The NCCP Act will regulate your contract with us if, at the time you enter into the contract:
(a) you are a Consumer; and
(b) the credit is provided or intended to be provided wholly or predominantly (such as more than 50%) for personal, domestic or household purposes.

1.3 Generally, consumer contracts for personal loans, credit cards and car loans are regulated by the NCCP Act. The NCCP Act does not apply to some type of consumer credit, including low-cost short-term credit (less than 62 days), insurance premiums paid by instalments, bill facilities, and staff loans.

1.4 If your contract with us is regulated by the NCCP Act:

- we must provide you with certain information before you enter a [credit] contract with us;
- you have a right to request certain relevant documents;
- we must be members of AFCA, which is a free and independent EDR scheme;
- you may have rights to challenge our contract if it is unjust or if the loan is unsuitable for you;
- you may seek support from us if you are experiencing financial hardship; and
- we must take specific steps before enforcing our rights under the [credit] contract – for example, before repossessing property or commencing court action.

1.5 We must make a Target Market Determination (TMD) for our products we issue that are regulated by the NCCP Act.

1.6 A TMD is a document that describes the 'class' of consumers that comprise the target market for the particular product. It sets out any conditions around how products can be distributed to consumers and includes information such as:

- a description of the likely objectives, financial situation and needs of consumers in the target market;
- a description of the product, including its key attributes;
- how and where the product will be sold; and
- when and how the TMD will be reviewed.

1.7 This Schedule also provides some additional information about motor finance for consumers.

1.8 AFIA has a separate Buy Now Pay Later Code of Practice.

About consumer credit

1.9 Consumer credit can be:

- a single loan repaid over a fixed term with interest and/or fees (e.g. a personal loan or a car loan), with or without a redraw facility. It may be secured or unsecured; or
- a continuing line of credit with no fixed term which generally attracts variable interest and/or fees and requires minimum repayments that vary depending on the outstanding balance (eg. a credit card). It is generally unsecured.

1.10 Credit providers are also known as “lenders” or "financiers". They include banks and finance companies (like us). Sometimes we will ask for “security” in exchange for providing you with credit, which could include your home, a vehicle or other valuable property (such as an "asset" of yours).

1.11 If you do not make your repayments (this is called a “default” in your loan repayments) or fail to comply with other obligations you have under your credit contract, we may be entitled to repossess and sell the asset you put up as security to repay the amount you owe us. We may give you prior notice before we do this, and give you time to remedy the default, where the law or our contracts require us to.

1.12 If the value obtained at sale does not cover the full amount you owe us (including the reasonable costs associated with repossessing and selling the asset), you may be required to pay the difference between the sale amount and the full amount you owe us (known as the “shortfall”).

Obtaining consumer credit

1.13 We may allow you to apply for credit in different ways. For example:
- (a) by applying to us directly (where we make this available);
- (b) by being referred to us from another entity in our corporate group; or
- (c) by being “introduced” to us by a retailer, a finance or mortgage broker, or adviser who is not part of our corporate group. These Intermediaries can also be known as “introducers”.

1.14 Our TMD will say whether we use Intermediaries to distribute our products.

1.15 An Intermediary is not the person who provides you with credit. An Intermediary may be an independent business that is unrelated to us. If an Intermediary refers you to us, and we accept and approve your application for credit, we will be the credit provider under your contract. We may pay a commission to the Intermediary if you enter into (and settle) a credit contract with us.

1.16 We may authorise some Intermediaries (such as motor dealers) to assist you to apply for a credit contract with us so that the credit can be used to purchase goods or services from them. These Intermediaries generally act for us. Other Intermediaries (such as mortgage brokers) may assist to you apply for a credit contract from a number of different credit providers. Those Intermediaries generally act for you.

1.17 In these cases, we can accept a credit application from the Intermediary on your behalf. In return, we may pay a commission to the intermediary if you enter a credit product or loan with us.

1.18 An Intermediary may charge you a separate fee for the services they provide to you. We may allow you to finance this fee in your loan from us so you do not need to pay this upfront. However, you may pay interest on that fee if it is financed in your loan – this will be disclosed in your credit contract. You can also ask the Intermediary about their fees.

Brokers and advisers

1.19 Generally, Intermediaries who are brokers or advisers must hold an Australian Credit Licence (ACL) with the necessary authorisations to provide you with credit services (such as credit assistance, which is where a broker or adviser helps you to apply for a particular credit contract with a particular credit provider) or be appointed as an Authorised Credit Representative (ACR) by someone who does hold an ACL.

1.20 As the holder of an ACL, we are responsible for our ACRs (if we have them) and our other representatives, including the people we or our related entities employ directly. We will train, supervise and monitor their conduct, which may include their interactions with you.

1.21 If a broker or adviser holds an ACL and is proposing to provide you with a credit service, they must first provide you with a "credit quote" or similar document. This will include information about the service they will provide and the maximum fees they will charge you for providing the service. You must sign the credit quote as acceptance and agreement to pay the fee.

Suppliers

1.22 We may arrange for certain suppliers (such as car dealerships or vehicle manufacturers, collectively referred to in this Code as "motor dealers") to distribute our products. We may authorise these suppliers and their staff to act on our behalf to assist you to apply for a credit contract with us, where the credit will be used to purchase something from the supplier (such as a car or vehicle).

1.23 Provided certain conditions are met, those suppliers and staff will not need to hold an ACL or be an ACR to provide this assistance to you (this is because of a licensing exemption known as the 'Point of Sale' (POS) exemption). We are generally responsible for the conduct of these suppliers and staff because they are our representatives when they provide this assistance.

1.24 We will take reasonable steps to ensure these suppliers and staff comply with relevant laws and will ensure they are adequately trained and competent and provide you with relevant information and documentation in relation to the credit contract with us.

Our legal obligations

1.25 We hold an Australian Credit Licence (ACL) which authorises us to engage in certain credit activities, including as a credit provider under a credit contract.

1.26 As an ACL holder, we must meet ongoing applicable legal and regulatory obligations in relation to our credit activities. We will ensure that anyone who deals with you on our behalf in relation to a credit contract (or proposed credit contract) is appropriately authorised to do so as required by law.

1.27 As an ACL holder and credit provider, we must do the following things:

(a) meet various legal and regulatory requirements under the NCCP Act, including:

- doing all things necessary to ensure the credit activities authorised by our ACL are engaged in efficiently, honestly and fairly;
- maintaining the competence to engage in credit activities authorised by our ACL and ensuring our representatives are too;
- having adequate arrangements in place to ensure our customers are not disadvantaged by any conflicts of interest that may arise in relation to our credit activities;
- having an internal dispute resolution procedure that meets all requirements;
- having adequate compensation arrangements in place;

- having available adequate resources to engage in our credit activities, and having adequate risk management systems;
- having adequate arrangements and systems in place to ensure compliance with these obligations;
- complying with responsible lending requirements;
- complying with requirements in the National Credit Code about pre-contractual disclosure and conduct in relation to the terms of credit contracts and consumer leases; and

(b) comply with the design and distribution obligations in the *Corporations Act 2001*; and

(c) be a member of AFCA.

Responsible lending

1.28 We will not enter into a credit contract with you, or increase the limit under your existing credit contract, unless we have met our responsible lending obligations under the NCCP Act. These obligations require us to:

(a) make reasonable inquiries about your requirements and objectives in relation to the contract;

(b) make reasonable inquiries about your financial situation and the maximum credit limit that you require;

(c) take reasonable steps to verify your financial situation; and

(d) assess whether the loan will be unsuitable for you.

1.29 Our obligations to make reasonable inquiries about your requirements, objectives and financial situation and take reasonable steps to verify your financial situation are "scalable" – this means that what we need to do to meet our obligations will vary according to a range of different circumstances as relevant to your application. We will do our best to make these processes as efficient as possible.

1.30 To understand your financial situation, we will ask you to give us certain information, which may include details about:

- your income - including your source/s of income, how much you earn, or the frequency and regularity of your income;
- your expenses - such as your basic living expenses (which may include rent, utilities, groceries, medical, motor vehicle, clothing, education and insurance) and your existing credit commitments such as repayments you make for your mortgage, your credit card(s) or any other loans you have or debts that you owe;
- your assets - such as the things that you own or have as savings, property, shareholdings, motor vehicles and so on; and
- your total liabilities - such as what you owe on your mortgage, vehicle loans, personal loans, credit cards or any other debts that you owe.

1.31 We expect that you (and where you engage the services of an Intermediary, they) will provide us with complete and accurate details. You may be asked to sign a statement confirming this information is correct.

1.32 To verify your financial situation, we may conduct certain checks or collate certain information (with your consent) or we may ask you to provide certain information, depending on the circumstances relevant to your application.

1.33 We must assess the credit contract as unsuitable for you if, at the time of the assessment we consider it is likely that you will be unable to comply with the financial obligations under the contract or could only comply with substantial hardship. To determine whether you will be able to meet your financial commitments without substantial financial hardship, we will use our credit assessment criteria which may also include using financial benchmarks (such as the Household Expenditure Measure) as a comparison tool to assist in our credit assessment.

1.34 We must also assess a credit contract as unsuitable for you if, at the time of the assessment, it is likely that:

(a) the contract will not meet your requirements or objectives if the contract is entered or the credit limit is increased in the period covered by the assessment; or
(b) if the NCCP regulations prescribe circumstances in which a credit contract is unsuitable – those circumstances will apply to the contract if the contract is entered or the credit limit is increased in the period covered by the assessment.

Credit reports

1.35 We may check your credit records and take your credit history into account in deciding whether to give you a loan. A credit report is a record about your credit activities. It may include information about your credit enquiries, payment defaults, ATO tax defaults, and repayments with credit providers. The information we collect is not restricted just to the finance industry but may include your credit activities in relation to utility or telecommunication companies as well. This information is managed by a credit reporting agency and may also include a credit rating, which is based on your credit history.

1.36 Your credit report usually includes:

- your details including full name, date of birth, current and previous addresses, current and previous employers;
- your repayment history including current loans, due dates for payments, whether you made payments by the due date, dates of missed payments and financial hardship variations;
- your credit history including loans you have applied for, defaults over 60 days, where collection activity was undertaken, and any credit infringements imposed; and
- other information such as bankruptcies (for up to 7 years after they occurred), Court judgments, debt agreements and personal insolvency agreements (for up to 5 years after they occurred).

1.37 If you use an Intermediary to obtain a loan, you will be asked to accept their privacy consent document, which will then be made available to us if requested and we may rely on that consent to conduct a credit enquiry.

Information about your loan

Disclosure obligations

1.38 We must give you a credit guide, which is a document that provides you with essential information about us as well as your credit contract. You should read the credit guide and the credit contract carefully before entering into a credit agreement with us.

1.39 Specifically, in our credit contract, we will provide you with information about the features of the loan including:

(a) the loan amount;
(b) the repayment amount and frequency;
(c) the term;
(d) the interest rate;
(e) fees and charges;
(f) the balloon payment (if applicable); and
(g) total interest payable over the loan term.

Copies of documents, statement and other information

1.40 At the commencement of entering into a credit contract relationship with you, we will provide you a copy of the contract, including the terms and conditions and the standard fees.

1.41 If at any time during the term of the credit contract you make a request in writing for a copy of the contract or any notice we have given to you which is relevant to us exercising our rights, we will provide these documents to you within 14 days (if the document is one year old or less) or 30 days (if the document is more than a year old).

1.42 If for some reason we are unable to provide a document within these timeframes, we will advise you of this together with the expected timeframe for providing the document. Documents may be provided in electronic or digital form where this is allowed by law, including in the form of a computer-generated record or in any other form as mutually agreed.

We will ensure co-borrowers and guarantors are informed about rights and obligations

Co-borrowers

1.43 You become a co-borrower if you sign a loan alongside another person who also provides their signature as a borrower and this signifies your acceptance of the contract. Co-borrowers can be jointly and severally liable for the entire debt owed under a credit contract. This means if your co-borrower is unable to pay their share of the loan you will become responsible for repaying the full amount outstanding. This liability continues even if your co-borrower files for bankruptcy or enters a debt agreement or personal insolvency agreement to deal with their unmanageable debt. You should be aware, at the time of signing, that there is a possibility you will be held liable for the entire debt.

1.44 If you are a co-borrower, our credit contract will explain your rights and obligations as a co-borrower. We might also ask you to confirm that you understand the risks of being a co-borrower.

1.45 If it becomes apparent to us, or you tell us that you are the victim of financial abuse or you are being coerced into becoming a co-borrower, we will do what we reasonably can to help you, including not accepting you as a co-borrower.

Guarantees

1.46 If you provide a guarantee for another person, you are known as the "guarantor" of the loan. Guarantors will generally become responsible for paying back the loan if the principal borrower cannot (or will not) make the repayments. As guarantor may also be liable to pay any fees, charges and interest added to the principal as well as any enforcement expenses.

1.47 Before you sign a guarantee document, we will give you a copy of the proposed credit contract and an information statement that explains your rights and obligations as a guarantor.

1.48 You should read the guarantee document, the proposed credit contract document and the information statement carefully before you sign the guarantee.

1.49 Before you sign the guarantee you should also know that:

- you can refuse to enter into the guarantee;
- you have a right to limit your liability;
- there are financial risks involved;
- that the guarantee may cover future credit facilities and variations of the existing credit facility with your written consent;
- if you receive a Commonwealth pension, acting as a guarantor may affect your pension entitlement;
- you should consider the information and documents we provide to you, and you can request further information or clarification if required;
- you should seek independent legal and financial advice. In some circumstances, we may require that you obtain such advice as a condition of accepting your guarantee; and
- you can withdraw from your guarantee if you give reasonable notice before we provide credit under the guaranteed loan.

Prompt and fair resolution of complaints

1.50 We will have a process to resolve complaints about consumer lending that complies with our legal and regulatory obligations, including ASIC Regulatory Guide 271. This process should help to resolve most complaints.

1.51 If we are unable to resolve a complaint to your satisfaction, you can take your complaint to AFCA.

Defaults and repossession of secured assets

1.52 If you default on your loan repayments, we may be entitled to repossess the goods used as security.

1.53 If this is the case, you have protections under the credit legislation that we must follow:

- We must issue you with a credit default notice, unless one of the exceptions in section 88(5) of the National Credit Code applies. If you fail to comply with the notice within the prescribed timeframes, we are entitled to repossess the asset or assets.
- We must give you a written notice within 14 calendar days of repossessing the assets, which sets out the estimated value of the assets, the enforcement expenses incurred

to date, and a statement of your consumer rights, unless an exception under the law applies.

- You have 21 calendar days to respond to the notice, unless we have a legal entitlement to waive this timeframe. If you don't take any of the steps set out in the notice, we can sell the assets.
- We must sell the assets for the best price reasonably obtainable. It is in our interests and yours that we obtain the highest possible sale price. After we sell the assets, we must give you a notice setting out the amount realised from the sale. There may be a shortfall between the sale price of the assets and amount owing on the loan, in which case we must tell you the amount left to pay by you (if any).

1.54 This process does not usually apply to repossession for default on home loan repayments. In these cases, court action will normally be commenced to repossess the mortgaged property.

Motor Finance for Consumers

Introduction

1.55 This section provides some further information about motor finance for consumers.

1.56 As a lender, we may specialise in providing motor finance or we may provide it as part of our broader consumer lending business.

1.57 Motor finance refers to lending for vehicles, including but not limited to, new and used cars, campervans, caravans, vans, motorcycles, motorised marine craft and all-terrain vehicles.

1.58 If you are an individual who applies for a loan in your own name to purchase a vehicle, but the vehicle is predominantly for a business purpose, the NCCP Act will not apply to the loan and you may be asked to sign a "business purpose declaration". In this case, the clauses on business finance in Schedule 3 applies to you.

About motor finance

1.59 Motor finance helps you to spread the cost of purchasing a vehicle over the duration of the loan, known as the "term" of the loan. Interest rates for motor finance are set by us for the term of the loan and confirmed in the loan agreement.

Financing insurance and other products through motor finance

1.60 When you take out motor finance with us, the security (that is, the vehicle) must be comprehensively insured, but you have your choice of insurer.

1.61 Some lenders allow you to finance the cost of insurance and other products (such as warranties offered by a motor dealer) as part of the motor loan. You can ask us, or the motor dealer who is introducing you to us, if we allow these costs to be financed.

Add-on insurance products

1.62 A motor or vehicle dealer may provide you with additional information about add-on insurance products.

1.63 Add-on insurance products include, but are not limited to, coverage for tyre and rim damage, key replacement, and engine protection. You will need to consider if add-on insurance is something you need.

1.64 The law imposes a mandatory four day pause between the sale of a vehicle to you or the entry into a credit contract with us, and the sale of any add-on insurance. This period of time will give you further opportunity to consider whether you need the add-on insurance product.

1.65 Motor insurance provides coverage against accidents, theft, and third party liability, but it may not be adequate in all situations or for your individual needs. Add-on insurance is a way of customising your insurance coverage for your preferences, but it will impact the cost of the insurance (known as the ”premium”).

Breaking a motor finance contract

1.66 If you want to end the credit contract before the end of the loan term, you will be required to pay out the loan in full. We may also charge an early repayment fee or break costs for ending the contract early. If you ask, we will provide you with an estimate of the costs you will need to pay for breaking the loan early.

Prompt and fair resolution of complaints

Complaints about motor finance

1.67 As an ACL we will have internal processes to resolve complaints about motor finance that complies with our legal obligations and regulatory guidance (such as ASIC Regulatory Guide 271). This should help to resolve most complaints.

1.68 If we are unable to resolve a complaint to your satisfaction, you can take your complaint to AFCA.

Complaints about the vehicle

1.69 If the seller of the vehicle is a licensed dealer, they will provide you with information about how to make a complaint about the vehicle and/or their sales practices.

1.70 If you bought the vehicle privately, your rights under consumer law are different. You are not entitled to any cooling-off period or a statutory warranty and may have limited recourse against the seller.

1.71 You can get further information and guidance on your rights and how to make a complaint about a vehicle from the ACCC and the consumer affairs department or fair trading office in your State or Territory.

Complaints about insurance

1.72 If you have a complaint about the insurance that you have taken out in relation to the vehicle, you should contact the insurance provider. You should be able to find information in the insurer’s product disclosure statement (PDS), your policy document or on the insurer’s website about how to make a complaint.

Schedule 2: Novated Leasing

Introduction

2.1 This Schedule applies to a novated lease for a vehicle entered into by an individual through their employer and salary packaging arrangements related to that lease. This Schedule does not apply to salary packaging for other types of benefits and does not apply to fleet finance for small business, which is covered by Schedule 3. Similarly, this Schedule does not apply to how we deal with our large corporate, government or semi-government customers, who may in many cases be the "employer".

2.2 There are different types of businesses who participate in the novated leasing industry, including introducers, entities that provide finance for vehicles, and other entities that provide fleet and vehicle management services. This Schedule applies to situations where we are the provider of your novated lease and we provide finance for the vehicle, and also where we arrange for another party to finance the vehicle. Your documentation will make it clear who is providing the different components of the novated lease.

2.3 A novated lease is not credit that is regulated under the NCCP Act.

About novated leasing

2.4 Your employer may offer a novated lease to you as part of your overall remuneration package. You will need to make your own enquiries with your employer whether this is an option that is available to you.

2.5 A novated lease is a finance arrangement used with salary packaging where your employer pays for the vehicle lease and running costs out of your salary package through a combination of pre-tax and post-tax salary deductions. It is a three-way agreement between you, your employer and us. You enter into a finance or operating lease and have the use of the vehicle. Your employer agrees to make the scheduled payments of your novated lease to us.

2.6 The purchase price of the vehicle as well as any finance costs such as fees and interest, and running costs such as fuel, servicing, registration, on road costs, insurance and fringe benefits tax (FBT), will be calculated into the deductions your employer takes out of your pre and post-tax salary. The specific make-up of the deductions will be set out in your contract. Your employer will remit the deductions to us. If you have a third-party finance arrangement, we will then pay your finance company the amount due (provided that we have received the deductions) by the relevant date.

Salary sacrificing

2.7 Salary sacrificing is a formal arrangement where an employee forgoes part of their salary or wages in return for benefits of a similar value.

2.8 There may be implications for you if you decide to enter into a novated lease that includes a salary sacrifice arrangement, including:

- the amount you get in your regular salary or wages reduces; and
- your assessable income for the financial year by way of a reportable benefit.

2.9 We suggest that you talk to a suitably qualified professional to obtain independent tax and financial advice about novated leases and salary sacrifice arrangements before entering into any agreement.

2.10 The Australian Taxation Office (ATO) recommends that you and your employer clearly state and agree on the terms of any salary sacrificing arrangement in writing.

Information about your novated lease

2.11 Before you enter into a novated lease you will be given the following information:

- the details of the vehicle you have chosen including all options and accessories;
- the proposed term of the lease, which typically varies from one to five years;
- the estimated total lease deduction from your salary which will include lease payments, registration, any budgeted components applicable for the vehicle such as a fuel card, telematics and other services, any breakdown or roadside assistance package or other products and services;
- the pre and post-tax amounts that make up your estimated total lease deduction and the resulting impact on your take home salary;
- fees and charges in relation to the lease, including any administration fees and document fees;
- whether any commissions are paid or received by or to us in relation to your lease;
- the residual value for which you are liable at the end of the agreement, inclusive of GST;
- all relevant taxes that are payable such as FBT, stamp duty and luxury car tax (where applicable); and
- the luxury non-deductible component (if relevant for a luxury vehicle above the value threshold set by the ATO).

2.12 If we are your salary packaging provider your quote will, in addition to the information in clause 2.11, include the net amount financed, the number, timing and amount of finance payments and may include the Novated Lease Interest Rate applicable to the financing of your lease (unless your employer requires a different rate to be shown, in which case that rate will be included instead of the novated lease interest rate).

Insurance for your leased vehicle

Comprehensive insurance

2.13 You will be required to comprehensively insure your vehicle for the term of the novated lease. You have the option to choose any comprehensive insurance offered through your provider or you can elect to source your own insurance provided it meets the terms of the contract.

2.14 The proposed novated lease documentation will include information about any insurance products that are included in the agreement, the amount of the premium, and a copy of or a link to the insurance Product Disclosure Statement.

Additional or add-on insurance

2.15 Add-on insurance products include, but are not limited to, coverage for tyre and rim damage, key replacement, and engine protection. If you purchase add-on insurance as a condition of participating in your employer's novated leasing/salary packaging program, we will tell you the total premium for the add-on insurance over the life of the product and provide you with a copy of or a link to the insurer's product disclosure statement (PDS).

2.16 If you have opted to receive information about an add-on insurance product, we will give you clear information to enable you to make an informed decision about purchasing the add-on insurance product including:

- the total cost of the insurance;
- how long the insurance lasts for;
- the dollar limits on benefits payable under the insurance;
- the date the insurance ends;
- any key policy exclusions such as age, residency and employment status; and
- the limits of the policy including the circumstances in which a payout will be made and the amount of the payout.

2.17 We will ensure that a period of four calendar days passes between you agreeing to enter a novated lease with us and offering you optional add-on insurance.

2.18 You can also opt out of receiving any communication from us about insurance by telling us that you do not want to receive offers, requests or invitations relating to an add-on insurance product.

Changes to your novated lease

Changing employer

2.19 All finance payments and other benefits (such as a fuel card) in a novated lease are linked to your employer. We will clearly explain our policies about what happens if you change employer. Normally your novation arrangement with your employer will end. If you have a new employer, you may be able to enter into a new novation agreement with us and your new employer. This will be subject to any of your new employer's policies or conditions, and us agreeing to provide novated lease arrangements through your new employer.

Breaking a novated lease contract

2.20 If you want to terminate the contract before the end of the term of the lease, you will be required to pay out the lease in full. Depending on the length of the lease that has expired, the payout amount may be higher than the current market value of the vehicle. There may be early repayment and other administration fees for ending the lease. If there are such fees, we will provide you with the total cost to be paid by you for breaking the lease early. The fees and charges for early termination of the lease will be outlined in the lease agreement.

Overspending on the lease budget

2.21 We will monitor your novated lease budget. If your novated lease budgets are trending into deficit, then we will discuss with you how to bring your running costs budgets into balance.

Disclosure about options at the end of your lease

2.22 We will provide you with clear information about the options available to you at the end of your novated lease. These might include:

- refinancing the vehicle over an additional lease term; or
- trading-in the vehicle and using the money you receive to cover the residual value on the lease.

Prompt and fair resolution of complaints

Complaints about novated lease finance

2.23 If we are the provider of the novated lease finance and we are not able to resolve the complaint to your satisfaction, then we will provide you with information about other options that may be available to you.

2.24 If we act as agent for a principal who is the funder of your novated lease finance and the funder is not able to resolve the dispute to your satisfaction, and the funder is a member of AFCA, then you can complain to AFCA about the finance and/or the entity who is the funder of the finance. We will not be able to resolve your complaint if we act as an agent for the funder.

Complaints about the vehicle

2.25 Complaints about vehicle-specific matters including the purchase/acquisition of the vehicle, maintenance issues or disposal of the vehicle should be raised with your provider in the first instance for any clarification. Where this process does not resolve your concerns you should contact your employer.

Complaints about insurance

2.26 If you have a complaint about the insurance taken out in relation to the vehicle, you should contact the insurance provider. We will provide you with the insurer's contact details. If the insurer is not able to resolve the complaint to your satisfaction then you can raise your dispute with AFCA.

2.27 If your employer has their own insurance arrangements in place that apply to your vehicle, you will need to resolve any insurance-related complaints with your employer.

Complaints about salary packaging

2.28 If you have a complaint about your salary packaging arrangement, or a component of the arrangement such as a fuel card, you should contact the salary packaging provider. If the salary packaging provider is not able to resolve the complaint to your satisfaction, they should tell you about options for EDR which might include access to a customer advocate, or AFCA in some cases.

Complaints about independent advice

2.29 Complaints about the independent tax or financial advice you received prior to entering into a novated lease contract should be made to the person or firm who gave you that advice. If the adviser is not able to resolve the complaint to your satisfaction, you can complain to:

- AFCA, if the person is a financial adviser;

- Chartered Accounts Australia & New Zealand or CPA Australia, if the person is an accountant; or
- the Law Society or Bar Association in your State or Territory, if the person is a lawyer.

Schedule 3: Business Finance

Introduction

3.1 This Schedule relates to business lending where the finance we provide is to be used for a purpose that is wholly or predominantly a business or commercial purpose. This means the finance will not be used predominantly for household, domestic or personal purposes, such as living expenses or the purchase of household goods.

3.2 Loans for predominantly business or commercial purposes are not regulated under the *National Consumer Credit Protection Act 2009* (NCCP Act).

3.3 This Schedule and the Code relates to term loans and other forms of finance that may be available to business customers, but it does not apply to commercial property, large corporate, or government and semi-government customers.

3.4 A term loan is a loan that the borrower repays in instalments with a fixed rate or variable rate (also known as a floating rate) until the loan is paid off at the end of the duration of the loan, known as the term of the loan.

About business loans

3.5 Business loans are normally provided as secured or unsecured loans.

3.6 A secured loan is secured by a specific form of collateral, including physical assets such as property and equipment, or liquid assets such as cash, or other assets, such as inventory or accounts receivable. For example, an equipment loan is a type of secured business loan where security is taken over the asset or equipment you are using the loan to purchase.

3.7 Alternatively, security may not be required at loan origination (which means the process we use to assess and approve your loan application), but we may have the right to lodge a caveat or a "personal property security" interest in accordance with your loan contract. We may also request to have a personal property security interest on other assets in the form of what is called a "general security agreement". A general security agreement creates a security interest in your present and future assets. This means we would have access to all assets your business owns now and any future assets your business purchases as collateral for the loan issued. All security agreements must be registered on the Personal Property Securities Register maintained by the government.

3.8 You may be required to sign a personal guarantee in relation to a secured loan. This means that you may be personally liable for any debts taken out by your business if the business defaults on the loan. More information about guarantees is set out below.

3.9 An unsecured loan is a loan that does not require any type of collateral. Instead of relying on your pledged assets as security, we can provide an unsecured loan based on our assessment of your creditworthiness taking into consideration a number of factors, including your credit history.

3.10 You may be required to sign a personal guarantee in relation to an unsecured loan.

Obtaining a business loan

3.11 We will tell you how to apply for a loan including the information we need to assess your application. That information may be different depending on the type and size of loan you are applying for and the purpose of the loan.

3.12 You may be required to sign a "business purpose declaration" that confirms the credit to be provided is wholly or predominantly for a business purpose or investment purpose other than investment in residential property.

3.13 We will make our lending decisions, including decisions to increase existing loan products, based on information that has been provided to us or that we have collected. We will only provide our products and services to you where we believe you meet the requirements of our product and credit policy requirements.

3.14 We rely on the information you provide to us. We expect you or your representative, such as your finance broker, to provide full and accurate information when applying for a loan or the extension or increase of an existing loan product.

3.15 Before you accept a loan offer from us, we will give you our terms and conditions that will contain information about fees and charges and the features of the loan. For term loans this includes:

(a) the loan amount;
(b) the repayment amount;
(c) the term; and
(d) any early repayment fees (if applicable).

3.16 For some forms of finance, not all of the information in 3.15(a)-(d) is relevant or may not be ascertainable. For example, a "repayment amount" cannot be determined for a line of credit as the facility can be repeatedly drawn down. We will give you clear information about fees and charges and features that are relevant to these products.

3.17 The documentation for our loan products will be drafted to comply with all applicable laws and regulations.

3.18 We will make sure any fees and charges payable to us after disbursement of the loan amount (such as late payment fees or direct debit dishonour fees) are reasonable having regard to our costs. Our costs include charges imposed by our service providers, where applicable.

We will ensure guarantors are informed about rights and obligations

3.19 If you sign a guarantee agreement for another person or for your business, you are known as the "guarantor" of the loan. Guarantors are legally responsible for paying back the guaranteed portion of the loan if the principal borrower cannot (or will not) make the repayments. You will also have to pay any fees, charges and interest added to the loan.

3.20 Before we obtain a guarantee from you, we will give you notice (which may be provided in guarantee terms and conditions, or separately) that by signing the guarantee document you understand and accept the following:

- that the guarantee agreement may cover future credit facilities and variations of the existing loan facility (or we may take a new guarantee for the newer loan facility); and
- that you should seek independent legal advice before entering into the guarantee agreement. In some circumstances we may require that you obtain such advice as a condition of accepting your guarantee to us.

After you take out a business loan

3.21 Unless a longer period is required by law, we will use reasonable endeavours to give you 30 calendar days prior notice before we change your loan product (excluding changes to loan facility limits) or key contractual terms. However, this does not apply to default events. Any agreed changes can commence from the time the change is agreed with you or from a later agreed time.

3.22 If we change your interest rate, we will tell you as soon as possible, and in any event, no later than the date of the change, unless we are not able to because the interest rate is calculated according to a money market or some other external reference rate, or a rate otherwise designated as a variable rate or floating rate.

3.23 We will, at your request, give you information relating to your finance agreement, including a copy of your loan contract, terms and conditions and standard fees, a statement of your outstanding balance and any notice(s) we previously gave to you which is relevant to us exercising our rights. We will endeavour to do this within 10 business days if the request is straightforward. If we cannot provide a document within this timeframe – for example, because the information request is more complex, or you or someone acting on your behalf with your authority has requested copies of all the documents and information relevant to your loan, we will advise you of this together with the expected timeframe for providing the documents. Documents may be in electronic or digital or any form mutually agreed.

3.24 We may also make information available to you through a self-service portal that has account information such as limits, payments, available credit and documents relating to your finance agreement.

When we decide not to extend a loan

3.25 If you have a business loan and you are not in default, and the principal owing on your loan is not due to be fully repaid at the end of the scheduled term by regular periodic repayments, and we decide not to extend the loan, we will give you at least 30 calendar days prior notice before you need to repay the loan in full.

3.26 If we extend or refinance your loan, we are not obliged to do so on the same terms and conditions.

Defaults and enforcement of loans

3.27 If you default, or are at risk of defaulting, on your business loan due extenuating circumstances, you should contact us as soon as possible to seek assistance. For more information about help for customers experiencing financial difficulties, see Part D of this Code.

3.28 If you are in default we will give you notice before we either require you to repay the loan in full or start enforcement proceedings. Our loan terms and conditions will specify how we will give you notice.

3.29 Our loan terms and conditions will specify how and when we will enforce a loan in relation to non-monetary defaults. A non-monetary default refers to a failure to keep, perform or observe any covenant, condition or agreement in your loan documents other than the obligation to repay money. This can include, but is not limited to, things such as:

- you or your guarantor is insolvent or goes into bankruptcy, voluntary administration or some other insolvency process, or no longer has legal capacity;
- another creditor takes action against you or your guarantor;
- you or your guarantor gives us information which is materially incorrect or misleading (including by omission);
- you use the loan for a purpose that has not been agreed by us;
- legal or beneficial ownership, management or control of your business or a guarantor changes without our consent;
- you have breached a key contractual term that results in an "Event of Default";
- it becomes unlawful for you or us to continue with the loan; or
- you have breached the law and we reasonably consider that this is likely to have a material impact on your ability to meet your financial obligations.

3.30 We will give you a notice specifying the grounds on which we consider there is a non-monetary default and give you reasonable time to remedy the non-monetary default, where it is able to be remedied and we are willing to continue with the contract.

Commercial Vehicle Finance

Introduction

3.31 This section provides some further information about commercial vehicle finance for business customers.

3.32 Vehicles and vehicle fleets operated by large corporate, government and semi-government entities are out of scope for the purposes of this Code.

About commercial vehicle finance

3.33 Commercial vehicle finance enables a business customer who requires a vehicle or fleet of vehicles to operate their business to manage the acquisition, maintenance and disposal of those vehicles in a way that best suits their operational needs and financial circumstances. There can be different tax consequences depending on the type of finance.

Chattel mortgage

3.34 A chattel mortgage normally has a similar structure to a fixed rate home loan or mortgage. "Chattel" refers to the vehicle and "mortgage" refers to the loan. We use the vehicle(s) as the security for your loan.

3.35 Unlike a finance lease, operating lease or hire purchase, a chattel mortgage gives you ownership of the vehicle(s) and you then pay off the loan from the income in your business. The asset appears on your balance sheet as well as the finance liability.

3.36 Subject to our credit policies, repayments can be structured over a range of terms and can be set at the same amount each month or structured to fit seasonal cash flow requirements. A balloon or residual payment can be set at the end of the term.

3.37 With a chattel mortgage, the GST-inclusive purchase price of the vehicle is financed and you may be able to claim input tax credits upfront. You may also be able to claim interest and depreciation costs, depending on the amount of business use. You should seek independent advice regarding your circumstances and the tax implications.

Finance lease

3.38 A finance lease is a rental agreement where we own the vehicle and you rent it from us for an agreed scheduled payment. At the end of the lease, known as the 'term', you may be offered the option to make a final payment and you then own the vehicle or you can dispose of it.

3.39 A finance lease has a residual position on the vehicle at the end of the term, provided it meets ATO guidelines.

Operating lease

3.40 An operating lease is a lease similar to a long-term vehicle rental. We own the vehicles and provide them to you for exclusive use, normally for a period of one to five years. If the vehicles are fully maintained under the lease, the rental, maintenance and registration costs are combined into one scheduled payment.

3.41 Alternatively, under a non-maintained operating lease, vehicle maintenance and running costs are not included in the monthly lease rental. You will be responsible for paying and administering all maintenance and other running costs.

3.42 You do not pay a deposit or other upfront payment and you do not carry the residual value risk, as the vehicle is returned to us at the end of the operating lease.

Hire purchase

3.43 Hire purchase is another form of vehicle finance. Under a hire purchase agreement, we as the lender give you use of the vehicle in return for regular payments over an agreed period of time. There is no upfront deposit, and you may be able to claim input tax credits for the GST payable on interests and fees.

3.44 When you make the final payment, you own the vehicle. Hire purchase agreements can be structured with a balloon payment.

Taking out commercial vehicle finance

3.45 Applying for commercial vehicle finance is similar to the process for applying for other types of business finance. We will tell you how to apply for the finance including the information we need to assess your application, and you may be required to sign a "business purpose declaration".

Setting up a commercial vehicle finance agreement, including leases

3.46 We will give you a proposed contract setting out all the relevant information about your agreement with us so that you can make an informed decision and understand the key features, benefits, and costs of the finance before entering into an agreement with us.

3.47 We will provide written details of any circumstances under which the payments or vehicle specification might change before delivery of the vehicle to you. We will also clearly set out information about breaches of the leasing or finance agreement due to events (such as late or incorrect payments and the potential consequences of not keeping up with payments).

Information about your commercial vehicle finance

3.48 The finance documentation will set out:

- the details of the vehicle(s) you have chosen;
- the proposed term of the agreement;
- the estimated payments you will make under the agreement as well as the number and frequency of the payments;
- any accessories or options you have chosen over and above the standard accessories or options for the vehicle(s);
- your responsibilities where applicable, regarding servicing and maintenance of the vehicle(s);
- any fees, taxes or charges related to the vehicle(s) that you are required to pay;
- information about the condition in which you are expected to return the vehicle(s) at the end of the agreement;
- the options that may be available at the end of your agreement term;
- the implications of ending the agreement before the contract end date.

Vehicle maintenance

3.49 If we are responsible for servicing and maintaining the vehicle(s) supplied, we will have practices and alerts in place so that servicing and maintenance is carried out in line with the manufacturer’s guidelines and specifications.

3.50 If you are responsible for servicing and maintaining the vehicle(s), then our agreement will specify that this is to be carried out by you in line with manufacturers' guidelines and specifications.

Early or voluntary termination of your agreement

3.51 We will clearly explain our policies about early termination or voluntary termination of an agreement. This may include information about any charges for unreasonable wear and tear, the recovery of any loss of value, any adjustments to finance or maintenance fees and charges, and the steps we will take in the event of a total loss of a leased vehicle, if relevant or requested by you.

Extension of your agreement

3.52 We will clearly explain our policies about any changes to the services provided under the contract and the associated fees and charges if you extend your agreement. We will also explain the circumstances in which the vehicle might be taken back by us during any extension period.

At the end of your agreement

3.53 Before the end of the lease agreement, we will endeavour to explain to you our vehicle return standards, including vehicle condition, service and maintenance, and vehicle accessories.

3.54 We will take reasonable steps to ensure that you understand what is required to return a vehicle with all required documentation and in the condition we require.

3.55 We will tell you about the vehicle collection process and our inspection procedures, as well as any additional charges that may relate (but are not limited to) excess kilometres, damage, missing equipment or accessories, and lack of servicing and maintenance. We will also tell you your rights relating to disputes over the vehicle return procedures.

Useful Resources [to be completed once Code is finalised - more items to be added]

For industry

Department of Industry, Science and Resources

Australia's AI Ethics Principles

Voluntary AI Safety Standard

Australian Signals Directorate

Implementing Multi Factor Authentication

Australian Cyber Security Centre

Resources for business on cyber security

Australian Securities & Investments Commission (ASIC)

ASIC Regulatory Guide 209 Credit Licensing: Responsible Lending Conduct

ASIC Regulatory Guide 271: Internal Dispute Resolution

ASIC Regulatory Guide 277: Consumer Remediation

ASIC Regulatory Guide 96 Debt Collection Guideline: For collectors and creditors

Office of the Australian Information Commissioner

Privacy guidance for organisations

For customers

Moneysmart

Australian Finance Industry Association (AFIA)

Consumers in financial difficulty – where to get help?

Business customers – where to get help?

Australian Small Business and Family Enterprise Ombudsman (ASBFEO)

Resources and tools for small business

Australian
Finance
Industry
Association

Australian Finance Industry Association
The Commons on George
Level 3, 388 George Street, Sydney NSW 2000
(02) 9231 5877 | info@afia.asn.au | www.afia.asn.au
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