[redacted]

International Franchise Group

The Director,
Adjudication Branch,
Australian Competition and Consumer Commission,
GPO Box 520,
Melbourne
Victoria 3001

24 November 2005

Your Ref : C2005/1686

Dear Sir,

Third Line Forcing Notification N70435 – Cash Converters Pty Ltd

I refer to your letter dated 22 November, 2005 and the enclosed submissions.

Consumer Credit Legal Centre submission
This submission completely misses the point of the Notification which is related to the relationship between the franchisor and the franchisee. It is primarily concerned with that relationship and not with what is available in micro-lending to the consumer. The benefits for the consumer are addressed in the Notification but the CCLC submission does not address those claims in any relevant way since it is focussed on their opposition to micro-lending, a matter not at issue before the ACCC and not brought into play by our Notification.

Secondly, this submission is false in so far as it asserts that any of our stores do payday lending in NSW. They do not and we as a company have specifically not allowed any franchisee to make these advances in NSW so as to avoid any breach of the law there. I repeat that no Cash Converters store is permitted under its franchise with CCPL to undertake payday advances in NSW.

This submission should be ignored since it relates to NSW and we do not undertake any payday advances there and furthermore, the third line forcing aspect has no relevance for NSW in light of their legislation.

Consumer Law Centre Vic Ltd
This whole submission also misses the point entirely of the Notification. The outcome of the Notification has nothing to do with whether these micro-lending products will be offered in our stores in Victoria. They are being offered right now and were offered before the Notification and will continue to be offered regardless of whether the ACCC opposes the Notification. There are 26 Cash Converters stores in Victoria and 24 of them already offer cash advances using the Mon-e Pty Ltd system. CCPL's Notification is designed to avoid a multiplicity of systems. It will not have any affect on the extent of micro-lending in Victoria or anywhere else.

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The CCPL Notification just addresses the franchisor/franchisee relationship and shows that a single system has consumer benefits. Nowhere in the submission by CLCV, is there any argument as to why a single system for cash advances with its attendant control and quality maintenance should not be allowed and how the logical result of that disallowance, being a multitude of different systems, will be a better outcome for consumers or for franchisees or the franchisor.

It seems that this consumer body is so blindly opposed to micro-lending that it is unable to focus on the relevant matter, namely, whether in the relationship between the franchisor and the franchisee, the franchisor should be allowed to insist upon one service provider for the purpose of maintaining standards. This will benefit consumers in the ways outlined in the Notification.

The submission makes much of the fact that, by this Notification, CCPL will be authorised to require its franchisees to make personal loans and to make payday advances as if that is the purpose of the Notification. This is not correct. CCPL can already require all new franchisees to make personal loans and payday advances and most existing franchisees have already committed to these products as the figures given in the Annexure A demonstrate. The real thrust of the Notification is that CCPL will be permitted to ensure that only one system be used and the reasons for that are already stated. What the CLCV submission does not address is why offering these products using one system is not better for all concerned than having a multitude of systems, while CCPL has already clearly outlined the benefits of a single system. The fact that consumers have many alternative lenders available outside of the Cash Converters chain, simply supports the CCPL submission. The CLCV submission should have no influence over the ACCC's views since in Victoria where they are based, all but two of our stores already use the single system and the CLCV's views on micro-lending are irrelevant to the issues being considered here.

Once again, like the Consumer Credit Legal Centre submission, the thrust of the CLCV objection is that they oppose micro-lending and somehow think that a Notification dealing specifically with a franchisor/franchisee relationship is going to have a bearing upon the availability of micro-lending. This is wrong and a misconception and fundamentally irrelevant. This misconception is highlighted in their "Recommendation 1" which is based upon the "dangers posed to vulnerable consumers by payday lending" a matter entirely irrelevant to the CCPL Notification. They just want to stop micro-lending and that may or may not be a worthwhile cause but it is certainly not a proper consideration in relation to the franchisor/franchisee relationship. I must emphasize that there will not be a single loan less or more as a result of the Notification – it is just concerned with what system is used by franchisees to make the loans.

The allegation that Safrock has breached the law in any way is irresponsible when based upon a cursory examination of their website. We at CCPL will not tolerate any breach of the law and have no objection to any investigation concerning anything done by Safrock. We are a public company listed on the ASX and we have an unblemished record of statutory compliance in every respect, with testimonials from every State and Territory police force to prove this.

Safrock have proved to us by proper legal advice from reputable lawyers that everything they offer is within the law.

The comparison of rates provided by CLCV with Safrock is misleading in that they have not shown the rates of any of the true competitors of Safrock at the coalface of micro-lending – our customers are not even close to the customer profiles of the organizations which CLCV lists and CLCV knows that those are not our real competitors. Our competitors are other small store front micro-lenders and we would not survive if we could not compete with those.

The remaining "Recommendations" reveal the campaign agenda of the CLCV – they want the ACCC to get on their bandwagon about micro-lending. Again, these are irrelevant considerations with respect to our Notification.

Department of Justice submission

This submission too is simply warning of the dangers of micro-lending and is irrelevant to our Notification but it is further of no concern since CCPL does not intend to require any franchisee in Tasmania to undertake micro-lending and we have no franchisees there, only three licensees. CCPL does not have a franchise chain there and does not intend to have one so Tasmania is not involved in this Notification.

Summary

The submissions received do not advance the argument in any meaningful way. The benefit to the Franchisor (CCPL) and to our franchisees is clearly laid out in our Notification and the related benefits to the consumer who deals with our chain are also self-evident. This Notification should not be confused with an argument about the merits or otherwise of micro-lending – that is a matter for politicians to consider and they are considering it Australia-wide. Right now there is a detailed review of the micro-lending industry and legislation related to it being undertaken by the Victorian Government (see Department of Justice Consumer Credit Review submissions etc on www.consumer.vic.gov.au). That is the proper forum for the CLCV to make its case, as it no doubt is. The NSW and Tasmanian submissions are irrelevant as CCPL does not intend to use any authorisation for the purpose of third line forcing in those states.

Yours faithfully,

M. J. Cooke

Michael Cooke
Group Legal Director