AUSTRALIAN COMPETITION & CONSUMER COMMISSION

Consumer issues in the sale of second-hand cars

December 2025

Acknowledgment of country

The ACCC acknowledges the traditional owners and custodians of Country throughout Australia and recognises their continuing connection to the land, sea and community. We pay our respects to them and their cultures; and to their Elders past, present and future.

Australian Competition and Consumer Commission
Land of the Ngunnawal people
23 Marcus Clarke Street, Canberra, Australian Capital Territory, 2601

ACCC 12/25_25-69

www.accc.gov.au

Contents

Shortened terms

ACCC	Australian Competition and Consumer Commission
ACL	Australian Consumer Law
AFCA	Australian Financial Complaints Authority
AFSL	Australian Financial Services Licence
ASIC	Australian Securities and Investments Commission
ASIC Act	*Australian Securities and Investments Commission Act 2001* (Cth)
BNPL	Buy Now Pay Later
CALC	Consumer Action Law Centre
CPRC	Consumer Policy Research Centre
Grays	Grays eCommerce Group Limited
National Credit Act	*National Consumer Credit Protection Act 2009* (Cth)
NCC	National Credit Code
RACQ	The Royal Automotive Club of Queensland
R2O Cars	Rent 2 Own Cars Australia Pty Ltd
VACC	Victorian Automotive Chamber of Commerce
VCAT	Victorian Civil and Administrative Tribunal

Introduction

This report has been produced by the Australian Competition and Consumer Commission (ACCC) as part of a body of work undertaken by the Consumer Senior Officials' Network Second-hand Motor Vehicles Working Group. It reflects the member agencies' collective experience of second-hand car complaints and the range of applicable regulatory frameworks at a state and territory and Commonwealth level. We thank each of the agencies for their contribution to the report. The issues outlined in this report often cross regulatory boundaries and demonstrate the importance and value of consumer protection agencies working together.

The ACCC and state and territory consumer protection agencies received over 14,000 consumer reports in 2024–25 about second-hand cars, including the sale of poor quality second-hand cars and inadequate remedies when problems occur.[1]

The Australian Securities and Investments Commission (ASIC) also receives consumer reports about problematic conduct in connection with credit associated with the sale of second-hand cars. These include concerns about unaffordable or otherwise inappropriate loans provided to consumers.

Poor quality second-hand cars are often difficult for consumers to identify at the point of sale and have the potential to cause significant consumer harm when they fail. Cars can be integral in the daily life of consumers to access employment and other important services, and assist in family commitments. This is particularly so where alternative transportation options are limited, such as in regional and remote areas.

The consumer harm is compounded where consumers have been provided with credit, only for the consumer to be left with a faulty, unusable car while still having to pay off the loan. This issue can worsen if the loan provided was unaffordable for the consumer in the first place.

This report draws on consumer experiences, industry and consumer stakeholder views, and the knowledge and data of consumer protection agencies. The report highlights issues including:

- the supply of poor quality second-hand cars
- the legal obligations of second-hand car dealers and private sellers
- difficulties consumers face in receiving the remedies they are legally entitled to
- issues surrounding the sale of extended warranties and the provision of car finance.

Second-hand car dealer licensing is administered by state and territory agencies, and business obligations and consumer protections exist both at a state, territory and federal level.

This report highlights initiatives being undertaken by consumer protection agencies to improve consumer outcomes, as well as law reform that will assist to address harms when enacted. The report also outlines the ACCC's expectations that businesses improve their practices and ensure compliance with relevant laws.

1 References to reports to the ACCC and state and territory consumer protection agencies include consumer enquiries as well as complaints.

The ACCC and the Australian Consumer Law

The ACCC is an independent Commonwealth statutory agency that promotes competition, fair trading and product safety for the benefit of consumers, businesses and the Australian community.

The ACCC's role in respect of second-hand car sales, like the wider economy, is to enforce and encourage compliance with the *Competition and Consumer Act 2010* (Cth), including the Australian Consumer Law (ACL).[2] The ACCC's Compliance and Enforcement Policy and Priorities outlines its enforcement powers, functions, priorities and strategies.[3]

Compliance and enforcement of the ACL is carried out by the ACCC and state and territory consumer protection agencies through a 'one law, multiple regulator' model. Some issues may be more appropriately addressed at the state or territory level, for example where misconduct is localised or where issues may be better addressed by industry-specific laws or licensing requirements. State and territory consumer protection agencies also facilitate forms of dispute resolution between consumers and businesses.

The ACCC also notes the important role of ASIC in respect of financial products and services associated with the sale of second-hand cars, particularly extended warranties and motor vehicle finance. ASIC is Australia's integrated corporate, markets, financial services and consumer credit regulator. ASIC administers the *Australian Securities and Investments Commission Act 2001* (Cth) (ASIC Act) as well as other legislation.

Methodology

The ACCC acknowledges the assistance of Australian state and territory consumer protection agencies and ASIC in providing information for this report, including through their engagement with consumer and industry stakeholders. Through the Consumer Senior Officials' Network Second-hand Motor Vehicles Working Group, the agencies have worked collaboratively to gain an in-depth understanding of the consumer issues in the second-hand cars market and share agency knowledge and approaches, as reflected in this report.

2 The Australian Consumer Law is contained in Schedule 2 of the *Competition and Consumer Act 2010* (Cth).

3 See www.accc.gov.au/about-us/accc-priorities/compliance-and-enforcement-priorities.

The regulation of second-hand car sales in Australia

Licensed dealers

Requirements to hold a dealers' licence

As at 30 June 2025, there are over 10,000 licensed car dealers in Australia. Car dealer licensing is administered and regulated by state and territory agencies. The licensing requirements apply to businesses selling new and/or second-hand cars.

The criteria to be a licensed car dealer are similar in each jurisdiction, including 'fit and proper person' requirements or other suitability criteria. The threshold to require a licence depends in many jurisdictions on the number of cars sold, with several jurisdictions requiring that persons be licensed if they sell 4 or more cars within a 12-month period.[4] Queensland takes a different approach, making a judgement based on the seller's behaviours.

Obligations on licensed dealers

Consumers have automatic statutory rights under state, territory and federal legislation that cannot be taken away.

For example, a business cannot take away these basic rights by:

- displaying a 'no refunds' sign, or otherwise representing that refunds are not available at all, or not available after a certain number of days
- stating they are not responsible for problems with a product or service
- suggesting the consumer must sign an extended warranty to avoid losing these basic rights after a certain date.

It is against the law for businesses to mislead consumers about their rights.

State and territory based statutory warranties

Car dealers in each state and territory must provide a statutory warranty for many of the second-hand cars that they sell.

The cars to which the statutory warranties apply differ between jurisdictions, as outlined in Table 1 below. In some jurisdictions, statutory warranties only apply for second-hand cars sold above certain prices. In other jurisdictions, the warranties apply to cars below specified ages and number of kilometres travelled. For example, in several jurisdictions the statutory warranty applies to cars less than 10 years old and with fewer than 160,000 kilometres travelled.

4 The threshold is 7 cars in the Australian Capital Territory.

Table 1: Second-hand cars covered by state and territory statutory warranties

State or territory	Minimum sale price	Maximum car age at the time of sale	Maximum kilometres travelled at the time of sale
Australian Capital Territory	N/A	Under 10 years old	Under 160,000 km
New South Wales	N/A	Under 10 years old	Under 160,000 km
Northern Territory	N/A	Under 10 years old	Under 160,000 km
Queensland [5]	N/A	*Unlimited*	*Unlimited*
South Australia	Over $3,000	Under 15 years old	Under 200,000 km
Tasmania	N/A	Under 7 years old	Under 120,000 km
Victoria	N/A	Under 10 years old	Under 160,000 km
Western Australia	Over $3,999	Under 12 years old	Under 180,000 km

As outlined in Table 2 below, once the car is purchased the statutory warranty coverage period is often limited to either 3 months or 5,000 kilometres (or lower in some circumstances), whichever comes first. The remedies available to consumers for defects that arise during the statutory warranty period vary, but dealers are broadly required to repair certain defects at their own expense.

Table 2: State and territory statutory warranty coverage periods

State or territory	Coverage period
Australian Capital Territory, New South Wales, Northern Territory and Victoria	3 months or 5,000 kilometres (whichever occurs first)
Queensland	Class A warranty (*for cars under 10 years old and under 160,000 kilometres at the time of sale*): ▪ 3 months or 5,000 kilometres (whichever occurs first) Class B warranty (*for cars over 10 years old or over 160,000 kilometres at the time of sale*): ▪ 1 month or 1,000 kilometres (whichever occurs first)
South Australia	*For cars purchased for between $3,001 and $6,000*: ▪ 2 months or 3,000 kilometres (whichever occurs first) *For cars purchased for over $6,000*: ▪ 3 months or 5,000 kilometres (whichever occurs first)
Tasmania	3 months or 3,000 kilometres (whichever occurs first)
Western Australia	*For cars under 10 years old and under 150,000 kilometres at the time of sale:* ▪ 3 months or 5,000 kilometres (whichever occurs first) *For cars no more than 12 years old and no more than 180,000 kilometres at the time of sale*: ▪ 1 month or 1,500 kilometres (whichever occurs first)

5 Queensland's statutory warranty for second-hand cars does not have a maximum car age or kilometres travelled at the point of sale. However, the statutory warranty coverage period is reduced for cars over 10 years old or over 160,000 kilometres at the time of sale (see Table 2).

Dealers are required in most jurisdictions to ensure that the cars they sell are either registered or in registrable condition.[6] Dealers are also required to honour their consumer guarantee obligations under the ACL, as discussed below.

The Australian Consumer Law

Consumer guarantees

When consumers buy goods or services, they come with automatic statutory guarantees, known as "consumer guarantees", under the ACL. For example, taking into account age, price and condition, that the good will be of acceptable quality and will match any description provided by the business. Businesses must meet any applicable consumer guarantees regardless of any other warranties they provide or sell to a consumer.[7]

There are also guarantees that goods supplied to consumers have clear title and no undisclosed securities, and that the consumer has a right to undisturbed possession of the goods.

If a second-hand car supplied by a dealer to a consumer does not comply with the consumer guarantees, the available remedies under the ACL will depend on whether the failure to comply with the consumer guarantees is considered major or not. Major failures generally include issues where the problem is such that:

- the consumer would not have purchased the car if they had known about the nature and extent of the problem
- the car is substantially unfit for a purpose for which similar cars are commonly supplied and cannot easily be fixed within a reasonable timeframe
- the car is unfit for a purpose that was made known to the supplier at the time of purchase and cannot easily be fixed within a reasonable timeframe
- the car is significantly different from its description, or
- the car is unsafe.

Multiple failures to comply with the consumer guarantees can sometimes amount to a major failure.

If the failure to comply with the consumer guarantee is a major failure, the consumer can choose to have the car replaced or refunded. If the failure is not a major failure, the failure can be remedied, and the consumer asks the business to remedy the failure, the business can cure any defect in title, repair the car, or replace or refund the car. If the business refuses or fails to comply with such a request within a reasonable time, the consumer may have the failure remedied and may recover the associated reasonable costs it has incurred or, in particular circumstances, reject the goods and elect to receive a refund or replacement from the supplier.

Misleading or deceptive conduct

Businesses are prohibited from engaging in conduct that misleads or deceives or is likely to mislead or deceive consumers or other businesses. There are also specific prohibitions against businesses making false or misleading representations, and against businesses engaging in conduct that is liable to mislead the public as to the specific nature, manufacturing process, characteristics, or suitability or purpose of a good.[8]

---

6 Detail on the various roadworthiness requirements for cars sold at dealers is provided under the 'Roadworthiness' section below.

7 Further information is available at: www.accc.gov.au/consumers/buying-products-and-services/consumer-rights-and-guarantees.

8 Further information is available at: www.accc.gov.au/consumers/advertising-and-promotions/false-or-misleading-claims.

The ACL also has several other provisions to protect consumers from certain behaviour by businesses, including prohibitions on unconscionable conduct[9] and unfair contract terms.[10]

Specific dealer obligations regarding the state of the car

In addition to the ACL prohibitions on misleading or deceptive conduct or false or misleading representations, dealers have specific obligations regarding the state of the cars they sell.

Roadworthiness

States and territories have different requirements relating to the roadworthiness of second-hand cars sold by dealers. Some jurisdictions require dealers to provide roadworthy certificates (also known as safety certificates), whereas other jurisdictions require that a car is in a roadworthy or registrable condition. The Australian Capital Territory does not restrict dealers from selling unroadworthy cars, but the dealer must disclose any defects and not misrepresent the car's roadworthy status.

A roadworthy certificate broadly indicates that a car satisfies the minimum safety requirements to be driven on the road, including key safety features such as brakes, tyres, lights, steering, and suspension. A mechanical inspection is a more comprehensive examination of the overall condition and mechanical reliability of the car. This includes assessing the condition of the car's components to see if any current issues exist that need to be repaired and to advise on potential future repairs.

Some jurisdictions have annual roadworthy requirements regardless whether ownership is being transferred or not:

- In New South Wales, annual roadworthy checks (known as safety inspections or 'pink slips') are required for most registered light vehicles more than 5 years old.[11]
- The Northern Territory has had a similar requirement for most registered light vehicles more than 5 years old, but from 5 January 2026, light vehicles will no longer be required to undergo periodical roadworthy inspections unless registration is being transferred (and the vehicle is over 10 years old).[12]

History of the car

Information that must be provided to the purchaser

Dealers in all states and territories are required to provide information to consumers[13] (and/or attach the information to the car) with details such as:

- its build date
- the odometer reading
- whether the car is on the written-off vehicles register[14]
- the car's engine number or the serial number on its registration label

---

9 For more information about unconscionable conduct, see the ACCC's *Unfair Business Practices* webpage at www.accc.gov.au/business/selling-products-and-services/unfair-business-practices.

10 For more information about unfair contract terms, see the ACCC's *Contracts* webpage at www.accc.gov.au/consumers/buying-products-and-services/contracts.

11 Transport for NSW, Safety checks and vehicle inspections, NSW Government, n.d., accessed 27 November 2025.

12 Department of Logistics and Infrastructure, Changes to light vehicle roadworthy inspections, Northern Territory Government, 2025, accessed 18 August 2025. Other inspection obligations also exist for cars being registered in the jurisdiction for the first time or after a period of being unregistered.

13 For example, Form 5 – Motor Dealer's Notice for Motor Vehicles in New South Wales.

14 In Western Australia, disclosure of whether a car is a repairable write-off is only required for cars under 15 years old (www.wa.gov.au/government/announcements/commissioners-blog-new-rules-crack-down-hiding-vehicles-past). In the Northern Territory, the Information and contract for the sale of second hand vehicle form instead requires information on whether the car is a 'repaired write off'.

- the car's model designation (any words, letters or numbers specified by the manufacturer to identify a particular model series)
- the cash price (excluding statutory charges)
- consumer rights to remedies under state or territory statutory warranties
- consumer rights to remedies under the ACL.

For any defects that a dealer does not intend to repair and which are not covered by a state or territory statutory warranty or consumer guarantee, these defects must at a minimum be disclosed to the consumer, generally in the form of prescribed notices.[15] In some jurisdictions such as the Northern Territory, further obligations apply, including the exclusion clause being witnessed and read out by an authorised person such as a member of the police force.[16]

Written-off status

Non-repairable written-off cars cannot be registered in any Australian jurisdiction.

The regulations regarding the sale of repairable written-off cars differ across Australia. Repairable written-off cars can be re-registered and sold by dealers (with related disclosure obligations) in most jurisdictions after being repaired and passing an authorised roadworthy inspection and vehicle identity checks. However, in New South Wales, repairable written-off cars can generally only be sold for parts or scrap metal.

The ACCC understands that repairable written-off cars remain permanently recorded on the Written Off Vehicle Register, which is administered by state and territory agencies.[17] However, the car's written-off status can be updated to reflect that it was previously written off but has successfully been repaired and re-registered.

Cooling-off periods

Some states and territories require dealers to provide a cooling-off period for second-hand cars, ranging from 1 to 3 clear days after signing an agreement to purchase the car. However, dealers do not have to provide cooling-off periods in Western Australia, Northern Territory and Tasmania.

In New South Wales, there is generally no automatic cooling-off period when buying a second-hand car from a dealer unless the car is being purchased using finance.

Cooling-off periods will generally be lost or considered waived in each jurisdiction if the consumer chooses to accept the delivery of the car (for example, by driving away with the car) before the end of the cooling-off period.

Avenues for seeking a remedy and external dispute resolution

Conciliation

Each state and territory consumer protection agency offers a conciliation service for disputes regarding second-hand cars, however these differ between the jurisdictions. In most jurisdictions,

15 For example, see Victoria's requirements at www.consumer.vic.gov.au/consumers-and-businesses/cars/buying-a-used-car/ways-to-buy-a-used-car/licensed-motor-car-trader.

16 *Consumer Affairs and Fair Trading Act 1990* (NT), subs 169(4)(b)(ii).

17 The Written Off Vehicle Register cannot be viewed as a whole by the general public, but consumers can check the written-off status of a particular car by purchasing a search on the Australian Government's Personal Property Securities Register website. See further details about this register under the 'Second-hand car sales without mechanical inspections or title checks' section below.

conciliation is voluntary and non-binding, which can in turn mean that the dealers of most concern might not engage in the conciliation process or might disregard the agreed-upon resolution.

Conciliation can be compulsory in South Australia. Section 8A(7)(b) of the *Fair Trading Act 1987* (SA) provides that if a party to the instrument fails to uphold their obligations, the Commissioner or other party may apply to the Magistrates' Court for an order to enforce the terms of the agreement. The Australian Capital Territory also has a binding conciliation service, but this is capped at $5,000.

Guarantee, compensation and claim funds

Consumers have an additional avenue to seek remedies in some states and territories known as guarantee, compensation or claim funds:

- Motor Vehicle Dealers Compensation Fund (Australian Capital Territory)
- Motor Car Traders Guarantee Fund (Victoria)
- Motor Dealers and Repairers Compensation Fund (New South Wales)
- Claim fund for the property, motor, auction and debt collector industries (Queensland)
- Motor Vehicle Repair Industry Compensation Account (Western Australia)
- Second-hand Vehicle Dealers' Compensation Fund (South Australia).

The funds can award compensation to consumers in certain circumstances, and the funds are generally funded by dealer licensing fees in each jurisdiction.

The eligibility for when a consumer can lodge a claim under these funds differs by jurisdiction:

- In Victoria, claims can be lodged for reasons including loss incurred from a dealer failing to repair or make good a defect covered by Victoria's statutory warranty or non-satisfaction of a Victorian Civil and Administrative Tribunal (VCAT) order.[18]
- In Queensland, a claim can be lodged with the fund for false claims or misrepresentations, but not for a failure to honour Queensland's statutory warranty obligations.[19]
- In the Australian Capital Territory, New South Wales and Western Australia, the fund can generally only be used after all other reasonable steps have been taken to recover the loss,[20] which may include attempting to enforce a court judgment.[21]
- In South Australia, compensation is only awarded if there is no other reasonable way of recovering the money owed – examples include if a court has awarded payment but the dealer has been declared bankrupt, or if the dealer is deceased.[22]

In Victoria, if a claim is admitted against the Motor Car Traders Guarantee Fund in relation to the dealer, the dealer's licence will automatically be suspended.[23]

18 Consumer Affairs Victoria, *Compensation claims – cars*, State of Victoria, 2025, accessed 27 November 2025.

19 Queensland Office of Fair Trading, *Claim fund for the property, motor, auction and debt collector industries*, Queensland Government, 2020, accessed 27 November 2025.

20 See section 92 of the *Motor Vehicle Repairers Act 2003* (WA).

21 NSW Fair Trading, *Motor dealers and repairers compensation fund*, NSW Government, n.d., accessed 27 November 2025.

22 Government of South Australia, *Claims against a second-hand vehicle dealer*, Government of South Australia, n.d., accessed 27 November 2025.

23 Section 29 of the *Motor Car Traders Act 1986* (Vic).

Tribunal and Courts

Consumers can take disputes about second-hand cars to tribunals in most states and territories, subject to the maximum monetary caps of the relevant tribunal, which generally range from $25,000 to $100,000.[24]

While tribunals are designed to be simpler, quicker and less expensive than going to court, structural barriers exist which discourage or prevent some consumers from pursuing disputes through tribunals. These barriers are set out in **Issue 3** of this report.

When a business does not comply with a tribunal order, consumers generally need to go to court to enforce the tribunal order.

Potential outcomes for breaching obligations

Both the ACCC and state and territory consumer protection agencies have a range of compliance and enforcement tools, some of which must be ordered by the court, to address conduct by second-hand car dealers under state, territory and federal consumer laws. These may include:

- formal warnings
- undertakings (including court-enforceable undertakings)
- infringement notices
- injunctions
- pecuniary penalties.[25]

State and territory consumer protection agencies can also sanction second-hand car dealers under their dealer licensing laws, including licence suspensions and revocations as well as criminal prosecutions in some cases.[26]

Private sellers

The state and territory statutory warranty obligations, cooling-off periods and most ACL obligations do not apply to private sellers. Private sellers of second-hand cars are nevertheless obliged to provide guarantees of clear title, undisturbed possession and that the car has no undisclosed securities.

Most state and territory consumer protection agencies have only limited powers to pursue private sellers. Examples where state and territory consumer protection agencies do have powers regarding private sellers include:

- The Australian Capital Territory, South Australia, Queensland, Victoria, New South Wales and Western Australia each have laws and penalties that apply to private sellers as well as dealers for misrepresentations about odometer readings or mileage, including odometer tampering.
- Western Australia's powers also extend to broader deceptive representations about a car's history, including the year of manufacture and the first year of registration.

---

24 There is no relevant tribunal in Western Australia, however the Magistrates' Court can deal with cases where the total claim does not exceed $75,000 (including costs).

25 No penalty provisions currently apply for a failure to provide a consumer guarantee remedy required under Division 1 of Part 3–2 of the ACL. However, on 23 November 2025, the Assistant Minister for Productivity, Competition, Charities and Treasury announced that the Government will develop legislative changes to the ACL, including to introduce penalties for businesses which fail to provide remedies for consumer guarantee failures. Further details on the proposed reforms are listed in Issue 3 of this report ('Inadequate dealer remedies').

26 Further details of the types of state and territory regulatory actions are listed in Issue 1 of this report ('Supply of poor quality second-hand cars').

In Victoria, minimum information requirements apply to advertisements for second-hand cars by unlicensed sellers in certain types of publications.

Auctions

As with private sales, the state and territory statutory warranty obligations, cooling-off periods and most ACL obligations do not apply to cars purchased at traditional auctions (i.e. auctions run by an agent of the person selling the goods) except for the guarantees of clear title, undisturbed possession and that the car has no undisclosed securities.

However, the laws against engaging in misleading and deceptive conduct and making false or misleading representations do apply to these auctions.

Grays eCommerce Group Limited ordered to pay $10 million in penalties

On 18 July 2024, the Federal Court ordered Grays eCommerce Group Limited (Grays), an Australia-wide online auction business, to pay $10 million in penalties, in proceedings brought by the ACCC.

Grays admitted to making false or misleading representations in the descriptions of hundreds of cars listed for sale on its website between 1 July 2020 and 30 June 2022.

The misleading descriptions included information about the make, model, features or undisclosed obvious faults with the cars. Examples included the wrong manufacturing year or transmission system, listing features that the car listed for sale did not have, and a failure to mention obvious faults (such as damage to the car or active dashboard warning lights).

In February 2024, the ACCC accepted a court-enforceable undertaking from Grays to provide redress to consumers affected by this conduct. The undertaking commenced after the Court made orders.

As with private sellers, most state and territory consumer protection agencies' specific powers regarding misleading odometer readings also apply to auction houses (and licensed dealers).

Consumer credit

The provision of consumer credit is covered by a single national regime contained in the *National Consumer Credit Protection Act 2009* (Cth) (the National Credit Act), including the National Credit Code.[27] ASIC administers this regime and issues identified regarding finance for second-hand cars are covered in **Issue 5** of this report.

27 The National Credit Code is contained in Schedule 1 of the *National Consumer Credit Protection Act 2009* (Cth).

Issue 1: Supply of poor quality second-hand cars

Key points

- Some dealers are reportedly selling cars which are experiencing failures soon after purchase or are not fit for their intended purpose.
- These issues are exacerbated by potential misrepresentations by some dealers at the point of sale, including about the history of the car and suitability for a known purpose.
- Many consumers are unaware that they can have cars checked by an independent mechanic before purchase. Other consumers may not have the time or money to obtain these checks and instead rely solely on the dealer's advice and representations.
- If mechanical inspections are not carried out in advance of purchase, some dealers may attempt to attribute liability for any failures or defects to the purchaser.
- Dealers should be proactive and accurately communicate the condition of any cars for sale and ensure that any representations to consumers are not false or misleading, including by omission.

The ACCC is concerned that some licensed dealers are reportedly supplying poor quality second-hand cars, including cars with existing and known defects. We have also received reports of cars being transported for resale in states or territories with fewer regulations for supplying cars that have been written off.

From 1 July 2024 to 30 June 2025, the ACCC received over 1,000 reports about second hand cars. Over 80% of these reports related to consumer guarantee issues. Other reported issues included:

- potentially misleading or deceptive conduct, including relating to the quality or description of the car
- potentially false representations, including about the suitability, uses, performance characteristics or history of the car, or the warranties for the car.

State and territory consumer protection agencies also received over 13,000 reports about issues relating to second-hand cars during the 2024–25 financial year.

Car failures experienced shortly after purchase

Analysis of consumer reports to consumer protection agencies suggests there is a widespread issue of certain dealers supplying poor quality second-hand cars which experience failures shortly after purchase. Failures are commonly reported to have occurred within the first couple of months. There are also several reports of second-hand cars breaking down on the first drive home from the dealership after purchase.

Examples of common timeframes before second-hand cars experience failures

In 2023, Consumer Affairs Victoria conducted analysis of approximately 300 cases where the consumer had reported how long it took for them to identify the car's failure. Just under a third of complainants reported the issues arose within one day of taking possession of the car.

Consumer Protection Western Australia received approximately 950 reports about second-hand cars in the 2024–25 financial year which referenced how quickly the reported fault arose after purchase. Of these reports, over half reported that the fault arose on the day of purchase, and almost 70% of the reported faults arose within one week of purchase.

Interstate movement of poor quality second-hand cars

Some consumers, particularly in regional and remote Australia, have a limited choice of second-hand cars in their area. These consumers often resort to buying second-hand cars online from interstate (or from the nearest metropolitan hub) without inspecting the car in person.

The differing laws and regulations across jurisdictions may be a factor in poor quality second-hand cars being moved interstate for resale by some dealers. As an example, Western Australia and South Australia have experienced an increase in reports of damaged or written-off cars being transported from the eastern states for resale following severe weather events. There are also reports from Queensland and Victoria that suggest stricter laws regarding the resale of written-off cars in New South Wales contribute to cars being moved north to Queensland and south to Victoria to be resold to consumers after cars and repairs pass the necessary state-based inspections.

Representations about the suitability, uses, performance characteristics and history of second-hand cars

Consumer protection agencies are concerned that some dealers are reportedly making misrepresentations to consumers, including about the suitability of the car for their needs, the uses and performance characteristics of the car, and the history of the car.

Dealers must ensure that any representations they make are not false or misleading, including by omission, and adhere to their licence obligations.

Misrepresentations about the suitability, uses and performance characteristics of cars for consumers

Consumer protection agencies have received reports alleging that some dealers have misled consumers that a car is suitable for a particular purpose or certain conditions. Allegations include misrepresentations in advertising as well as verbal misrepresentations that a car would be suitable for the consumer's stated or apparent needs.

The following examples of alleged misrepresentations at the point of sale have been reported:

- Several First Nations consumers from North Queensland were reportedly sold cars at dealerships that broke down after they returned to their remote communities because the cars were not suitable for the types of driving conditions in these areas, despite the dealer allegedly representing the cars were suitable for these conditions.
- A dealer in Queensland allegedly made misrepresentations that a car could be used as a disability car to support the consumer's business of caring for disabled community members. The car did not in fact meet the minimum standard requirements to be a disability support car.
- A consumer in South Australia purchased a car after the dealer allegedly represented that it was fit for towing a caravan or camper trailer, which turned out not to be the case.
- A consumer in Western Australia purchased a car after it was allegedly advertised by a dealer as having a 180-litre fuel tank. Following the purchase, the consumer discovered that the car had 2 separate fuel tanks with a combined capacity of only 130 litres. This rendered the car less suitable for the consumer's long-distance travel.
- A consumer purchased a car that was allegedly advertised as a 7-seater. Following the purchase, the consumer discovered the car was a 5-seater which was not suitable for the consumer's intended use.

Misrepresentations about car history

Reports and actions by consumer protection agencies have highlighted a widespread issue of some dealers misleading consumers about the history of second-hand cars.

Odometer tampering and other misrepresentations about the kilometres travelled are common issues reported nationwide about second-hand car sales.

Case example – kilometres travelled (odometer tampering)

A licensed dealer in South Australia was convicted in 2023 of winding back the odometers of 2 vehicles before reselling them and was ordered to repay more than $4,000 to the purchasers.

The dealer purchased a car with an odometer reading of around 283,000 kilometres and wound the odometer back to around 182,000 kms before selling the car for an almost $3,000 profit. The same dealer purchased another car and wound back the odometer by around 66,000 kilometres before selling it for a profit of almost $1,000.

Reports have also been received of dealers allegedly misrepresenting the condition of some cars, including the written-off status and repair or accident history. Allegations also include dealers falsifying logbooks and misrepresenting the service history.

Case example – condition of car misrepresentation

A consumer purchased a Toyota Landcruiser for $25,000 on the basis that the dealer allegedly represented that it had been a city-driven vehicle. The consumer had the vehicle assessed by a mechanic after purchase who advised that the vehicle's chassis had been painted black to conceal profound and extensive rust damage under the vehicle. In the mechanic's opinion, this was salt damage typical of salvaged mine vehicles and the vehicle was not roadworthy.

Second-hand car sales without mechanical inspections or title checks

Although most second-hand vehicles sold by dealers need to be registered or in a registrable condition, many consumers are unaware that a roadworthy certificate differs from a comprehensive independent mechanical inspection.

Even for consumers who are aware that they can arrange an independent mechanical inspection, these inspections are out of reach for some consumers due to the costs involved, time sensitivity of the purchase or the limited availability of timely mechanical inspections in some regional or remote areas.

If a mechanical inspection is not carried out in advance of purchase, some dealers may attempt to attribute liability for any failures or defects that arise post-purchase to the purchaser (e.g. that the purchaser caused the failure through their own driving).

Consumers can also conduct a $2 car search on the Australian Government's Personal Property Securities Register website which will disclose the following details of a car:

- security interest
- written-off status
- stolen status
- car registration number and expiry
- year of manufacture, make, model and colour of the car.

Although both dealers and private sellers must guarantee that any cars they sell to consumers have clear title, undisturbed possession and no undisclosed securities, a Personal Property Securities Register search can confirm these and other details such as the car's written-off status before purchase. Over 1.1 million casual users (such as consumers) conducted searches of the register in the 2023–24 financial year.[28]

Unique purchasing factors faced by regional and remote consumers

Consumers from regional and remote communities, including First Nations communities, can experience vulnerability when it comes to purchasing a second-hand car. Factors can include:

- Regional and remote consumers often need to travel significant distances to a regional centre, such as from remote Queensland to Cairns or Townsville, to purchase a second-hand car. These consumers are often seeking to purchase a car in a limited timeframe, sometimes incurring accommodation costs, and may be relying on purchasing the car to travel back home.
- The pressure to purchase a car as soon as possible can place consumers in an increased power imbalance compared to the dealer, particularly when the dealer is aware that the consumer has travelled for the express purpose of purchasing a car.
- Reports from consumer protection agencies also suggest that poor quality cars are brought into some regional centres to be sold to consumers with limited time and money, which are both factors why mechanical inspections are not likely to be carried out by some purchasers. In some instances, remote consumers may also resort to purchasing a car sight unseen.

28 This figure is for all casual user searches for personal property, including for second-hand cars as well as other personal property such as other vehicles, boats, plant and equipment and artworks. No figure has been published specifically for searches for second-hand cars.

Regulatory action to address the issue

Compliance campaigns regarding licensed dealers

Most state and territory consumer protection agencies are addressing the supply of poor quality second-hand cars as a compliance and enforcement priority. This has included over 1,600 regulatory inspections and actions by state and territory consumer protection agencies in the 2024–25 financial year. These compliance programs and regulatory actions included the following elements:

- Surveillance and intelligence to identify concerning conduct by licensed dealers.
- Random or targeted dealership inspections to review dealer compliance, resulting in dealer education or enforcement depending on the severity of any misconduct. Over 800 dealership compliance inspections were undertaken during the 2024–25 financial year.
- When necessary, issuing formal warnings or undertakings, infringement notices, licence suspensions or cancellations and taking court action.
- Obtaining remedies for consumers impacted by dealer misconduct where possible.
- Proactive dealer education (particularly for new dealerships) to ensure dealers understand their obligations to attempt to avoid future concerning conduct.

Example compliance program – Consumer Affairs Victoria

In addition to its business-as-usual compliance work, Consumer Affairs Victoria undertakes intensive and outcome-focused compliance interventions with priority car dealers. In 2024–25, the program included:

- Identifying priority dealers through an analysis of intelligence from a range of sources.
- Engaging with priority car dealers on dealer obligations under the ACL and the state specific legislation.
- Facilitating voluntary remedies (repairs or refunds) for consumers who had been previously unsuccessful in obtaining a remedy from the relevant car dealer.
- Issuing infringement notices and official warnings to priority dealers for non-compliance with administrative requirements under the industry-specific legislation.
- In partnership with the Business Licensing Authority, Motor Car Traders Claims Committee and the Department of Transport and Planning, Consumer Affairs Victoria took steps that resulted in the licence suspensions of 2 high priority car dealers.

Consumer Affairs Victoria and the Business Licensing Authority are working together to strengthen testing of Victorian motor car trader licence applicants' knowledge of consumer law obligations prior to granting the applicant a licence.

Consumer campaigns and initiatives

Many state and territory consumer protection agencies have undertaken recent education campaigns to increase consumers' knowledge of their rights and protections. Some of these campaigns include:

- Queensland Office of Fair Trading partnered with PCYC as part of their Braking the Cycle program and Yourtown's Get Set for Work program, holding in-person workshops with young drivers about buying their first car. As part of its Buy Smart Competition, the Queensland Office of Fair Trading delivers in-class presentations to older students about car purchases and works with multicultural and residential care intermediaries to share car buying information with their communities. The Queensland Office of Fair Trading undertakes outreach activities in rural and remote locations and provides consumers with information and advice about buying a car.
- Consumer and Business Services SA undertook a targeted social media campaign focusing on educating consumers buying a used car on pre-purchase checks, understanding consumer rights and dealer obligations, and practical tips to avoid purchasing poor quality cars.
- NSW Fair Trading has undertaken outreach initiatives, and an online and social media campaign to address issues around buying a second-hand car and odometer tampering, with a focus on educating young adults and First Nations consumers.
- Consumer Protection Western Australia developed and launched a 'buying a car' checklist with the Motor Trade Association in 2024 and created a 'buying a used car' pocket guide detailing common signs to look for when purchasing a second-hand car. Consumer Protection WA has also developed and presented a youth targeted second-hand car presentation. Northern Territory Consumer Affairs is working with Consumer Protection WA to develop its own pocket guide for buying a second-hand car.

Field research project – Consumer Protection WA

Consumer Protection WA is preparing to undertake a field research project during 2026 to gain a better understanding of issues faced by regional and remote consumers, and in particular, First Nations consumers, when purchasing a second-hand car.

Some state and territory consumer protection agencies are considering further initiatives to help educate or protect consumers that can experience vulnerability from purchasing poor quality second-hand cars.

Funding pre-purchase inspections for First Nations consumers in Queensland

The Queensland Office of Fair Trading is trialling funding pre-purchase inspections for First Nations consumers with the aim of preventing consumers from inadvertently purchasing faulty cars. The Royal Automotive Club of Queensland (RACQ) is providing the inspection and reporting services, and Good Shepherd and Anglicare are assisting in identifying First Nations consumers looking to buy second-hand cars.

Legislative and regulatory reform

South Australia and Western Australia have enhanced their consumer protections and dealer obligations for the sale of second-hand cars through recent legislative and regulatory reforms.

- Legislative changes in South Australia that came into effect in 2025 include:
  - Substantially increasing the maximum penalty for odometer tampering from $10,000 to $150,000 for a first or second offence. For 3 or more offences, the penalty can also include up to 2 years imprisonment.[29]
  - Allowing consumers to seek compensation from any person convicted of an odometer tampering offence.[30]
  - No longer allowing a purchaser to waive the dealer's duty to repair a car.[31]
- Changes to regulations in Western Australia that came into effect on 7 June 2024 include:
  - Requiring dealers to disclose to prospective buyers whether a car under 15 years old is a repairable write-off.
  - Requiring all dealers to only seek damages that are a genuine estimate of losses arising from a breach of contract by a consumer (up to the maximum allowed 5% of the purchase price). Some dealers were reportedly previously claiming the maximum 5% of the purchase price for a breach of contract without regard for their actual loss.[32]
  - Changes to statutory information warranty statements including listing the particulars that must be disclosed to make clear the requirements that apply to all second-hand cars.

29 Effective from 1 July 2025 onwards.

30 Effective from 1 July 2025 onwards.

31 Effective from 1 September 2025 onwards.

32 In Western Australia, there is no cooling-off period once the contract has been signed, so this change will apply to consumers who withdraw from the purchase before taking possession or paying for the car.

Issue 2: Unlicensed second-hand car sales

Key points:

- A significant proportion of second-hand cars are sold privately, mainly through online markets.
- Consumers can face more challenges seeking remedies for failures with a car purchased privately as the consumer has fewer legal protections and a private seller has fewer legal obligations than a licensed dealer.
- Some individuals are reportedly selling cars without a licence in circumstances where they are selling volumes of cars which deem them to be a 'dealer' and require them to hold a licence in their jurisdiction.
- Some licensed dealers are reportedly selling cars online without disclosing that they are licensed dealers, potentially to avoid meeting their dealer licence obligations.
- Some jurisdictions have introduced legislation or compliance campaigns to tackle these issues.
- Individuals and businesses selling second-hand cars should ensure they understand and comply with the licensing obligations and disclosure requirements in their jurisdictions.

Private sales market

A significant proportion of second-hand car transactions are private sales, mainly through online markets.[33] Online markets are used by private sellers as well as car dealers, and include:

- specialised online car marketplaces such as carsales.com.au and carsguide.com.au
- general online marketplaces such as Facebook Marketplace and Gumtree
- online auctions such as eBay Motors.

Issues identified in the private sales market

Unlicensed sellers that should be licensed as dealers

State and territory consumer protection agencies have received reports and acted on the issue of individuals selling cars without a licence in circumstances where they require a licence.

The Motor Trade Association of South Australia and the Northern Territory has a 'Dob in a Backyarder' program that allows consumers to provide information and evidence of illegal unlicensed car sales to Consumer and Business Services SA. The Motor Trades Association of Queensland has

33 Sources vary but suggest that at least around half of second-hand car transfers are transacted through private sales. See for example Australian Automotive Dealer Association used car sales figures for June 2025: www.aada.asn.au/bulletin/air-june-used-car-sales-figures-2/.

a similar program that allows dealers to provide intelligence on illegal unlicensed car selling and for the information to be passed on to the Queensland Office of Fair Trading.

In several illegal unlicensed car selling cases, the individual was aware that they required a licence as they had either previously held one or were repeat offenders.

Case example – unlicensed sellers that should be licensed

An individual from the Gold Coast was sentenced in the Southport Magistrates Court to 6 months imprisonment in 2023 after the Queensland Office of Fair Trading took them to court for the fourth time since 2019 for selling cars without a motor dealers' licence.[34] On this occasion, the individual had advertised 22 vehicles for sale on Facebook Marketplace and Gumtree between July 2021 and April 2022. This was after the individual had been sentenced in March 2021 after pleading guilty to unlicensed motor dealing.

Licensed dealers attempting to avoid dealer obligations

State and territory consumer protection agencies have also reported that some licensed dealers are selling cars online without disclosing they are a licensed dealer. This may be to attempt to avoid the costs and obligations (such as state or territory-based statutory warranties) associated with their licence.

In some jurisdictions, licensed dealers are required to disclose their licence number when advertising the sale of a car. As an example, under regulation 23 of the Second-hand Vehicle Dealers Regulations 2025 in South Australia, an advertisement relating to the sale must contain the words "Licensed Second-hand Vehicle Dealer" (which may be abbreviated to "LVD") immediately followed by the dealer's licence number, or, where 2 or more licensees are conducting a business in partnership, the licence number of at least 1 of the licensees. Through compliance work, Consumer and Business Services SA recently assessed 30 cases over a 24-month period where dealers were not complying with their advertising requirements and displaying their licence number.

Reports allege that some licensed dealers are using Gumtree, Facebook Marketplace and other social media platforms to sell second-hand cars from a private residence and not their dealership address to mislead consumers into believing they are a private seller when this is not the case.

Individuals and businesses selling second-hand cars should ensure they understand and comply with the licensing obligations and disclosure requirements in their jurisdictions. As indicated above, failure to comply may lead to serious enforcement action.

34 L Emery, *Emilia Lloyd caught for the fourth time selling cars in Labrador, Gold Coast without a motor dealers licence*, Gold Coast Bulletin, 18 May 2023, accessed 27 November 2025. www.goldcoastbulletin.com.au/truecrimeaustralia/police-courts-gold-coast/emilia-lloyd-caught-for-the-fourth-time-selling-cars-in-labrador-gold-coast-without-a-motor-dealers-licence/news-story/7125e659b0ff2941b3c808b7353fa591.

Regulatory action to address the issue

Compliance campaigns regarding unlicensed sellers

Several state and territory consumer protection agencies have made illegal unlicensed car sales a regulatory priority.

- This has been a regulatory priority for the Queensland Office of Fair Trading for a number of years. This work has included undertaking multiple operations into backyard motor dealers which have continued in the 2025–26 financial year. The operation focuses particularly on unlicensed dealers operating on social media (Facebook Marketplace) to ensure a fair and equitable playing field for licensed dealers.
- Unlicensed motor dealing was an education and compliance priority for NSW Fair Trading in the 2024–25 financial year through both an escalation of complaints and intelligence gathering. Over 12 months, NSW Fair Trading issued 75 warning letters, 37 penalty notices and successfully prosecuted 4 individuals for unlicensed motor dealing.
- In the 2024–25 financial year, Consumer and Business Services SA prioritised unlicensed dealing in its enforcement area. This involved officers undertaking proactive online monitoring of car advertisements and receiving intelligence through various referral channels, including the Motor Trade Association SA.

Consumer Protection WA – Public outcome for illegal unlicensed dealing

Unlicensed dealing in second-hand motor vehicles, odometer tampering and the sale of unregistered or written off vehicles has been an enforcement priority in Western Australia.

In May 2025, Consumer Protection WA achieved a significant outcome in the Perth Magistrates' Court involving unlicensed car dealing, with a trio fined a total of $240,000 for a scheme involving unregistered, written-off vehicles. The ringleader received the largest penalty and was ordered to pay $140,000 for 2 counts of unlicensed motor vehicle dealing and 4 counts of odometer tampering. This was the individual's second unlicensed dealing conviction, the first recorded in 2013 following a $6,500 fine.

Legislative and regulatory reform

Transparency of dealers selling online

New South Wales has new provisions which commenced on 1 September 2025 and require online advertisements of cars to include the motor dealer's licence number, in line with similar requirements in some other jurisdictions. The new provisions also require dealers advertising online to provide NSW Fair Trading with their website address and other details such as where the vehicles are stored. Dealers must also display required sale forms on the website.

Consumers can check licence numbers on the Verify NSW website to review the motor dealer's licence status and compliance history. NSW Fair Trading is also looking into the feasibility of monitoring online advertisements to detect unlicensed sellers selling in volumes that require a licence or dealers misleading consumers online that they are a private seller.

Penalty reforms

Increased penalties for unlicensed dealing in South Australia commenced on 1 July 2025 under recent legislative changes. The maximum penalty for a first or second offence of unlicensed dealing has increased from $100,000 to $150,000, and the maximum penalty for an individual who commits a third or subsequent offence has increased from $100,000 and/or 12 months imprisonment to $250,000 and/or 2 years imprisonment. The penalty for unlicensed dealing committed by a body corporate has increased from $250,000 to $500,000.

Issue 3: Inadequate dealer remedies

Key points

- Dealers are required to remedy certain car failures under state and territory statutory warranties and ACL consumer guarantee obligations.
- Where consumers have sought remedies, some dealers have reportedly provided inadequate remedies or have denied responsibility altogether in circumstances where they are legally obliged to remedy a failure.
- In some cases, dealers have allegedly misled consumers about their rights to a remedy under the ACL, including by omission.
- If the problem remains unresolved after raising it with the dealer, many consumers face structural barriers such as the time and expense if the matter needs to be decided at a tribunal.
- Dealers must ensure they understand their ACL consumer guarantee obligations and have established processes to provide the required remedies without unnecessary delay.
- The ACCC strongly supports the Government's development of legislation to prohibit unfair trading practices and introduce penalties for failing to provide remedies when required to under the ACL consumer guarantees. These legislative changes will further incentivise dealers to comply with their consumer guarantee obligations and strengthen consumer protections against harmful practices that are not adequately covered by the existing ACL provisions.

Issues identified regarding dealer remedies

The ACCC is concerned that some dealers are reportedly ignoring or providing inadequate remedies that consumers are entitled to under either the ACL consumer guarantees or state or territory statutory warranties.

The ACCC reminds dealers that a consumer can choose to have a product replaced or refunded under the ACL if the failure to comply with the consumer guarantees is a single major failure or several failures that collectively amount to a major failure. If the failure to comply with the consumer guarantees is not a major failure, and the failure can be remedied, if asked to do so the dealer must repair the car within a reasonable timeframe, or they can choose to offer the consumer a refund or replacement. It is essential that dealers understand their ACL consumer guarantee obligations and have established processes to provide the required remedies without unnecessary delay.

Dealers reportedly ignoring their obligations to provide remedies in certain circumstances

Consumers have reported difficulties engaging with some dealers to seek remedies to fix car failures when they arise, including when consumers are entitled to remedies under the ACL or a state or territory statutory warranty. Reports alleged that some dealers have:

- avoided contact altogether and have not responded to the consumer
- denied responsibility to remedy a failure and have instead put the onus on the consumer
- argued whether the failure exists despite there being clear evidence of the failure
- claimed that they would only be obliged to provide a remedy under an extended warranty rather than under a state or territory statutory warranty or the ACL, and then stated that the consumer had not met the terms of the extended warranty, such as by missing a scheduled service
- refused to provide repairs under warranty on the basis that the car manufacturer allegedly will not repair the issue.

Case example – dealer refusal to provide remedy

A consumer purchased a second-hand car for $12,000 from a dealer who advised that the car was roadworthy and had no issues of concern. Immediately following purchase, the battery died, and the consumer noticed there was a fuel leak. The dealer denied there was any fault with the car. After making a complaint to the state consumer protection agency and attempting to resolve the matter through conciliation, the dealer refused to provide any remedy.

The current absence of penalties for failing to provide remedies when required under the ACL consumer guarantee provisions may encourage some dealers to sell poor quality second-hand cars. In addition, some dealers have reportedly failed to treat multiple failures as amounting to one or more major failures, which leads to prolonging the period that affected consumers are left without the remedy to which they are entitled.

However, on 23 November 2025, the Assistant Minister for Productivity, Competition, Charities and Treasury announced that the Government will develop legislation for consultation in early 2026 to introduce penalties for businesses which fail to provide remedies when required under the consumer guarantee obligations. In addition, the ACL prohibits a business from making false or misleading representations to consumers about their rights and remedies.[35]

35 Section 29(1)(m) of the ACL. Section 29(1)(n) of the ACL also prohibits a business from making false or misleading representations that a consumer must pay for a contractual right that is wholly or partly equivalent to any condition, warranty, guarantee, right or remedy.

ACCC v Mazda Australia Pty Ltd

In February 2024, the Federal Court ordered Mazda to pay $11.5 million in penalties for misleading 9 consumers about their consumer guarantee rights.

Mazda ignored or rejected requests by the 9 consumers for a refund or a replacement vehicle. It told them that the only remedy available was a repair, even though their vehicles had already undergone multiple unsuccessful repair attempts, including complete engine replacements. One vehicle had 3 engine replacements.

Ultimately, Mazda offered to refund only a portion of the vehicle's purchase price or offered a replacement vehicle only if the consumer made a significant payment, after multiple failed repair attempts.

Relevantly, the Court found that some of Mazda's representations that the consumers were not entitled to a refund were misleading because Mazda was expressing an opinion that it had no reasonable grounds for making. This was because Mazda did not assess whether the relevant faults were major failures.

Dealers reportedly providing inadequate remedies

In other cases, even where a dealer has agreed to provide a remedy for a failure, reports have been received indicating these remedies have been inadequate, including:

- offering to buy back the car at a reduced price in circumstances where the consumer was entitled to a full refund
- offering only a percentage of the cost to fix a failure under warranty
- agreeing to provide a repair but not actually fixing the failure.

Case example – inadequate compensation for repairs

A consumer purchased a car online and had the car transported to them. On receiving the car, the consumer found out it was unroadworthy, including a bad oil leak and requiring new tyres. The dealer stated that to have the car repaired, the consumer had to transport the car back to the dealer at the consumer's expense. Due to this expense, the consumer had the car assessed and fixed at the local mechanic instead. The repairs cost $3,000 but the dealer only agreed to contribute $600 despite the dealer not disclosing these failures and being obliged to provide the appropriate remedy.

Delays in dealers providing remedies

Consumer protection agencies have received reports that consumers seeking remedies from some dealers have experienced significant delays, with the consumers left without their cars for extended periods.

Consumers are often heavily reliant on their car and surrendering it back to the dealer for repairs is a barrier that some dealers reportedly leverage by telling consumers that the repairs will take a long time. This is particularly an issue for consumers in regional and remote areas that face significant costs to get the car back to the dealership and have limited public transport options.

Case example – Delays in dealers providing repairs

A consumer purchased a second hand 2022 car for $32,000. Within 3 weeks the car suffered a major transmission failure and was towed back to the dealership. The dealer would not agree to refund the consumer but offered to repair the car. The car was unusable for 5 months while the dealer waited for parts.

Some dealers are misleading consumers about their rights to a remedy under the ACL

Reports to consumer protection agencies suggest that some dealers knowingly mislead customers (including through omission) that their ACL consumer guarantee rights do not exist or apply to their car.

When seeking remedies from dealers, some consumers have faced challenges such as dealers claiming that:

- the dealer has a 'no refunds' policy
- the consumer is not entitled to a remedy unless they purchased an extended warranty
- once the state or territory statutory warranty expires, the dealer has no further obligations.

The interaction between the ACL consumer guarantees and state and territory statutory warranties can be difficult for consumers to understand. A common misconception is that consumer rights are limited to what is covered by state or territory statutory warranties, rather than these rights being in addition to those under the ACL consumer guarantees.

Dealers have reportedly refused to provide remedies to consumers when state and territory statutory warranties do not apply (or no longer apply), despite the ACL consumer guarantees continuing to apply in many cases.

State statutory warranties in Queensland

There are 2 types of state statutory warranties in Queensland: Class A and Class B. Class A applies to cars under 10 years old with less than 160,000km and lasts for 3 months or 5,000km, whichever comes first. Class B applies to cars older than 10 years or with over 160,000km and lasts for 1 month or 1,000km, whichever comes first.

If a dealer in Cairns sells a Class B car to a consumer from a remote community in far North Queensland, this state statutory warranty might no longer apply by the time they drive a significant distance home or shortly after. The consumer will nevertheless still have rights under the ACL consumer guarantees, for example to pursue a remedy if the car is not fit for purpose or of acceptable quality.

Structural barriers to remedies

Costs and accessibility of dispute resolution

Most jurisdictions have some form of compulsory or voluntary conciliation process that consumers can go through for disputes with a dealer. These processes are often non-binding and some dealers will reportedly continue to refuse a remedy under consumer guarantees no matter the outcome.

If the dispute remains unresolved after attempts at conciliation, consumers can face challenges in seeking dispute resolution through tribunals in some jurisdictions due to the costs, wait times, and difficulties in navigating the process.

- Many reports suggest that consumers are unlikely to be successful in pursuing a remedy through tribunals without legal assistance and the capacity to fund an expert mechanical report.
- Legal technicalities can lead to consumers being unsuccessful in obtaining a remedy, for example if they are deemed not to have provided appropriate notice to the dealer of the failure or the remedy they are seeking.
- Many tribunals have long wait times. As an example, reports indicate recent wait times at VCAT are up to one and a half years. In 2023, the Consumer Policy Research Centre (CPRC) conducted research with support from the Consumer Action Law Centre (CALC) into the consumer experience of faulty cars in Victoria. The report found that there can be more than 60 steps involved for a consumer to get a successful outcome even in a straightforward VCAT matter with no re-hearings, re-submissions, and assuming the dealer resolves the issue after receiving orders.[36]
- Tribunals may interpret law differently to established court precedent, and may expect consumers to compromise on their ACL rights during the mandatory conciliation stage of tribunal processes.
- Even if a consumer receives a favourable outcome, the compensation awarded may not cover the full costs of repairs, legal costs and any independent mechanical expert reports.

Difficulties faced by regional and remote consumers

For regional and remote consumers, the long distances between the dealer and the consumer's home can sometimes mean that any applicable state or territory statutory warranty may run out after only limited use of the car once the consumer has driven the vehicle home.[37]

When vehicles purchased by regional and remote consumers fail, the options for these consumers to have the car towed back to the dealer to seek a remedy can be extremely limited and generally cost-prohibitive. Similarly, these consumers face additional difficulties when faced with going to a tribunal, such as the extremely limited availability of local mechanical experts and, in some cases, having to travel long distances to attend hearings in person.

36 Consumer Policy Research Centre (CPRC), *Detours and Roadblocks*, CPRC, 2023, accessed 27 November 2025.

37 For example, in Queensland, for cars with 160,000 kilometres or more on the day of sale, the statutory warranty expires after 1,000 kilometres.

Regulatory action to address the issue

Legislative and policy reform

Reforms to the Australian Consumer Law

On 23 November 2025, the Assistant Minister for Productivity, Competition, Charities and Treasury announced agreement between the Commonwealth and state and territory consumer ministers to prohibit unfair trading practices and introduce penalties for businesses failing to provide remedies when required under the consumer guarantee provisions of the ACL.[38] The ACCC strongly supports the agreed reforms.

Unfair Trading Practices

The agreed reforms to prohibit unfair trading practices follows the Government's previous announcement of 16 October 2024 that it would consult on the design of proposed general and specific prohibitions against unfair trading practices to be introduced into the ACL.

On 15 November 2024, Treasury commenced this consultation process with the release of a supplementary consultation paper. This paper built upon earlier consultation conducted about the nature and extent of unfair trading practices in Australia.

As noted in its submissions to these consultation processes, the ACCC strongly supports the introduction of a principles-based, economy-wide general prohibition against unfair trading practices into the ACL.[39] With respect to the second-hand car market, it is expected that these reforms will strengthen consumer protections against unfair dealer practices causing harm that are unlikely to be captured under the existing provisions of the ACL. For example, where a dealer omits material information about a second-hand car for sale, such as known defects, or where a dealer strategically over-discloses details about the second-hand car to overwhelm the consumer and hide details about defects which may impact their decision to purchase.

Depending on how the prohibition is ultimately framed, it could also capture conduct where dealers seek to unfairly impede consumers' ability to access their contractual or other legal rights to seek a remedy for that fault.

The ACCC and ASIC also strongly support the introduction of an unfair trading practices prohibition into the ASIC Act to apply to financial services and products. This will help to ensure effective protections from harm and an improved standard of business conduct. These protections are particularly important in the second-hand car market, given the common use of financing to fund second-hand car purchases, and the disproportionate impact that unfair financing practices have on consumers experiencing vulnerability or disadvantage.

Consumer guarantee penalties

The Government previously ran a consultation process in 2024 seeking feedback on penalties for businesses failing to provide remedies when required under the consumer guarantee provisions of

38 Assistant Minister for Productivity, Competition, Charities and Treasury The Hon Dr Andrew Leigh MP, *Stopping unfair trading: subscription traps and hidden fees targeted*, Australian Government, 23 November 2025, accessed 27 November 2025.

39 See the ACCC's 2023 submission to Treasury's consultation at https://treasury.gov.au/consultation/c2023-430458. Also see the ACCC's 2024 submission to Treasury's supplementary consultation at https://treasury.gov.au/consultation/c2024-602157.

the ACL.[40] This followed an earlier Consultation Regulation Impact Statement consultation process in 2021.

The ACCC has been advocating for some time for the ACL to contain a prohibition against businesses not providing a remedy for consumer guarantee failures when they are required by the law to do so, with accompanying penalties for any such contraventions.[41] The agreed reforms will help incentivise second-hand car dealers to comply with their consumer guarantee obligations and will also more effectively support consumers that purchase a faulty second-hand car in enforcing their statutory consumer guarantee rights.

New South Wales

Policy reform currently underway will allow NSW Fair Trading inspectors to issue rectification orders for breaches of consumer guarantees for poor quality cars or repairs.

Currently, trade qualified inspectors can issue rectification orders in some instances if repair work on a car is incomplete or defective or if a dealer guarantee has not been met. Rectification orders are enforceable and may be used as evidence in court or at a tribunal. NSW Fair Trading can take disciplinary action against a licensed dealer or repairer if they do not comply with an order.

Western Australia

Changes have been proposed to the *Motor Vehicle Dealers Act 1973* in Western Australia to work towards reliance on the ACL rather than industry specific legislation, by removing the statutory warranty provisions for used vehicle sales. A sunset approach is proposed to provide a reasonable period to undertake initiatives to improve industry and consumer understanding of their rights and responsibilities under the ACL consumer guarantees.[42]

Dealer education and compliance

Many state and territory consumer protection agencies have recently prioritised dealer education and compliance work regarding their obligations, including the provision of remedies. Some examples of this work during the 2024–25 financial year include:

- Access Canberra inspected all licensed car dealers in the ACT to review compliance with statutory warranty obligations.
- NSW Fair Trading provides education when second-hand motor dealers are found to be unaware they are meant to conduct inspection reports as a pre-requisite for the completion of the relevant motor dealer notices. NSW Fair Trading will also deliver warnings and penalty infringement notices when appropriate.
- Victoria conducted an intensive and outcome-focused compliance program (highlighted under **Issue 1**) which among other key elements sought to facilitate voluntary remedies by dealers to specific consumers, with priority given to vulnerable consumers.

40 The Treasury, *Consumer guarantees and suppliers indemnification under the Australian Consumer Law*: *Consultation on the design of proposed new civil prohibitions and penalties*, Australian Government, October 2024, accessed 27 November 2025.

41 See the ACCC's submission to Treasury's 2021–2022 consultation on improving consumer guarantees and supplier indemnification provisions under the Australian Consumer Law at https://treasury.gov.au/consultation/c2021-224294.

42 Department of Local Government, Industry Regulation and Safety, *Changes to laws covering vehicle sales and repairs in WA*, Government of Western Australia, 8 August 2019, accessed 27 November 2025.

Consumer education

Many of the state and territory consumer protection agencies that undertook education campaigns during the 2024–25 financial year to increase consumer knowledge about buying a second-hand car (highlighted under **Issue 1**) included information about their rights to remedies under the ACL or state or territory-based legislation. As an example, Consumer and Business Services SA's Buying a used car campaign includes information to help South Australian consumers understand their rights under statutory warranties and consumer guarantees.

Victoria and Queensland both have enduring priorities regarding consumer education of their rights when buying a second-hand car.

Issue 4: Poor quality extended warranties

Key points

- Several issues have been identified indicating that extended warranties may in some cases be unnecessary, poor value for money, and may hinder rather than assist consumers to obtain suitable remedies for defective cars.
- Concerns about sales tactics for extended warranties include these warranties being bundled with the car sale in a way which obscures the cost of the warranty or even that the warranty is being purchased at all.
- The terms of the extended warranties, and related consumer rights such as cooling off periods, are also reportedly often not explained to consumers. In many cases, the extended warranties provide very limited protections, and in some cases, the extended warranty might not be able to be claimed at all when sold with particular cars.
- Even where extended warranties can be claimed, the ability and extent to which the warranties can be drawn upon are often more limited than what consumers are entitled to under state and territory statutory warranties or the ACL.
- Some dealers have reportedly encouraged consumers to attempt to claim under extended warranties in place of the consumer's automatic right to a statutory remedy. This is particularly concerning if the extended warranty provider rejects the claim, and the dealer falsely represents that no other remedies are available under the law.
- To avoid poor consumer outcomes and potential non-compliance with relevant laws, dealers should:
  - seek express agreement from the consumer to purchase the extended warranty product as part of the vehicle purchase
  - clearly explain that purchasing the extended warranty is optional
  - disclose the cost of the extended warranty
  - clearly explain the key terms and limitations of the extended warranty
  - avoid selling extended warranties where these cannot be used for the car being sold, or where it is clear the limitations of the extended warranty would mean it is not suitable for the consumer
  - avoid making inaccurate representations, including by omission, regarding consumers' rights under the ACL consumer guarantees.

Extended warranties and their regulation

Extended warranties are arrangements under which a customer pays a fee in return for another person (the warranty provider) agreeing to repair or replace (or cover the cost of repairing or replacing) parts or components of goods in the event of defects or failures of those parts or components.[43]

There are 2 types of extended warranty products for vehicles, with differences extending to regulatory obligations.

Some providers of extended warranties are required to hold an Australian Financial Services Licence (AFSL) issued by ASIC – these are known as third-party warranties. These are between the consumer and a third party, not the car dealership. These are considered 'financial products' under the ASIC Act and amongst other obligations associated with being a license holder, this means that they are required to become a member of the Australian Financial Complaints Authority (AFCA) external dispute resolution scheme and meet general conduct obligations.[44]

The second type of extended warranty products offered in relation to the sale of second-hand cars are dealer warranties. These are products offered by the car dealer to the consumer, are between the consumer and the car dealership, and do not require the provider to hold an AFSL. Providers of dealer warranties typically rely on the exemption in s 763E of the *Corporations Act 2001* (Cth), which allows a financial product to be exempt if it is incidental to a component or facility and the main purpose of the arrangement is not a financial product purpose.

Some warranty contracts may include a term stating the consumer does not have a contractual right to have a claim paid, even if it falls within the terms of cover. Rather, consumers only have the right to have their claim considered, with the provider having a broad discretion whether or not to pay it. These warranties are commonly referred to as 'discretionary risk' products.

Add-on insurance

Extended warranties differ from 'add-on insurance' such as tyre and rim insurance or loan termination insurance.[45] Add-on insurance cannot be sold (or offered to be sold) at the same time a customer commits to acquire the principal product being insured, such as a car.[46]

Issues raised regarding extended warranties

Issues raised regarding the sale of extended warranties

Extended warranties are usually sold at the same time the consumer purchases a second-hand car and are often bundled into the sale price.

Extended warranties can reportedly add as much as 20% to the total purchase price of a second-hand car. The ACCC is aware of concerns that extended warranties are being bundled with the car sale in a way which obscures the cost of the warranty or even the fact that the warranty is being purchased at all. Where consumers are purchasing a car using finance, the cost of the extended warranty is also often added to the loan.

43 Australian Securities & Investments Commission (ASIC), *Extended warranties*, ASIC, 2021, accessed 27 November 2025.

44 Further information is available in ASIC's Information Sheet 198 and Consultation Paper 324.

45 ASIC, *Add-on car insurance*, Moneysmart, n.d., accessed 27 November 2025.

46 ASIC, *The deferred sales model for add-on insurance*, ASIC, 2021, accessed 27 November 2025.

In the 2024–25 financial year, ASIC received 47 reports of alleged misconduct about extended warranties for cars,[47] with more than 20% relating to allegations of misleading or deceptive conduct or fraud.

In cases where the consumer is made aware they are purchasing an extended warranty, concerns have been raised that dealers have not provided or explained the terms and conditions of the warranty to the consumer prior to purchase.

If a consumer is not made aware that an extended warranty is being added to their car purchase, they will consequently not be aware of their cooling-off rights regarding the warranty (discussed later in this section).

Case study – Dealer warranty packaged up with car purchased on finance

A First Nations consumer residing in a remote location in Western Australia purchased a vehicle from a car dealership. At the dealership, the consumer was walked from one office to the next, and ultimately purchased the vehicle, obtained finance to make the purchase and was sold a dealer warranty for the vehicle – all representatives appeared to be part of the dealership. The consumer did not understand the dealer warranty was optional when purchasing a vehicle and due to high pressure sales tactics was unable to decline the warranty being included in her finance arrangement.

With the assistance of a consumer advocate, the consumer sought to cancel the dealer warranty through the dealership and finance provider, however was informed the dealer warranty was issued by a separate dealership located in Perth where she would need to engage on the issues.

Issues raised about the utility and limitations of extended warranties

A concern raised with consumer protection agencies is that many extended warranties mostly duplicate the existing consumer guarantee entitlements automatically available to consumers under the ACL.

In addition to the increased cost to consumers, the purchase of extended warranties has also resulted in some cases of car dealers attempting to shift liability to the warranty provider rather than remedy a failure under the consumer guarantee provisions of the ACL.

The harm of dealer attempts to shift liability to warranty providers for failures covered by the ACL is exacerbated by the restrictions common to many extended warranties. These restrictions include monetary limits on specific repairs which fall far below their common cost (such as a $1,000 limit for engine repairs in some cases). This can have the effect of consumers being left significantly out of pocket for repairs that the consumer may be automatically entitled to from the dealer under the ACL. Non-disclosure or inadequate disclosure by dealers of the limitations of extended warranties can also result in consumers being unable to have failures repaired at all under the warranty where they thought these failures would be covered.

Some extended warranties also contain conditions which restrict consumers from servicing their cars outside specific providers to retain coverage. These restrictions can act as a customer retention tool, and in the event the consumer does not follow this requirement (for example, if they are not aware of this limitation or there are no specified providers located near the consumer), this can also function as an additional reason for an extended warranty provider to attempt to refuse the claim.

47 This ASIC data covers new and second-hand cars.

Extended warranties also have limitations on the types of cars covered by the warranty, and the ACCC is aware of allegations that dealers have sold extended warranties alongside second-hand cars in circumstances where the warranty cannot cover the car.

Case example

In 2022, a consumer purchased an all-wheel drive vehicle with an extended warranty from a dealer. Following a service in 2024 at the dealer which identified a defect which needed repairing, the dealer refused to repair the vehicle, stating that the extended warranty was for 2-wheel drive vehicles only. This was despite the dealer selling this warranty to the consumer as part of the sale of the vehicle, and not explaining that this warranty would not cover the purchased vehicle. Following conciliation, the dealer eventually agreed to pay half the repair cost for the defect.

Misrepresentations about the need for extended warranties

The ACCC is also concerned that some dealers may misrepresent the need for a consumer to purchase an extended warranty, including through omission as to the consumer's rights under the ACL consumer guarantees.

Dealers may be motivated to make false representations about the need for an extended warranty, not only due to the financial incentive to sell the warranties, but also to then potentially direct the consumer to claim under the third-party extended warranty in circumstances where the dealer would otherwise bear the cost of repairing a failure under the ACL. Dealers should be aware that section 29(1)(n) of the ACL specifically prohibits a business from making false or misleading representations that a consumer must pay for a contractual right that is wholly or partly equivalent to any condition, warranty, guarantee, right or remedy.

Reported difficulties resolving disputed extended warranty claims

Consumer groups have reported difficulties in obtaining remedies for disputes about extended warranty products.

If the extended warranty product is a third-party warranty, this will mean that the provider must be licensed, and be a member of the external dispute resolution body, AFCA. Consumer protection agencies have highlighted that the position is less clear for dealer warranties, and difficulties in obtaining internal or external dispute resolution remedies. This has been identified by some consumer advocates as confusing for consumers who may or may not understand what type of extended warranty product they have been provided.

Regulatory action to address the issue

Legislative or policy reform

WA own-motion inquiry

The Commissioner for Consumer Protection WA is using their powers under state legislation to undertake an own-motion inquiry into the sale of extended warranty policies with new and used motor vehicles in Western Australia. This inquiry has been initiated in response to an increase in complaints about extended warranties with the sale of vehicles over the last 2 years. The inquiry will report and make recommendations in respect of whether policy or legislative changes are required to protect consumers from potential harm from the sale of extended warranties with new and used vehicles in WA

Consumer education

Some state and territory consumer protection agencies have been delivering education material for consumers about extended warranties for second-hand cars. Some examples of this work include:

- Consumer Protection WA's community education team provide advice and education through presentation and outreach initiatives to consumer groups about poor quality extended warranties, inadequate remedies, red flags, and how to report to Consumer Protection.
- Consumer and Business Services SA delivers public education materials that encourage consumers to check warranty coverage before purchasing a car.
- The Queensland Office of Fair Trading produces a Car Smart guide and an easy English short video In the Driver's Seat for consumers which encourage them to check warranty details and explains how to lodge complaints. These are available online and are also shared with consumers at presentations and during outreach to rural and remote locations.

Compliance and Enforcement

ASIC has been considering misconduct in the used car finance sector as part of its 2024 and 2025 enforcement priorities. This has included examining the conduct of extended warranty providers and compliance with their licensing obligations, as well as broader consumer protections under the ASIC Act regarding misleading and deceptive conduct, unconscionable conduct and compliance with the design and distribution obligations. The design and distribution obligations are intended to help consumers obtain appropriate financial products by requiring issuers and distributors to have a consumer-centric approach to the design and distribution of products.

Issue 5: Inappropriate provision of car finance

Key points

- Dealers have an incentive to assist consumers to obtain finance if this is required for consumers to be able to purchase the car. This can result in car dealerships assisting consumers to apply for and obtain credit that does not meet their needs and objectives, is unaffordable, or simply is not the best option for the consumer.
- Some consumers have reportedly been approved for loans that significantly exceed the consumers' borrowing capacities.
- The key terms, including interest rates, broker and other additional fees and total cost of the loans are reportedly often not explained at the point of sale.
- Most second-hand motor dealers fall under an exemption from requiring an Australian Credit Licence.
- Credit providers should ensure that they make sufficient enquiries and verify consumers' financial situations to meet their responsible lending obligations. This includes when loan applications are submitted through car dealerships or brokers.
- Dealers should also ensure the key terms of the loan or lease are explained to the consumer and provided in writing.

Types of car finance and their regulation

Second-hand cars in Australia can be purchased using finance. There is limited public data available about the percentage of second-hand car purchases that are made with finance. ASIC has received anecdotal feedback that in remote and regional areas in particular, up to 90% of used cars sold to First Nations consumers are believed to be purchased using finance.

The type of finance that is offered to consumers can vary. The most common form of finance that is offered are loans. These loans may or may not be secured over the car and are a form of regulated credit under the *National Consumer Credit Protection Act 2009* (Cth) (the National Credit Act). Businesses which engage in credit activities (such as providing car loans) generally require either an Australian Credit Licence or authorisation from a credit licensee,[48] and must comply with certain obligations under the National Credit Act. These obligations include:

- doing all things necessary to ensure that the credit activities authorised by the licence are engaged in efficiently, honestly and fairly
- meeting responsible lending obligations including making enquiries and verifying consumers' needs and objectives, and their financial situations and assessing whether a credit contract would be unsuitable for the consumer
- becoming an AFCA member.

48 The Australian credit licensing requirements are contained in the *National Consumer Credit Protection Act 2009* (Cth) and the *National Consumer Credit Protection Regulations 2010* (Cth). Further information is available in ASIC's Regulatory Guide 203 *Do I need a credit licence?*

There are other forms of finance that may be offered, which may also be regulated under the National Credit Act. For example, these include rent-to-buy or novated lease arrangements, and Buy Now Pay Later (BNPL) services (see further below).

Who is involved in the provision of car finance?

Car financers and credit assistance providers

Finance providers (such as banks and financial institutions), who may be off-site to where the loan is obtained, are the providers of the finance, and must comply with their obligations under the National Credit Act. If the finance provider is not licensed and is providing car loans or other credit products to consumers, they may be engaging in unlicensed credit activity.

Case example

In September 2024, ASIC commenced proceedings in the Federal Court against Diamond Wheels, Keo Automotive and a former director for allegedly providing unlicensed car loans to consumers.

Diamond Wheels, trading as Lansvale Motor Group, is a well-known and relatively large new and used car dealership located on the Hume Highway in the south-west of Sydney.

Neither Diamond Wheels nor Keo Automotive has ever held an Australian Credit Licence, nor been effectively authorised to engage in credit activities. As a consequence, ASIC had concerns that consumer protection provisions around the provision of credit were not provided to consumers. This included concerns that consumers with these loans were significantly overcharged and that their contracts missed key information.

The obligations in the National Credit Act also extend to credit assistance providers, such as car finance brokers. They may assist customers in obtaining the right loan to suit customers' needs. Like car finance providers, brokers must comply with certain responsible lending obligations and be members of AFCA. They may or may not be on site at the dealership. Over time, ASIC has taken a range of actions against car finance brokers: for example, against car finance broker Cash Brokers Pty Ltd regarding a breach of their responsible lending obligations by failing to undertake affordability assessments to determine the loans were suited to customers requirement.

Car dealership representatives

Car finance is often obtained at the point of sale – being on-site at the car dealership through car dealership representatives. In this scenario, consumers have reported examples of car dealership salespersons or representatives providing information and/or assistance about the sale of the car, including in relation to the financing.

This type of assistance by car dealership representatives is exempted from the National Credit Act as a type of regulated credit due to the operation of the 'point of sale exemption'. This exemption means that car dealerships can provide assistance to consumers to obtain finance (from licensed credit providers) without holding an Australian Credit Licence.

A national survey conducted by the Victorian Automotive Chamber of Commerce (VACC) in 2017 found that approximately only 1 in 9 car dealers (11%) had their own Australian Credit Licence or were appointed as a credit representative from their finance provider.[49]

Importantly, where a car dealership representative is providing assistance to obtain finance the credit provider remains responsible for assessing and providing the car loan, and consumers can lodge a complaint with AFCA against the credit provider if they are unable to resolve their dispute with the credit provider in the first instance.

Linked credit providers

The National Credit Code (NCC) sets out who is liable for various damages a consumer may suffer when they buy a car at a car dealership and enter into a tied loan with a linked credit provider through the dealership, rather than dealing with a credit provider directly (or through a broker).[50]

The NCC provides that a tied credit contract is a credit contract where:

- the credit provider knows that the consumer is entering into the contract for the purposes of payment for the vehicle supplied by the car dealer
- the credit provider is a 'linked credit provider' of the car dealer at the time the contract is entered into.

A linked credit provider includes a lender:

- with whom the car dealer has a contract, arrangement or understanding relating to the provision of credit in respect of payment for the vehicles that the car dealer supplies
- to whom the car dealer, by arrangement with the lender, regularly refers people for the purpose of obtaining credit
- whose credit applications are made available to persons by the car dealer, by arrangement with the lender, or
- with whom the car dealer has a contract, arrangement or understanding under which its contracts, credit applications, or offers may be signed by persons at the premises of the car dealer.

Where the consumer suffers loss or damage as a result of misrepresentation, breach of contract, or failure of consideration in relation to a motor vehicle sale contract related to a tied credit contract, the car dealer and the linked credit provider are generally jointly and severally liable for that loss.[51]

However, there are various circumstances in which a credit provider will not be liable. This includes where the lender, before becoming a linked credit provider, has satisfied themself that the motor vehicle dealer had a good reputation for their financial standing and business conduct, and the lender had no cause to suspect before the tied credit contract was entered into that the consumer might be entitled to recover damages or that the motor vehicle dealer would be unable to meet their liabilities.[52]

In addition, if a related vehicle sales contract to a tied credit contract is rescinded or discharged (because the vehicle is defective, or otherwise), the consumer is entitled to terminate that credit contract. The credit provider is entitled to recover from the consumer any part of the amount of credit that has not been paid to the car dealer and the consumer is entitled to recover from the credit

49 ABC News, *Retailers surprised to be caught up in royal commission's car dealer crackdown*, ABC News, 15 February 2019, accessed 27 November 2025.

50 The National Credit Code (NCC) is contained in Schedule 1 of the *National Consumer Credit Protection Act 2009* (Cth). There are similar provisions within the Australian Consumer Law (ACL) (Part 5–5).

51 Sections 129–139 of the National Credit Code. The dealer and linked credit provider can also be held jointly and severally liable under section 278 of the ACL for misrepresentations regarding the credit provided, as well as for breaching the consumer guarantees regarding the quality of the goods and services.

52 Section 129(2) of the National Credit Code.

provider any interest charges or other amounts paid under the credit contract. The credit provider is also entitled to recover any loss from the car dealer.[53]

Issues identified regarding the provision of car finance

Inappropriate finance provided

Consumer protection agencies have received reports of consumers being provided credit in circumstances where this is not appropriate or affordable for the consumer.

In the 2024–25 financial year, ASIC received 42 reports of alleged misconduct about car loans. Of these reports:

- 7 related to alleged misleading or deceptive conduct
- 3 related to alleged fraud
- 16 related to alleged responsible lending concerns
- 5 related to alleged unlicensed conduct.[54]

Some consumers have reportedly been sold cars with unaffordable repayment obligations despite the consumers making their budgetary constraints clear to the dealer. This has in some cases led to consumers almost immediately defaulting on their loans.

In other cases, the lenders themselves may have not made the reasonable inquiries required to assess whether the loan is not unsuitable for the consumer.

Case study – Unaffordable loan example

A single mother sought a loan to purchase a car through a finance provider. Due to medical circumstances the consumer is unable to return to paid employment, and her sole source of income at that time was via government support payments including child support and family tax benefits. The consumer told the finance provider she needed a car to drive her son to his end of school exams.

It is suggested that, had the finance provider undertaken the appropriate checks and verification, it would have been clear the consumers income would reduce significantly within the loan term (i.e. when her child finishes school and her government support payments reduce). As a result, the consumer experienced financial hardship in meeting the car loan repayments.

53 Section 135 of the National Credit Code.

54 Some reports have been counted in multiple categories.

Case study – Unaffordable loan and inappropriate broker conduct

A First Nations woman who was employed casually, sought to obtain a loan to purchase a car for $10,000. She spoke with a broker who told her she should apply for $25,000 '*just in case*.' The consumer sought to withdraw the application later but was advised a finance provider had approved her for a loan of $17,000. However, the lender assessed the affordability of the loan off incorrect figures provided by the broker resulting in the consumer's inability to meet the repayments. Had the lender undertaken appropriate checks and verification, it would have been clear the consumer did not have sufficient surplus after her existing expenses to meet the loan repayments.

The consumer also ended up with an extended warranty financed as part of the purchase, which was not understood. The car purchased broke down due to a faulty battery only 2 weeks after its purchase, whereby the warranty provider advised they will tow the car to their mechanic but ultimately the consumer had to borrow money from a friend to cover the cost of a new battery.

Point of sale exemption

Concerns have been raised about high-pressure sales tactics adopted in the sale of second-hand cars on finance at dealerships.

Consumer advocates identify that consumers engage with representatives of the dealership and do not understand that they may or may not be licensed credit providers, or, offering finance under the point of sale exemption. Consumers may not understand that the car dealership salesperson may have different legal requirements to a licensed car finance broker or a licensed credit provider, such as a bank.

Case example

A 21 year old attended a car dealership to browse for a new car. She was subjected to high pressure sales tactics by a representative from the dealership, including to obtain finance to purchase the car. The representative also assisted her with the credit application to help make sure that she would be approved for the loan. She received very limited documents about the loan and very little advice about the loan.

There have been reports that car dealerships have allegedly "coached" consumers on how to complete a credit application or have filled in the loan application on the consumer's behalf.

Some reports have also identified concerns about the dealership inflating the purchase price of the vehicle above the true value of the vehicle, as part of sales and finance applications.

The point of sale exemption

The point of sale exemption was introduced in 2009, with the introduction of the National Credit Act. In 2013, Treasury announced a review of the exemption, and released a discussion paper to seek public comments as to whether further government regulation in required in this area, and, if so, the nature of that regulation.

In 2019, in its final report, the Financial Services Royal Commission recommended that the point of sale exemption be abolished (Recommendation 1.7), and that retail dealers (such as car dealerships) be subject to the requirements of the National Credit Act.

In the Australian Government's Response to the Royal Commission, the government recognised that the Royal Commission had identified that the provision of inappropriate loans had led to consumers experiencing financial hardship, and that the removal of the exemption would require third party vendors (such as car dealerships) to only recommend loans that are not unsuitable for the borrower. The point of sale exemption is currently still in force.

Misrepresentations or significant omissions about car loans

Second-hand cars are often advertised for sale, including online, with repayment representations such as 'You can own this car for $# per week'. Consumer protection agencies are aware of reported cases where the actual required repayments are higher than the advertised amount.

Case study – Misrepresentations

A consumer saw an advertisement at a car dealership for a car with a sale price of $15,888 and representations of finance available for repayments of $58 per week over 7 years.

The consumer agreed to purchase the car via trade in and provided a $1,000 cash deposit and sought the balance via finance. The finance broker at the dealership presented the consumer with a finance option that had repayments of $102.50 per week. The consumer advised they were reliant on child support and Centrelink payments, had sole custody of 4 kids including 2 children with special needs. The consumer said they couldn't afford the repayment arrangement presented and was relying on the advertised weekly repayment amount. The broker advised they could not obtain that lower loan repayment amount for the consumer and stated the consumer would lose half of their cash deposit if they didn't proceed with the offered finance.

The next day the consumer was called and advised additional finance applications had been made but only one was approved, and they needed to sign and finalise the documents quickly. As a result of the pressure, the consumer signed without reading the documents and was not informed of the actual weekly repayment amount.

There are requirements under the NCC for *credit providers* to provide consumers information about certain key loan terms. However, where the credit is obtained at the car dealership on-site, some reports have identified that this information is not always clearly communicated to the consumer at the point of sale, resulting in expensive loans not fully understood by consumers. Consumer protection agencies have also reported several instances where consumers have allegedly not been informed of key loan terms at all, such as the interest rate, and the total cost of the loan.

Case study – ASIC action against brokers for misrepresentations

In 2016, ASIC permanently banned several finance brokers for engaging in dishonest and misleading conduct when brokering car finance for consumers. The brokers misled vulnerable clients with poor credit histories to believe they would be approved for car finance if their loan applications were supported by guarantors.

The brokers then dishonestly prepared the loan application solely in the names of the proposed guarantors without their knowledge or consent. As a result of this conduct, a credit provider provided finance for a loan which otherwise was unlikely to have been approved.

There have been some reports to ASIC alleging commission practices between dealerships and credit providers that are often not disclosed to consumers, and that may be leading to poor consumer outcomes.

Case study – ASIC action to address flex commissions

In 2017, following consultation with targeted stakeholders, ASIC announced a prohibition on flex commissions in the car finance market.

Flex commissions were common in the car finance market. They were paid by lenders to car finance brokers (typically car dealers), allowing the dealers to set the interest rate on the car loan.

Flex commissions allowed car dealers to arrange car loans at higher interest rates than lowest available rates, and thereby earn higher commission as a result. This resulted in some consumers paying thousands of dollars more in interest charges over the term of a car loan. ASIC's action was driven by poor consumer outcomes and practices it deemed were unfair under the National Credit Act.

Broker fees

Several reports identify a lack of transparency of the bundled fees that are being charged as part of a car loan. Costs such as broker fees have also been reportedly added even in circumstances where the consumer did not know they were dealing with a broker. Fees related to extended warranty products as identified in **Issue 4**, are also raised as a concern.

Case example

A regional consumer travelled to purchase a vehicle from a capital city dealership. The consumer paid $3,500 towards the purchase price, with the balance of $29,000 being paid through dealership finance. Soon after purchase, the dealer allegedly contacted the consumer telling them that they had been undercharged by the finance broker and owed an additional $1,000. The consumer then allegedly received an amended contract which had handwritten changes on the document claiming they owed an extra $3,500. The consumer is now being pursued for the "debt".[55]

55 Figures rounded to avoid identifying the consumer.

Remedies vary for cars purchased with finance

Consumers with loans from a licensed credit provider can raise disputes about the suitability of the car loan, directly with the credit provider. Credit providers are required to have internal dispute resolution mechanisms that comply with key conditions.[56] If this internal dispute resolution does not adequately remedy the complaint, consumers can also access the free AFCA external dispute resolution scheme. In addition, if a consumer is facing challenges in meeting their obligations under the loan, they are entitled to seek hardship assistance from the credit provider.

Some consumers have reported difficulties in accessing these hardship arrangements, or in the responsiveness of credit providers to disputes lodged with them.

Often, the dispute about the car relates to challenges with meeting unaffordable loan repayments as well as concerns about defects with the car. Whilst these 2 issues may be related from the consumers' point of view, the remedies available, and who to seek them from, vary. The issues identified in **Issue 3** above regarding inadequate dealer remedies are applicable in this context.

Concerns raised about alternative financing models targeting vulnerable communities

Consumer protection agencies have received reports that rent-to-own models appear to be targeting culturally and linguistically diverse communities. Common to these alternative car leasing models are reports of potential misrepresentations or omitted information about products added to the lease such as add-on insurance.

ASIC v Rent 2 Own Cars Australia Pty Ltd

Rent 2 Own Cars Australia Pty Ltd (R2O Cars) provided credit for the purchase of second-hand cars through a hire-to-purchase type contract. Under the contract, consumers made weekly repayments to buy the car, and consumers entered into these contracts via a number of franchisees located in Queensland, New South Wales, Victoria, South Australia and Western Australia. Each franchisee or an employee of the franchisee was authorised by R2O Cars to enter into credit contracts with consumers on its behalf. R2O Cars held an Australian credit licence.

ASIC took action against R2O Cars alleging breaches of requirements in the National Credit Act in relation to 232 hire-to-purchase contracts, leading to consumers being charged excessive interest.

In 2020, the Federal Court of Australia found that R2O Cars failed to comply with the National Credit Act, including by charging some consumers an interest rate of more than 48% per annum when purchasing used cars, and for 177 contracts, misleading consumers by understating the cost of credit and by failing to calculate the interest rate as required by the National Credit Act.

There has reportedly been an increase in consumers, particularly First Nations consumers in regional areas, being signed up to novated leases without fully understanding the terms of the leases, including balloon payments typically required at the end of the lease. The reports identified concerns around the lack of consumer protections for novated leases as these are excluded from the NCC as a type of regulated credit.[57]

56 For further information, see ASIC's Regulatory Guide 271.

57 Section 171(2) of the National Credit Code.

Consumer protection agencies have also received reports of concerns around the use of BNPL for second-hand car finance. There have been recent amendments to the National Credit Act which subject BNPL providers to new mandatory obligations, including modified responsible lending obligations, holding an Australian Credit Licence and becoming a member of AFCA.

Regulatory action to address the issue

Compliance and enforcement initiatives

The licensing regime for consumer credit providers and enforcement of the National Credit Act, incorporating the NCC, is carried out by ASIC.

The responsible lending obligations set out in the National Credit Act provide important protections to consumers who obtain car loans, and across the credit industry more broadly.

Used car finance sold to vulnerable consumers by finance providers is one of ASIC's 2025 enforcement priorities. It was also an enforcement priority for ASIC in 2024 with a focus on misconduct relating to used car financing to vulnerable consumers including brokers, car dealers and finance companies. As part of this work, ASIC has also been collaborating with some state and territory consumer protection agencies to investigate and disrupt harmful activities causing consumer harm with motor vehicle finance.

Case example

In 2023, ASIC commenced civil penalty proceedings against a car finance provider alleging breaches of its responsible lending obligations when providing finance for the purchase of second-hand vehicles. The borrowers, which included First Nations peoples, were either receiving Centrelink payments as their sole income or were on low incomes. In some cases, the vehicles broke down, leaving the consumes with unusable cars and loans they could not afford.

The Federal Court delivered judgment in ASIC's proceedings on 5 September 2025. While the Court found that Money3 Loans Pty Ltd failed to make reasonable inquiries about or verify each borrower's living expenses based on bank statement transaction data, and in one instance failed to make reasonable inquiries about a borrower's requirements and objectives, it rejected the balance of ASIC's claims.

ASIC has taken action to ensure compliance with responsible lending obligations in the car finance sector for many years. For example, in 2016, ASIC accepted a court enforceable undertaking from BMW Australia Finance Limited to implement a $77 million consumer remediation program to compensate customers for its responsible lending failures.

ASIC thematic review

In March 2025, ASIC launched a review into the motor vehicle finance sector with the aim to drive better consumer outcomes, particularly for those living in regional and remote locations, including First Nations communities.

ASIC released initial findings from this work in November 2025, including:

- almost half of loans who defaulted on the car finance repayments, for the loans reviewed, did so within the first 6 months of the loan
- where vehicles were repossessed and sold within the period of loans reviewed, nearly 90% of consumers still owed more than half of their original loan amount
- significant variations in loan establishment costs, with instances of these fees being as high as $9,000 on a loan of $49,000.

ASIC stated it has issued tailored action letters to participating lenders based on our preliminary findings with specific recommendations for each. The range of identified areas for improvement include:

- better training, accreditation processes and oversight of lenders' finance distribution channels
- stronger product review triggers and risk frameworks for consumer harm indicators and available data, including internal and external dispute resolution data to ensure products reach the right target market
- improved communication when financial hardship arrangements are in place, including better information on voluntary surrender options
- enhanced governance frameworks to ensure adequate oversight of intermediary brokers and dealers.

ASIC will take enforcement action to protect consumers where appropriate.

ASIC's MoneySmart website has helpful information for consumers on car loans, as well as the MoneySmart Cars app, which helps people work out the real cost of buying a car.

Consumer Protection Western Australia is also looking into the car buying experiences of First Nations consumers in regional areas, including the provision of point of sale finance. Consumer Protection Western Australia is also reviewing its Motor Vehicle Dealers Act, with a proposal to provide a 3-day cooling off period for car sales that are linked to dealer finance (either offered in house or as a referral to a credit provider).[58]

58 Department of Local Government, Industry Regulation and Safety, *Changes to laws covering vehicle sales and repairs in WA*, Government of Western Australia, 8 August 2019, accessed 27 November 2025.


AUSTRALIA


ACCC
AUSTRALIAN COMPETITION
& CONSUMER COMMISSION