



ASIC
Australian Securities &
Investments Commission

REPORT 642

Timeshare: Consumers' experiences

December 2019

About this report

This report is for consumers and the timeshare industry (including operators, promoters and financial advisers).

It summarises ASIC's work on timeshare and the key findings of research that examined consumer experiences with timeshare in Australia. We commissioned this research from Heartward Strategic, an independent research agency.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Disclaimer

This report does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

Examples in this report are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

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Executive summary

- 1 Time-sharing schemes (timeshare) are managed investment schemes and financial products that commonly involve property in the form of holiday accommodation.

Note: See the definition of 'time-sharing scheme' and 'managed investment scheme' in s9, and 'financial product' in s764A, of the *Corporations Act 2001* (Corporations Act).
- 2 ASIC licenses and regulates the responsible entities of timeshare (timeshare operators), and people who advise consumers about purchasing an interest in timeshare (timeshare memberships).
- 3 As the consumer credit regulator, ASIC also licenses and regulates businesses engaged in consumer credit activities. This includes credit providers who provide finance to consumers to purchase a timeshare membership and people who provide credit assistance (credit assistance providers).
- 4 Timeshare memberships are complex. They are sold to consumers in a sales environment where they typically purchase the membership on the same day that they attend a sales presentation. The presentation can last from two to three hours.
- 5 Timeshare memberships have significant risks, including:
 - (a) the long-term nature of contracts, which typically range from 20 to 99 years;
 - (b) they are often difficult to exit; and
 - (c) high upfront and ongoing costs of membership, often with a consumer borrowing to make the purchase.

Concerns about timeshare

- 6 We have long been concerned about timeshare. Since 2009, we have received a number of reports of misconduct about the timeshare industry. Specifically, in 2018–19, we received 19 reports of misconduct about timeshare. This represents approximately 20% of all reports received about registered managed investment schemes (91 in total). Timeshare represents only 0.43% of all registered schemes.
- 7 The reports of misconduct cover a broad range of issues, including pressure-selling practices, misleading and deceptive conduct, access to and use of accommodation, exit arrangements and responsible lending.

- 8 In addition to the reports of misconduct we have received, the Australian Financial Complaints Authority (AFCA) has received 111 timeshare complaints between 1 November 2018 and 31 October 2019, representing approximately 13% of all complaints AFCA receives about managed investment schemes (804 in total).

Note: Data sourced from AFCA is up to date as at November 2019.

- 9 The Australian Timeshare Holiday Owners Council (ATHOC) has also reported to ASIC that its members have received a total of 780 complaints during the 2018 calendar year:

- (a) The most common types of complaints include those relating to:
 - (i) the timeshare accommodation or resort (e.g. housekeeping or other issues with the accommodation);
 - (ii) the specific membership rules or benefits; and
 - (iii) claims that members were allegedly misinformed about the sale of timeshare membership.
- (b) Its members most commonly resolved complaints by:
 - (i) providing an apology, explanation or education;
 - (ii) providing a refund of points or modest compensation; or
 - (iii) cancelling membership.
- (c) Its members escalated an average of 14.7% complaints to AFCA or other dispute resolution avenues following internal consideration by the timeshare operator.

Note: Data sourced from ATHOC is up to date as at 2 December 2019.

- 10 We have also seen poor conduct in the sale and distribution of timeshare memberships:

- (a) A timeshare operator agreed to revise its disclosure and sales practices following an ASIC surveillance. This included removing and clarifying potentially misleading and deceptive statements from its point-of-sale membership kits.

Note: See [Media Release \(16-418MR\)](#) *Timeshare operator to revise disclosure and sales practices following ASIC surveillance* (6 December 2016).

- (b) We have also fined a timeshare lender for responsible lending failures. We found that the lender signed up consumers to loans at a timeshare sales presentation without first assessing if the consumers could afford the loans or if the loans were right for them.

Note: See [Media Release \(18-253MR\)](#) *ULTIQA Lifestyle timeshare lender fined for responsible lending failures* (31 August 2018).

ASIC's work on timeshare

- 11 In the last three years, ASIC has:
 - (a) undertaken a comprehensive review of our regulatory settings and guidance in [Regulatory Guide 160](#) *Time-sharing schemes* (RG 160) and the relief we have provided for time-sharing schemes from certain requirements in the Corporations Act. We expect to release an updated version of RG 160 in early 2020;
 - (b) commissioned an independent research agency, Heartward Strategic, to conduct research with consumers about their experiences with timeshare (consumer experiences research); and
 - (c) commissioned an independent research agency, Taylor Fry, to understand the financial value of timeshare membership for consumers.
- 12 We have also undertaken a targeted review of a sample of timeshare advice, which involved testing whether the advice provided complied with the law. The purpose of this review was to help inform our work on updating the regulatory settings for timeshare. We reviewed a small sample (20 pieces) of personal advice provided to consumers between August 2018 and June 2019. We found high levels of non-compliance with the best interests duty and related obligations. Specifically, we found:
 - (a) an imbalance of information—purported benefits were promoted without equal or appropriate prominence to risks, such as illiquidity, ongoing fees, long-term contracts, required booking periods and availability of accommodation;
 - (b) inadequate inquiries to determine whether the client could afford the financial commitments, at the time the advice was given and for the period of membership;
 - (c) inadequate inquiries into client objectives, particularly their interest in saving money on their holiday accommodation costs;
 - (d) inadequate inquiries into reasonably foreseeable changes to clients' circumstances and the ongoing appropriateness of the timeshare membership; and
 - (e) documentation showing a template advice process.
- 13 We have commenced a formal investigation, which will consider enforcement action.
- 14 This report arises from the consumer experiences research and summarises the key findings from this research: see Sections B, C and D.

Consumer experiences research—Methodology

- 15 Heartward Strategic carried out qualitative research, undertaking in-depth interviews with 50 participants, between May and June 2019. The participants had received financial advice to purchase a timeshare membership from one of the five main points-based timeshare operators. The sample consisted of consumers who had experiences with the purchase, use of, and exit (or attempted exit) from timeshare memberships.
- 16 The objectives of the research were to:
 - (a) provide a detailed understanding of consumer experiences throughout the timeshare sales process, including mapping the process, identifying any decision influences and exploring the experience and role of financial advice;
 - (b) gather the experiences of consumers who have purchased a timeshare membership, including exploring use (or lack of use) of their membership, any positive experiences or issues they have had, and how this relates to their expectations at the time of sale; and
 - (c) explore consumer experiences of exiting or attempting to exit a membership, including drivers of exit, and experiences of the process and dealing with the operator.
- 17 This qualitative sample size was chosen to ensure that a range of sub-groups could be represented in the research in such numbers as to ensure confidence in the findings. The sample size also ensured that a broad range of consumer experiences could be canvassed.
- 18 All research has constraints and limitations. In this research:
 - (a) given the objective was to understand consumers' experiences, we deliberately selected a qualitative research design. Only qualitative research can provide an in-depth understanding of the motivations, behaviour and experiences of consumers. While broadly indicative, qualitative research is not intended to statistically represent the experiences of all consumers who have bought, used or exited timeshare memberships; and
 - (b) the data collected in this research was self-reported and therefore, like all self-reported data (e.g. surveys and interviews), it represents the subjective accounts of the participants. These accounts can be affected by memory constraints and natural behavioural biases.
- 19 For more information on the methodology, see Appendix 1.

Consumer experiences research—Key findings

Consumers' experiences with timeshare are a journey

- 20 Participants' experiences with timeshare can be conceptualised as a journey. It begins when consumers are first approached and continues through to the eventual sale, forfeit, transfer or expiration of their timeshare membership.
- 21 The circumstances of each participant were unique. However, consumers' experiences of the timeshare sales process, or the journey they recounted, were similar in many respects.
- 22 While some participants were satisfied with their timeshare membership, overall, there was a high level of discontent among participants. This was clear from those who had recently attended a sales presentation to those who had held their membership for many years.
- 23 The research revealed a uniformity of sales tactics across all five operators, with a strong, persuasive quality. These tactics led many participants to make a purchase they may not have made in another sales environment.
- 24 Some participants were satisfied with their timeshare membership. However, many expressed a variety of feelings about their experience, including anger, frustration, disgust, despair and numbness. For some, the decision to purchase a membership, and the unintended consequences the purchase had invited, was a cause for embarrassment and self-reproach when later experiences with their membership fell short of expectations. The sense that participants themselves had contributed to this situation seemed to contribute to a lack of motivation to tenaciously pursue redress, which suggests complaint statistics may understate the extent of consumer issues with timeshare memberships.
- 25 Findings from the research suggest a risk of consumer harm during:
 - (a) the *sales presentation*—the environment in which consumers purchase the timeshare membership. Consumers spend large sums of money on a purchase they rarely expect to make and enter into ongoing financial commitments without full understanding and under time pressure. The social norms of the sales environment (e.g. the other couples who are also attending the presentation) influenced participants and, in some cases, caused them to get caught up in the excitement or not question their purchase decision;
 - (b) the *cooling-off period*—the period in which the consumer can change their mind about entering a timeshare membership and/or a loan for that membership. This can be missed due to its relatively short length and because, for many consumers, it ends while they are still on holiday and are absent from home and their usual routine;

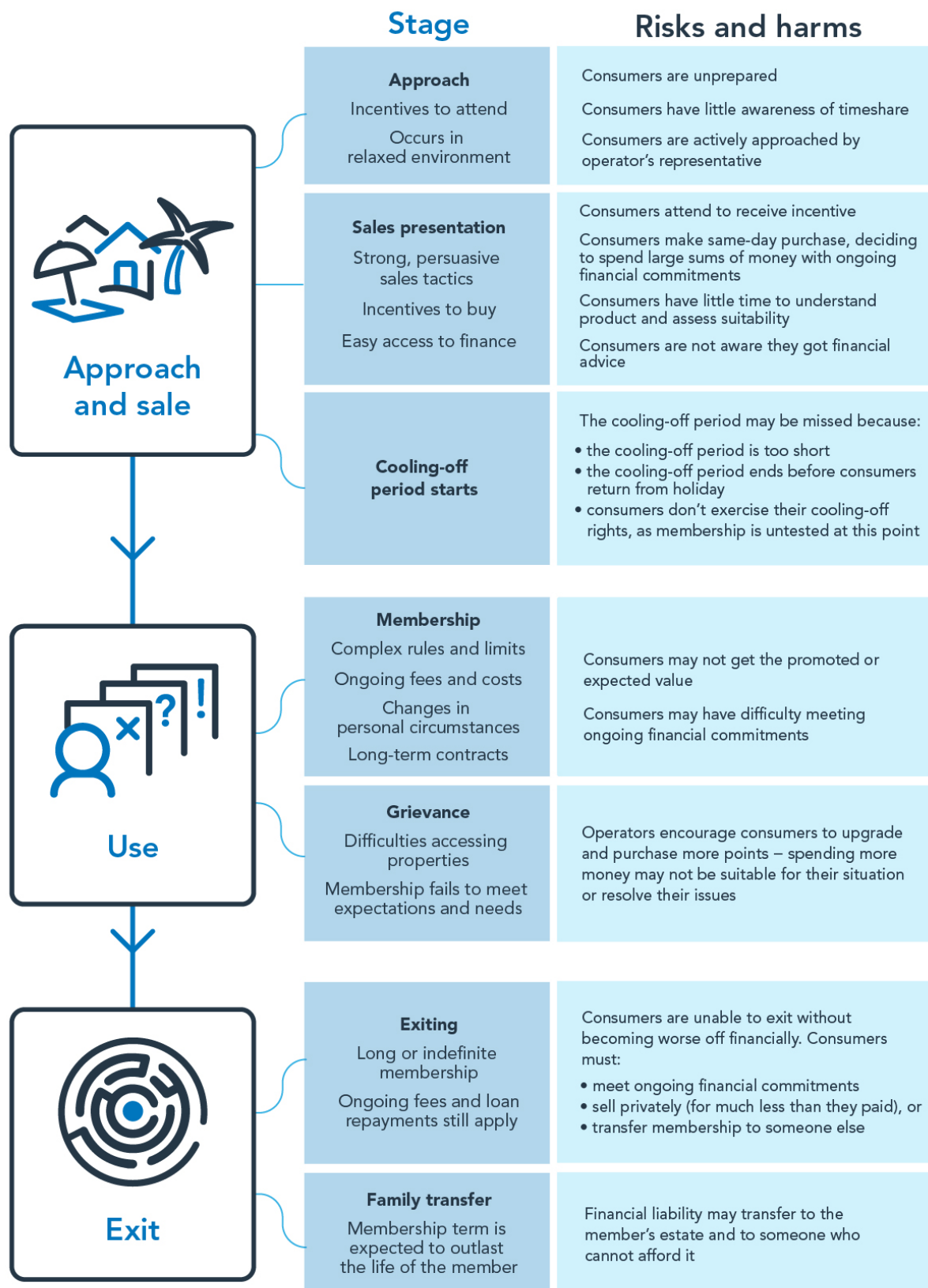
- (c) the *membership stage*—consumers' experiences with their timeshare membership. They may not be able to derive the full or expected value from the membership, and unexpected changes in their circumstances or increases in administration fees can cause difficulties in meeting ongoing financial obligations;
- (d) the *grievance stage*—when consumers complain about their experiences. Timeshare operators often suggest consumers purchase additional points as a solution to members' difficulties, which in turn may lead to a further financial outlay;
- (e) the *exit stage*—when consumers exit, or attempt to exit, their timeshare membership. They may be unable to exit their membership in a way that does not leave them worse off financially; and
- (f) the *family transfer stage*—when timeshare membership is passed on, gifted, bequeathed or made part of an inheritance to another person, and that person does not have the means to bear the financial liability associated with the membership.

26 We have summarised the research findings in this report under three phases:

- (a) the approach and sale of timeshare membership (see Section B);
- (b) using a timeshare membership (see Section C); and
- (c) exiting the timeshare membership (see Section D).

27 Figure 1 illustrates these three phases of the consumer journey and the risks and harms consumers may experience during each phase.

Figure 1: The timeshare consumer journey



Note: See Table 7 in Appendix 2 for the data in this figure (accessible version)

There are risks in the consumer timeshare journey

- 28 We have summarised the key findings of consumers' experiences during:
- (a) the approach and sale of the timeshare membership in Table 1;
 - (b) their use of the timeshare membership in Table 2; and
 - (c) their exit, or attempted exit, of the timeshare membership in Table 3.

Table 1: Approach and sale of timeshare membership—Key findings

Key finding	Summary	More information
Most participants were approached with an incentive to attend a sales presentation and were unprepared to buy a timeshare membership	<p>The operators' representatives approached most participants, who had not actively sought a timeshare membership themselves and had little prior awareness or interest in a timeshare.</p> <p>Incentives played a significant role in influencing participants to attend the sales presentation and purchase a timeshare membership. All participants were offered an incentive to attend a sales presentation and attended primarily to receive this incentive.</p> <p>Representatives also often described incentives to participants once they were at the presentation as 'exclusive' and only available if they signed up on the day.</p>	Paragraphs 46–49
Operators used strongly persuasive tactics	<p>All timeshare operators adopted similar sales approaches, tactics and processes during the sales presentation. Participants reported the sales tactics had a strong, persuasive quality.</p> <p>Sales presentations were a critical part of the consumer journey.</p> <p>Sales techniques focused on the benefits of timeshare to overcome concerns.</p> <p>Participants were propelled towards a decision in a compressed timeframe and in a social context that encouraged compliance, without fully considering the details and suitability for their circumstances. They based decisions on their limited understanding of the information available to them at the time.</p>	Paragraphs 50–75
Participants did not recognise they had received financial advice	<p>All participants described a one-on-one conversation with a person (often joined by another person) they perceived to be a sales person, not a financial adviser. No participants recalled receiving financial advice from this person. Participants felt that the adviser did not take into account whether the timeshare membership was suitable to their overall objectives, financial situation and needs.</p> <p>The research found there is a risk of consumer harm, as consumers are making a large purchase with an additional ongoing financial commitment that may not be suitable for them.</p>	Paragraphs 76–79

Key finding	Summary	More information
Participants had not thought about how they would pay for the timeshare membership before attending the sales presentation	<p>As they had not intended to purchase anything at the sales presentation, none of the participants who bought a membership had anticipated the need for finance to pay for the timeshare membership. They had not pre-arranged loans or researched other payment options before attending the sales presentation. Finance was offered to them by the operator's representative at the presentation.</p> <p>Few participants who took out loans appeared to have considered the total cost of timeshare membership over the term of the loan, including interest charges.</p>	Paragraphs 80–83
Participants had not considered the cooling-off period	<p>Excluding those who did exercise their cooling-off rights, most members indicated that they had no reason to go back on their decision during the cooling-off period, because the value of the timeshare membership was at that point untested.</p> <p>Some participants who regretted not cooling off had missed the opportunity because they did not act quickly enough. For example, some believed that they had more time to cool off, some were still on holiday, and others had not received an online login to investigate the booking process.</p> <p>None of the participants who cooled off experienced any issues or had to pay costs. Operators refunded deposits or full payments and cancelled loans promptly.</p>	Paragraphs 84–92

Note: Our interpretation of the findings from the sales process are informed by our understanding of behavioural science. For more information, see paragraph 29.

Table 2: Use of timeshare membership—Key findings

Key finding	Summary	More information
Participants were often unsatisfied with their timeshare membership	<p>Only a small number of those participants who had used their timeshare membership in the previous 12 months felt it was meeting the expectations they had when they purchased it.</p> <p>Many participants expressed feelings about their timeshare membership experience that included anger, frustration, disgust, despair and numbness. For some, their decision to purchase membership, and the unintended consequences of the purchase, was a cause for embarrassment and self-reproach.</p> <p>Only a small number of participants said they would recommend the timeshare membership they held to someone else, and most said they would not recommend it.</p>	Paragraphs 93–102

Key finding	Summary	More information
Participants were often unable to realise expected benefits	<p>Even those who had used their timeshare membership and were satisfied with their experience had misgivings about aspects of the membership. For example, many participants mentioned limited access to accommodation or ongoing and increasing costs.</p> <p>Participants who had not used their timeshare membership in the last 12 months said this was because they:</p> <ul style="list-style-type: none"> • did not have the time to take leave from work; • were not in a position to book holidays far enough in advance to secure accommodation suitable for their needs; or • found better accommodation deals outside of their membership. <p>Some of these participants felt that, despite their best efforts, they had not been able to realise any of the benefits they expected when purchasing the timeshare membership.</p> <p>Some participants also reported that they felt that features of the timeshare membership had been misrepresented to them at the time of purchase.</p>	Paragraphs 103–112
Participants complained about quality and access to accommodation	<p>Participants who had complained to operators raised concerns about:</p> <ul style="list-style-type: none"> • poor-quality accommodation; and • repeatedly being unable to book accommodation at their preferred time. <p>These complaints are about two fundamental expectations participants had for their timeshare membership. This departure from what they believed they were promised at the time of purchase in terms of quality and access caused strong feelings in participants.</p> <p>For this reason, complaints sometimes escalated to queries or requests regarding exiting the timeshare membership.</p> <p>Participants said that, in response to difficulties in accessing properties, operators generally encouraged them to purchase additional points or an upgrade of their timeshare membership. The research found this may potentially set up consumers to make a further financial outlay that may not be suitable for their circumstances or resolve their issues.</p>	Paragraphs 113–123

Table 3: Exit from timeshare membership—Key findings

Key finding	Summary	More information
Participants had difficulty exiting their timeshare membership	<p>Participants felt they were unable to exit their timeshare membership without becoming worse off financially.</p> <p>Most participants who had exited, or attempted to exit, reported barriers that would make them incur a loss on the large investment they had made.</p> <p>Participants who wanted to exit said operators had generally informed them that their options were to sell their points privately or transfer their timeshare membership to someone else. Participants described a limited secondary market to sell their membership.</p> <p>Those who looked into selling online discovered the amount they might receive was much lower (a third or less) than they expected. Those who had sold their timeshare membership on the secondary market reported they had received a fraction of what they had paid.</p> <p>Participants said they could not stop paying annual timeshare membership fees and loan repayments without repercussions. They would continue to be liable for the financial obligations of their membership until they sold it to someone else, whether or not they were deriving any benefit from the membership.</p>	Paragraphs 124–133
Risk of consumer harm in family transfers	The timeshare membership and financial liabilities can outlast the member. The research found there is a risk of consumer harm when a financial liability may be transferred to a family member without the means to bear it.	Paragraphs 134–135

How the timeshare sales process can influence consumer behaviour

- 29 In our view, the key findings of the consumer research set out in Table 1 and Section B showed timeshare operators using persuasive or high-pressure sales tactics that harness a range of well-known behavioural techniques to propel consumers toward a purchase decision. They include:
- (a) the use of attractive incentives and time-bound ‘exclusive’ offers to facilitate same-day purchase decisions—harnessing scarcity and loss/regret aversion;
 - (b) deploying skilled and tactical sales representatives and tag-teaming among sales representatives—leveraging social factors, such as likeability, trust, peer-pressure and reciprocity;
 - (c) framing the product and decision as the purchase of a ‘lifestyle product’ to harness positive emotions and social norms associated with holidays and family, while downplaying risks, constraints and the complex, long-term financial commitment of timeshare membership;

- (d) making the purchase decision (and the finance approval process) fast and easy, and cementing the commitment by celebrating the purchase;
- (e) placing time pressure on the decision to purchase, and timing risk that a consumer misses the cooling-off period before a holiday was over, or because the timeshare membership was untested;
- (f) employing techniques to overcome resistance, and deploying regulatory requirements to overwhelm or confound consumer decision making, including harnessing information overload and cognitive fatigue; and
- (g) obscuring or not revealing how hard it is to exit timeshare membership if the consumer cannot use it as intended or if their circumstances change—timeshare is a sludgy product: easy to get into, hard to get out of.

Note: For more information on behavioural techniques, see RB Cialdini, *Influence: The psychology of persuasion*, revised edition, Collins Business, New York, 2007, and ASIC–AFM, [Report 632](#) *Disclosure: Why it shouldn't be the default* (REP 632), October 2019.

A Overview of timeshare

Key points

In this section we set out:

- the characteristics of the timeshare industry; and
- a summary of how timeshare is regulated.

Characteristics of the timeshare industry

- 30 Timeshare is generally structured as:
- points-based schemes, where members buy points that they can redeem at certain resorts or holiday accommodation; or
 - title-based arrangements, where members are given the use of a specific property for a given period of time.

Note: There are some legacy timeshare that operate under individual relief provided by ASIC. The legacy timeshare are not permitted to issue new timeshare memberships to consumers but may resell existing memberships.

- 31 Points-based schemes are complex, given their different membership levels, worldwide booking processes, points entitlement and points exchange systems.

- 32 ATHOC is the industry body for the timeshare sector. Operators of points-based schemes are members of ATHOC and agree to be bound by the ATHOC Code of Ethics and ATHOC Code of Practice.

- 33 The timeshare industry consists of:
- 16 registered timeshare operated by 10 operators. Five of these operators are points-based schemes that actively issue new timeshare memberships to consumers;

Note: Ultiqa Lifestyle Promotions Ltd (Ultiqa), Club Holidays Australia Pty Ltd (Club Holidays), Wyndham Vacation Clubs South Pacific Ltd (Wyndham), APVC Ltd (as responsible entity of the Accor Vacation Club) and Classic Clubs Limited (Classic Clubs).

- five credit providers (that are associates of an operator) who hold an Australian credit licence and provide credit to consumers to purchase timeshare memberships; and
- six licensed entities authorised to resell timeshare memberships.

34 We have outlined all current timeshare information for 2018–2019 below.

Approximately

180,000 members

235,818 sales presentations (face-to-face and telephone) delivered each year to new and existing members

20,987 (8.9%) consumers purchased membership as a result of the presentations (new members and existing members who have upgraded)

24.0% of consumers who bought membership cooled off within the cooling-off period

68.9% of sales were to new members

31.1% of sales were to existing members (may include members who upgraded their membership more than once)

\$23,000 average upfront cost of new membership

\$800 average annual cost of membership

4.3% average annual increase in costs of membership over the past 5 years

48.0% (10,025) consumers took out a loan to buy a membership (new membership or an upgrade to existing membership)

\$19,699 average loan amount

71.9 months average loan length

13.51% average interest rate for loan

86.0% average loan-to-valuation ratio

6.8 years average timeshare membership length of those who exited their membership

43.0% average number of people who exited membership as a result of hardship or forfeiture

10.8% of all points on issue in the period expired

Source: ATHOC, December 2019.

35 Based on this information from ATHOC, in 2018–2019, the average membership cost **\$23,000 upfront** (ranging from \$14,990 to \$29,250) with approximately **\$800 in ongoing annual fees** (ranging from \$645 to \$954). The ongoing fees have increased by **4.3% annually** over the last 5 years. For people who have exited their membership within the last year, their average **membership length was 6.8 years**.

36 A membership of this type will generally provide a member with approximately **7 nights accommodation in the high season or 14 nights in the low season**. However, this differs significantly between operators, as membership size, options and benefits are highly variable. Of all the membership points used (10.8% of points on issue expire), 80% were used on hotel accommodation and 20% were exchanged for other services.

- 37 In addition, around 48.0% of total sales involve a loan. Those sales generally have a loan-to-valuation ratio of 86.0%, with an average purchase price of \$23,000 and an **average loan of \$19,699**. The average loan lasts for 71.9 months (ranges from 43 to 84 months) and the average interest rate is 13.51% (ranges from 10.99% to 14.95%).
- 38 A membership held for **6.8 years** will, on average, **cost approximately \$36,618** (less what the membership may be sold for). This includes the upfront payment, annual fees and loan interest costs. Without a loan, the average cost is approximately **\$28,764** (less what the membership may be sold for).

Regulation of timeshare

- 39 Generally, operators and promoters of timeshare must comply with certain provisions of the Corporations Act and the *Australian Securities and Investments Commission Act 2001* (ASIC Act), including to:
- (a) hold an Australian financial services (AFS) licence to carry on a financial services business to operate a registered managed investment scheme and provide financial product advice;
 - (b) register the timeshare with ASIC and operate it in accordance with Ch 5C of the Corporations Act;
 - (c) comply with certain disclosure obligations—including to give retail clients a Product Disclosure Statement (PDS), provide ongoing disclosure and meet 'enhanced fee disclosure' requirements under Sch 10 to the Corporations Regulations 2001 when disclosing the fees and costs for timeshare;
 - (d) comply with the obligations under Pts 7.7 and 7.7A of the Corporations Act when financial product advice is provided to consumers;
 - (e) comply with the general licensee obligations set out in the Corporations Act, including to:
 - (i) do all things necessary to ensure that the financial services covered by their licence are provided efficiently, honestly and fairly (s912A(1)(a));
 - (ii) comply with the financial services laws (s912A(1)(c)); and
 - (iii) take reasonable steps to ensure that their representatives comply with the financial services laws (s912A(1)(ca)); and
 - (f) comply with the general consumer protection provisions in the Corporations Act and Div 2 of Pt 2 of the ASIC Act, which include prohibitions against hawking, misleading and deceptive conduct, making false or misleading representations and harassment or coercion.
- 40 Regulations also apply when finance is offered for the purchase of timeshare. Credit providers and credit assistance providers will generally need to have an Australian credit licence and comply with:

- (a) the conduct and disclosure obligations in the *National Consumer Credit Protection Act 2009* (National Credit Act);
- (b) the responsible lending obligations in the National Credit Act; and
- (c) the general consumer protection provisions in Div 2 of Pt 2 of the ASIC Act.

Design and distribution obligations

- 41 From 5 April 2021, timeshare operators will need to comply with the design and distribution obligations in Pt 7.8A of the Corporations Act. These obligations seek to improve consumer outcomes by ensuring that issuers and distributors take a consumer-centric approach to the design and distribution of financial products.

Timeshare and financial product advice

- 42 People who provide financial product advice to consumers must comply with certain conduct and disclosure obligations. The obligations vary depending on whether the advice is personal advice or general advice. Timeshare financial advisers typically 'sell' timeshare memberships by providing personal financial product advice to consumers. The person providing the advice must hold an AFS licence or act as the representative of an AFS licensee.

Note: Personal advice is financial product advice given or directed to a consumer (including by electronic means) in circumstances where the person giving or directing the advice has considered one or more of the consumer's objectives, financial situation and needs—see s766B(3) of the Corporations Act.

- 43 Persons who provide personal advice to consumers must:
- (a) act in the best interests of the consumer (s961B);
 - (b) provide the consumer with appropriate advice (s961G);
 - (c) warn the consumer if advice is based on incomplete or inaccurate information (s961H); and
 - (d) prioritise the consumer's interests over their own interests or those of a related party (s961J).

Note: These obligations are known as the 'best interests duty and related obligations'—see Div 2 of Pt 7.7A of the Corporations Act.

- 44 People who provide personal advice must prepare and provide a Statement of Advice (SOA) to the consumer. They must prepare and provide a Financial Services Guide when providing both general and personal advice.

- 45 From 1 January 2020, timeshare sales representatives who provide personal advice will be also subject to the [Financial Planners and Advisers Code of Ethics 2019](#).

B Research findings: Approach and sale of timeshare membership

Key points

The operators' representatives approached most participants and invited them to attend a sales presentation. Very few participants were aware of, or interested in, timeshare before being approached.

Representatives offered incentives to participants that appeared to be very influential in persuading them both to attend the sales presentation and to purchase the timeshare membership.

Sales presentations appeared to be a critical part of the consumer journey.

All operators adopted similar, same-day sales tactics and processes. Participants reported feeling compelled to decide whether to purchase a timeshare membership in a short period of time, based on a limited understanding of the information at the sales presentation. The social norms of the sales environment (e.g. the other couples also attending the sales presentation), had an influence on participants and, in some cases, caused them to get caught up in the excitement or not question their purchase decision. Most participants reflected that they would have benefited from being able to walk away before committing to the purchase.

Overall, the operator's representatives appeared to have a significant effect on whether participants decided to purchase a timeshare membership. However, no participants considered the representative to be a financial adviser or felt they received financial advice.

Participants had not intended to purchase anything at the sales presentation, and so had not considered borrowing to buy timeshare membership or other payment options.

There are a range of factors that create a significant risk that consumers will miss or not consider the cooling-off period. For example, participants believed they had more time to cool off and, at that point, they had not yet tested the value of the timeshare membership.

Participants were unprepared to buy a timeshare membership

- 46 Operators representatives actively approached the majority of participants. Participants reported they were often approached while on holiday, at a theme park, or when visiting a booth at a shopping centre or lifestyle show. Participants did not actively seek out a timeshare membership themselves.
- 47 Many participants said they were not aware of timeshare or how timeshare membership worked before the operator's representatives approached them.

- 48 No matter how they were approached, all participants reported that the representative offered them at least one incentive to attend the sales presentation and that they attended primarily to receive that incentive. Incentives included cash, discounts on accommodation, consumer goods and free or discounted holidays. The incentives varied in dollar value and when the participant would or could receive them.
- 49 Nearly all participants realised the presentation would include some kind of sales pitch, and that it related to holidays or a holiday club. However, few participants understood that the presentation related to purchasing a timeshare membership.

They never used the word 'timeshare'. They just said come to a briefing and we'll give you two nights at the Gold Coast, and you just pay \$100. (Female, aged 30–44 years)

Participants felt that operators used strongly persuasive sales tactics

- 50 The research found that sales presentations were a critical part of the consumer journey. Participants reported that all components of their decision to buy a timeshare membership—from information search, consideration of alternatives, deciding on a membership option, negotiation and purchase—took place during a single session of two to three hours in length.
- 51 While some said they enjoyed the experience, others reported feeling uncomfortable, pressured and unable to easily leave the presentation.
- 52 Some participants reported that the sales tactics were part of their decision for not purchasing a membership.
- 53 During the sales presentation, participants described a series of persuasive sales tactics used by the operators. These sale tactics are described in paragraphs 55–75.
- 54 Overall, the research found that the operator's representatives and their actions had a significant effect on the participants' final decision to purchase a timeshare membership.

Same-day incentives

- 55 Participants described being offered an incentive, often presented as 'exclusive', and always only available if they signed up on the spot. This increased the perceived value of the offer and, in some cases, was crucial in the participant's overall assessment of value.

They tried to intimidate you—as in, you know, this is fantastic, you'd be stupid not to do it, and if you do it today, we'll give you all these extra goodies ... there was a lot of very, very high-pressure selling.'
(Male, aged 45–59 years)

Same-day decision to buy

- 56 Participants said that their decision to purchase a timeshare membership took place at the sales presentation during a single session.
- 57 Participants reported feeling compelled to decide whether to purchase the timeshare membership following the presentation, based only on the information available to them at the time. Most said they would have benefited from walking away to research or consult with others before committing to the purchase.

They said ... 'If you sign up tonight, you get these bonus features. If you do not sign up tonight ... you get none of those bonus features and the price of these two products is identical.' ... I thought that is, from my perspective, very high-pressure sales, it's you know, forcing people to make a decision on a particular moment, you know, to sign up now, don't sign up later. (Male, aged 45–59 years)

Skilled and tactical sales representatives

- 58 All participants had a one-on-one conversation with the operator's representative. All participants considered this person to be a sales person, not a financial adviser. Many participants commented specifically about this person, describing their excellent salesmanship.

... looking at it from a sales perspective, they're trying to remove that stigma of timeshare, so I think they did a really good job at selling it to be honest. Yeah, with giving you enough information to draw you in, because the price is always the big thing, they're not going to put it on the front page and scare everyone away. (Male, aged 30–44 years)

All of a sudden it's, like, 'Oh, that doesn't sound too bad,' and 'Oh, that's okay.' And next thing you know we're bloomin' eating the cake and signing up and it all just happened, even though that was not probably our intention ... we knew that that's what we were going to the talk [for] and what they were going to try and do, and they were successful. (Female, aged 60-plus years)

Representatives tag-teaming

- 59 The operator's representative was often joined by a more senior representative. Some participants reported this person as being more forceful and skilled in sales when they were undecided about whether to purchase. The senior representative often offered additional discounts or incentives to sign-up on the day.

I felt entrapped, under pressure, you know. Every time we sort of said 'Oh look, we need to go,' the other person would come out and there'd be two of them sitting there bombarding us. (Male, aged 45–59 years)

Purchasing a 'lifestyle product'

- 60 Most participants said they believed they had purchased discounted holidays into the future, which they described as a 'lifestyle' product, rather than a financial product. They described how sales representatives would paint an idyllic picture of holidays and tailor questionnaires and sales scripts to fit participant's holiday preferences and objectives.
- 61 Some compared it to the purchase of something large and not completely necessary that would make them feel good, like the purchase of a brand new car or a motorbike, rather than something that might be a sensible investment in their future financial security.

I did go into it thinking I wasn't going to purchase a timeshare, but by the end of the presentation, I thought that it could probably be really good value for us as a family, and we do like taking holidays. (Female, aged 45–59 years)

Strong emotions

- 62 Many participants reflected they had become caught up in the excitement created at the presentation and persuaded by the various sales tactics. They also described the open-minded or relaxed 'holiday' mindset they were in anyway, and the attractive presentation environment at the venue.

That was part of the problem, that we couldn't go away and digest [the information], we couldn't go away and think about it. So you walk out of there and most of the stuff they said a lot of it was forgotten because it was so ... like, fever pitch of excitement and everything was just like a frenzy. (Female, aged 45–59 years)

- 63 According to participants, sales representatives placed emphasis on emotional benefits of timeshare memberships, such as:
- (a) enabling members to take the holidays they deserved; and

- (b) advantages for their family, including making family memories, allowing children to explore the world and leaving behind a legacy of holidays for their family as part of their estate.

64 The sales representatives also harnessed social influences. For example, they suggested that many others had already purchased the timeshare membership being offered, or that it was an exclusive offer.

65 When participants did decide to purchase a timeshare membership, their decision was celebrated. Sales representatives would congratulate participants, take their photo and/or provide a celebratory drink.

After you say, 'Yes, we want to go through with it', they just bring the champagne and the cheese, 'Welcome!' ... you know, like lots of fake environment, that you feel like you've done a really big thing to your life. (Female, aged 30–44 years)

Promoting benefits

66 The research found that the sales process consistently gave participants a strong impression that timeshare memberships represented good value for money. Some participants described how representatives would demonstrate value by comparing the cost of the membership against the typical cost of holidays the participant preferred to take.

67 Participants described the information that representatives gave to them as being focused on promoting potential benefits without explaining the total cost over the life of the timeshare membership, or that ongoing fees may increase annually.

68 Participants said that representatives did not discuss whether the consumer would be able to afford the overall cost of timeshare membership over the membership term, given their priorities now or into the future.

What they were trying to do is outline what you can save, by being part of it. I guess how they made their case was, they said, 'Well, look, let's look up a hotel in Hawaii, now there's a hotel'. So we went to a familiar site like booking.com or something like that and we looked up a hotel in Hawaii ... and the price would come up, so then we compared the prices ... 'Well, look, yeah, you're saving, if you went there for two weeks, you'd be saving something like \$3,000 ... you've already saved \$3,000, that's like a third of the way to paying off your \$10,000 investment, and that's one holiday.' And that's how that was sold. (Male, aged 45–59 years).

They didn't give a flying fig about our financial situation, they weren't interested in our financial situation at all, whether we could afford it or not. They really didn't ... there wasn't any indication,

'Is this something you're comfortable with?' Or, 'You have to think about it, make sure that it's something you can afford'. None of that at all. (Female, aged 45–59 years)

Cooling-off period

- 69 Representatives mentioned the cooling-off period (though some did not recall this happening). Some participants felt this was a tactic to get them to sign on the day.

We'll throw this in for you and we'll do this for you, and we'll do that for you. You can come out, you can do this, this, this--it's not binding, you've got a cooling-off period, all those things. So I thought they made it very difficult for me to say no, almost as if I was obliged to say yes ... (Female, aged 30–44 years)

- 70 Some participants purchased timeshare membership with the intention of backing out during the cooling-off period.

Couples attending together

- 71 Almost all participants said they attended the presentation with someone else, most commonly their partner.

- 72 The research found that having couples attend the presentation together may be crucial to the success of the compressed decision-making that occurs as part of the timeshare sales process. When both members of a couple attended the sales presentation, the operator's representative could immediately address any resistance that one or both showed, in the presence of the other partner.

We even didn't have the time to talk to each other. This is how, and I realised, this is their strategy, because if people sit and think, they understand it's not right. (Female, aged 30–44 years)

- 73 Most participants attended sales presentations with several other consumers in the same room at the same time. The research found that the presence of other couples created a social norm where consumers got caught up in the excitement and did not question the sales representatives. Participants also described the celebration of timeshare membership in full view of others as demonstrating that memberships were attractive or in demand.

After that, we've gotten home and we're paying for this thing, and we're realising, why did we do this? We knew that we were in that euphoric feeling of being on holidays ... (Male, aged 30–44 years)

Volume and timing of written documents

- 74 Participants said they were generally given a very large pack of written information by the representative in a branded folder or box. This included brochures, marketing material, timeshare membership contracts and financial agreements. Most received the entire pack only after they signed up, though they may have seen parts of it before. Few reported having closely reviewed any documentation other than brochures.
- 75 They described the volume of printed information as far too much to review at the time. It appeared to confound them. It seemed that important documents may have been buried within a sea of documents.

... And that's the thing, we didn't have the opportunity to take the pack away, read a disclosure statement and we would've thought that those are the sort of things you need to read before you sign. We couldn't read any of that stuff in the folder. It was like given to us as, like, a prize, 'Congratulations! Here's your folder.' (Female, aged 45–59 years)

Case study 1: Brad, aged 30–44 years

Brad and his wife purchased a timeshare membership from one of the five points-based timeshare operators a few years ago.

He believes that the context in which the couple were first approached played a role in their decision to purchase.

'[We were] on a holiday at Movie World ... My son went over because the salespeople got his attention and just from there ... we're in holiday mode, we went to it and I'm not sure why, I think it was just our guards were let down.'

Brad said that his wife was a lot more interested in the timeshare membership than he was, as Brad finds it hard to take holidays from work. However, he put any reservations on hold when he saw how enthusiastic his wife was about the membership.

'[My wife] was definitely more keen on it ... I wasn't 100% for it, but I was willing to try for her. Look, the worst-case scenario, if it doesn't work, then we've committed a little bit of time and some money towards it. But, if it does work, then we'll probably have a few more holidays that we can get out of it, [and it] will help to build and solidify our relationship and so forth ... [However,] I think about three months afterwards, that was when it really hit us that [it is] probably just a wrong decision for us.'

While they had different opinions at first, Brad and his wife agreed that, especially now they have another child, the timeshare membership placed additional financial pressure on the family. It has become a topic of conversation they avoid.

'This is the one thing we both don't like talking about, because it is the one bad decision that we've kind of made for our life.'

Participants did not recognise they had received financial advice

- 76 Participants did not consider the operator's representatives to be financial advisers. No participants could recall receiving financial advice about whether the purchase was suitable for them based on their overall objectives, financial situation and needs. Few participants recalled receiving an SOA. At most, participants considered they were receiving advice about holidays.
- 77 Some participants were satisfied that they had enough information to make an informed decision at the sales presentation. However, other participants reported their decision was based only on a partial understanding of what they were purchasing.
- 78 Some participants also had concerns at the time but did not think they could raise them. The findings of the research suggest this could be because:
- (a) the tactics were highly persuasive, and the participants felt pressured by the sales person and the additional representative;
 - (b) the participants got caught up in the excitement and the promise of cheap holidays;
 - (c) the participants were in a setting where social norms influenced their behaviour (e.g. the presence of other couples); and
 - (d) their partner may have felt more enthusiastic about the timeshare membership—without the time to discuss and consider, they went along with the decision to purchase the membership.
- 79 Some participants reported they had misunderstood a feature of the timeshare membership or felt it had been misrepresented. They included features such as the:
- (a) availability, quality and location of accommodation options;
 - (b) size and variation of annual fees;
 - (c) limitations or rules around redeeming points;
 - (d) restrictions around exiting the time-sharing scheme; and
 - (e) likely (low) resale value of a timeshare membership.

Participants borrow to buy timeshare membership

- 80 None of the participants who bought a membership had intended to purchase anything at the sales presentation. Consequently, none of them had anticipated the need to borrow to pay for the timeshare membership, and so had not pre-arranged loans or researched other payment options before attending the sales presentation.

- 81 Participants paid for the timeshare membership in different ways, including:
- (a) full upfront payment;
 - (b) full payment by monthly instalments;
 - (c) a deposit upfront with the balance paid using a loan arranged on the day; or
 - (d) taking out a loan to pay the full cost of the membership.
- 82 Participants who took out a loan on the same day described how easy it was to get a loan. Loans were offered, rather than asked for. Sales representatives offered participants finance through a process that participants generally described as 'standard', 'easy' and 'very quick'. In some cases, participants said the sales person was the same person who completed their loan application.
- ... [W]e don't have access to our financial records, so it was all done off the top of our head. Our employers, our annual income, addresses, contact phone numbers, etc, and our commitments.
(Male, aged 30–44 years)
- 83 Of those participants who borrowed to pay for their timeshare membership, most did not appear to have considered the total cost of membership over the term of the loan, including interest charges.

Participants had not considered the cooling-off period

- 84 The cooling-off period is the time in which the consumer can change their mind about purchasing a timeshare membership or a loan agreement for that membership and receive a full refund.
- Note: The current cooling-off period is 7 days for a time-sharing scheme operated by members of ATHOC and 14 days for a time-sharing scheme that are not ATHOC members.
- 85 Excluding those who had exited their timeshare membership during the cooling-off period, most participants reported never having considered exercising their cooling-off rights.
- 86 Participants indicated that, during the comparatively short cooling-off period, they had no particular reason to go back on their decision to enter into a timeshare membership. Their membership was untested at that point. This included consumers who had felt some unease about the size of their financial commitment to the membership.
- 87 The research found there is a significant risk that consumers will miss the cooling-off period. Factors contributing to this risk include:
- (a) participants assuming the period would be longer (a month) and missing the deadline;

- (b) the cooling-off period ending before participants returned from holiday or received their online log-in details; and
- (c) participants not being able to test the value of the timeshare membership before the end of the cooling-off period.

88 Some participants did not even recall being told about the cooling-off period.

... I honestly, to this day, never, ever recall them telling us that there was a cooling-off period ... (Male, aged 30–44 years)

89 Further, many were left in such a positive frame of mind by their purchase that they failed to see any need to review their decision or further inform themselves during the cooling-off period.

90 The difference between those participants who purchased a timeshare membership but later regretted it and those who did not purchase or had cooled-off was the *timing* of when they first experienced issues with the membership.

91 The most common reasons for cooling-off that participants reported were:

- (a) changes in their personal circumstances (e.g. unexpected redundancy);
- (b) changing their mind after obtaining further information or advice from family members or friends or doing research; and
- (c) in some cases, knowing at the time they signed up that they did not want a timeshare membership, but signing up on the day partly to avoid the pressure or awkwardness of leaving the sales presentation without making a purchase.

... and I kept telling them we've just bought a house, this is unlikely, this unlikely. Eventually I think I just got irritated, like I've just told you I don't want to go in, but I feel cornered. We just sign and get out of the room, knowing that I've made sure that I can get out of this by understanding the cooling-off thing. (Female, aged 30–34 years)

92 Among those who did cool off, few participants reported any issues with the process. They received the full payment of refunds and their loans were cancelled.

C Research findings: Use of timeshare membership

Key points

The research showed that there is a risk that consumers will not be able to derive the promoted or expected value from their timeshare membership.

Some participants were satisfied with their timeshare membership. However, many expressed a variety of feelings about their membership experience, including anger, frustration, disgust, despair and numbness.

For some, the decision to purchase a timeshare membership, and the unintended consequences the purchase had invited, was a cause for embarrassment and self-reproach when later experiences with membership fell short of expectations (as they did for many participants in the research).

The most common complaints that participants reported making to the operator were about access to, and quality of, accommodation. Operators primarily addressed 'access' issues by encouraging participants to purchase additional points or an upgrade of their timeshare membership. This practice resulted in a further financial outlay that may not have been suitable for the consumer or resolved their concerns.

The sense that participants themselves had contributed to their situation seemed to contribute to a lack of motivation to tenaciously pursue redress. This suggests that complaint statistics may underestimate the extent of consumer concerns with timeshare memberships.

Participants were often unsatisfied with their timeshare membership

- 93 The research sample was structured to include participants who had, and who had not, used their timeshare membership in the previous 12 months.
- 94 Participants who had not used their timeshare membership in the previous 12 months, or at all, reported having been prevented from doing so because:
- (a) they did not have time to take holidays, particularly because of work (new job so no leave accrued, contract or casual position, own business so hard to take leave, only being able to take leave in school holidays) or family responsibilities (care of children or the elderly);
 - (b) they were not in a position to book holidays as far in advance as they needed to in order to secure accommodation at a time when they could go;
 - (c) they found better deals elsewhere, which was particularly relevant where their membership offered discounted accommodation rather than points to be redeemed; and
 - (d) they did not find accommodation at the location they wanted.

- 95 Only a small number of those participants who had used their timeshare membership in the previous 12 months felt it was meeting the expectations they had at time of purchase. Even those who had recently used, and were satisfied with, their membership, had misgivings about some aspects of the membership. Participants were particularly concerned about:
- (a) the limited access to accommodation in terms of availability, range of properties and range of destinations;
 - (b) how difficult it was to understand, and then navigate, the complex rules for booking;
 - (c) unsatisfactory accommodation in terms of quality and locations;
 - (d) expiring annual points and lack of flexibility; and
 - (e) ongoing (sometimes increasing) costs.
- ... They made it out to be a great savings. In retrospect, given that we've not been able to book, I don't think it's been as big a saving, quite the opposite. **(Female, aged 45–59 years)**
- 96 The research also included participants with memberships from each operator who felt optimistic about their membership, but who had not yet had the chance to fully use it.
- I love to travel and our dream, when we retire, is to go travelling, and I think if we're both retired we are not going to have a whole heap of money to do that, so we'd be kind of relying for our points to pay for our annual holiday. And the other thing that's good about it too, is they send emails quite regularly about specials that they have, there would be discounted points, say for a trip to Thailand for this month and you could take advantage of that, and it also includes cruises, so you could go on a cruise as well. Not that I'd go on a cruise, but if I ever decide, it's there. **(Female, aged 45–59 years)**
- 97 Many participants were unhappy about their timeshare membership's fees. Participants felt that, while they were informed about the annual fee at the time of purchase, they:
- (a) had a different understanding of the size of the annual fee and thought it was less;
 - (b) did not understand that annual fees can increase over time;
 - (c) had not considered the overall cost of membership with increases in annual fees; and
 - (d) did not understand that some operators charged additional housekeeping or booking fees.
- 98 Participants perceived increasing annual fees and additional fees to directly erode the value of their timeshare membership.

- 99 Some participants said they did not know what the fee was intended to cover. Even relatively satisfied participants expressed dissatisfaction with the size of fees and fees increasing over time.

So, yeah, it's ridiculous isn't it, because the maintenance fee is what we would have paid on accommodation if we just booked a place. (Male, aged 30–44 years)

- 100 Only a small number of participants said they would recommend the timeshare membership they held to someone else, and most said they would not.

- 101 Most participants who would recommend timeshare membership said they would only recommend it to certain people. They included those people who:

- (a) had the means to afford membership over the long term;
- (b) preferred to holiday in the same range of places or accommodation types repeatedly; and
- (c) had the lifestyle or circumstances that allowed them to plan holidays well in advance and outside of peak times.

- 102 Some participants said they would not risk recommending timeshare membership to others. They could see how people might not be able to obtain value for money from the membership.

I think for the unwary it could be a bit of a trap. If you didn't really understand the concept of it and that, really, the onus is on you to use the product. People could spend considerable amounts of money and not get any value out of it. (Male, aged 45–59 years)

Case study 2: Jack and Georgia, aged 45–59 years

Jack and Georgia have held their timeshare membership for 12 years. Throughout this time, they said they have struggled to use their points.

'We struggle to find time to go on holidays, which is our fault, it's no one else's fault. It's just with work and family, we just sometimes don't get that time off and to use it so the only time we've used it is ... when the points are running out, we book something usually.'

The couple run their own business. Given their peak trade occurs in summer, they most likely have time to go away in the winter months. The only local holiday option provided by their timeshare operator, outside the city they live in, is at a beach-side location.

'[We] just go down there and just get it done, and usually it's in the middle of winter and it's bloody freezing cold down there. And that, because the summertime is our busiest time ... we do struggle to use it to its 100%.'

They have also used points for accommodation in South East Asia (but at a location they were not really happy with), a domestic capital city and the city in which they live (the latter was booked to prevent points expiring).

Participants' experiences varied from the benefits expected

103 The benefits that participants expected at the time of purchase ranged from financial, practical and emotional. These are set out in Table 4.

Table 4: Expected benefits

Financial	<ul style="list-style-type: none"> • Saving money on holidays • Experiencing luxury accommodation affordably • Purchasing future holidays at today's prices
Practical	<ul style="list-style-type: none"> • Compelled to take more regular holidays • Saving time and effort in booking accommodation
Emotional	<ul style="list-style-type: none"> • Investing in wellbeing • Sharing timeshare membership benefits with friends and family • Peace of mind, with holidays locked in for the future

104 Many participants first mentioned the emotional or intangible benefits that membership was expected to deliver. It appeared that expected emotional benefits had exerted a strong influence on the purchase decision, supporting the more rational expected benefits like perceived cost savings.

The idea, it is very beautiful, particularly for those people [who are] getting old, you want to have a holiday but you don't have [the ability to purchase] a holiday house ... You leave something or give it to your children as well ... If we pay now the children can continue to use, no need to pay extra, the accessibility is there, so just one of the things, just to feel good about it. **(Couple, aged 60-plus years)**

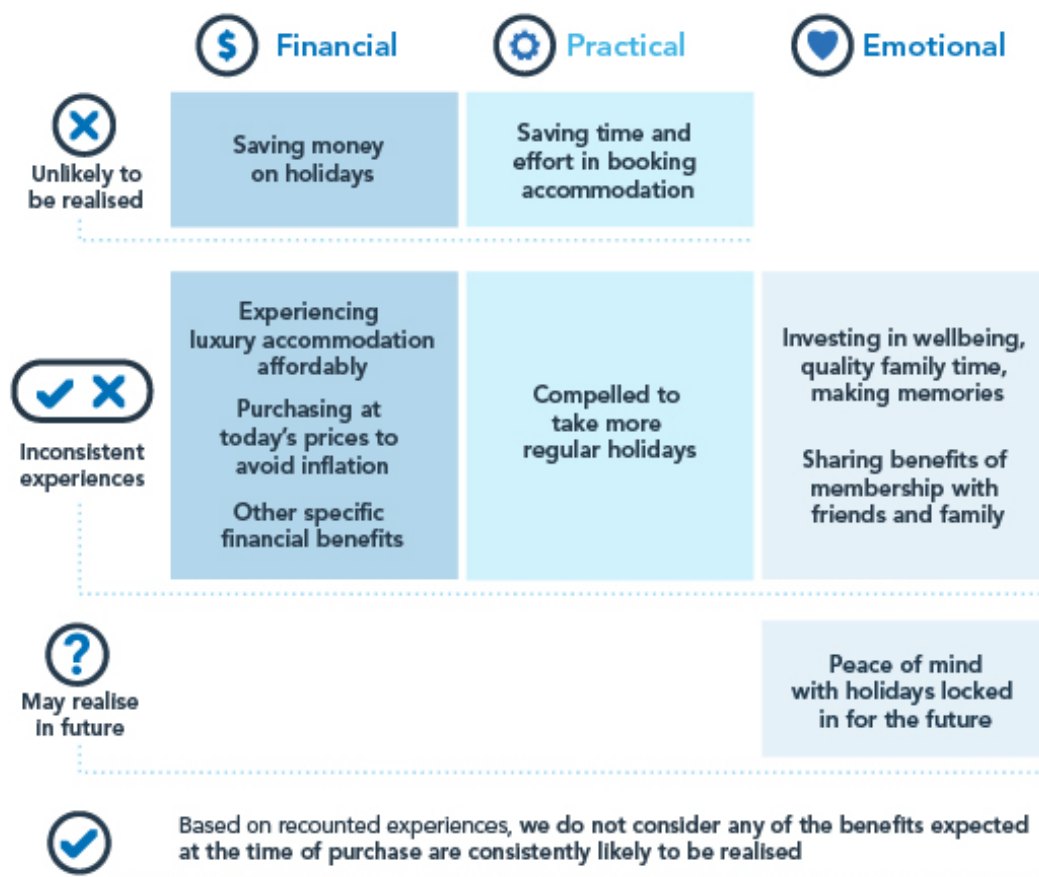
105 Those who felt they were getting value from their membership reported that claiming the incentives provided when they signed up contributed to this value, or they acknowledged making a conscious effort to use their membership wisely.

So it's a pretty flexible program, but I guess if you don't do your research it can be pretty complicated ... [D]epending on the type of room, depending on the time of year, depending on what property it is, different amount of points [are required]. But at least for me, I'm fairly good at arranging holidays ... so ... it's not really hard for me to understand and I understood at the time when I was signing on, how it all worked ... So, yeah, I mean if you're not savvy, you can just totally lose points and really lose value. **(Male, aged 35–44 years)**

106 There is a risk that consumers will not be able to derive the promoted or expected value from their timeshare membership.

- 107 For many participants, it only became apparent after they began to use their timeshare membership that the membership was not suitable to their personal situation, and that there were differences between their expectations and experience.
- 108 Participants' views on the range and quality of accommodation experienced were mixed. Some felt that, when they could secure accommodation, the quality was good to excellent. However, some had experienced accommodation they felt was far lower quality than they expected, based on what they saw in the brochures, online photos or at the property when they signed up.
- 109 The research found that unexpected changes in a participant's circumstances can also affect the value they derive from the timeshare membership.
- 110 Unexpected changes in circumstances and increases in administration fees can also open people up for potential financial difficulties meeting ongoing commitments. For example, changes in employment or a new baby can cause participants to fall behind in their loan repayments and annual fees.
- 111 Based on participants' experiences, the research found that none of the benefits expected at the time of purchase were consistently likely to be realised: see Figure 2.

Figure 2: Likelihood of benefits expected at time of purchase to be realised



Note 1: See Table 8 in Appendix 2 for the data in this figure (accessible version).

Note 2: Based on a figure from Heartward Strategic.

112 Participants described the benefits they had expected at the time of purchase, which some had realised and others had not. These included:

- (a) *financial benefits*—‘saving money on holidays’ seemed consistently unlikely to have been realised in most people’s membership. Some, who had experienced issues with access and quality, or annual fee increases, felt they would never realise the benefit of saving money on holidays even in the longer term. Others remained hopeful;
- (b) *practical benefits*—‘saving time and effort in booking accommodation’ was a benefit that had generally not been and was unlikely to be realised. ‘Being compelled to take more regular holidays’ was a benefit some had experienced, although it was mostly realised through less-than-ideal trips in an effort to use up points before they expired; and
- (c) *emotional benefits*—‘investing in wellbeing, spending quality time with family and making memories’, was realised by some. Others had experiences that were so opposed to their expectations that they felt it had detrimentally affected their wellbeing and relationships.

Case study 3: Stephanie, aged 45–59 years

Stephanie and her husband have held their timeshare membership for more than five years but have only been able to use it once. They used a free weekend of accommodation, which was the incentive offered when they signed up for membership.

Since then, despite many attempts, the couple have been unable to book accommodation that meets their needs.

‘It’s always been fully booked out and normally I try booking six months ahead ... [When I have called the operator], they said ‘Oh well, you are entitled to book 12 months out.’ That’s great but I don’t always want to have to plan a holiday 12 months out.’

Stephanie and her husband also paid extra to be able to use their membership points for booking international accommodation.

‘So we did purchase the extra [package] to be able to put our points across into international [accommodation], but every time we have gone to book, nothing that we’re looking for is available.’

Participants complained about quality and access to accommodation

113 The research sample included a number of participants who had made one or more complaints to their timeshare operator. Participants who had complained raised concerns about:

- (a) poor quality accommodation; and
- (b) repeatedly being unable to book accommodation at their preferred time.

- 114 These complaints were about two fundamental expectations participants had for their timeshare membership. The departure from what they believed they were promised at the time of purchase in terms of quality and access caused strong feelings in participants.
- 115 Those who had made a complaint found the operator relatively easy to contact. Most found call centre staff were polite and as helpful as they were able to be, and that emails were acknowledged within an appropriate time.
- 116 However, most participants who had complained to the operator about their timeshare membership felt that their complaints were not sufficiently resolved, even though the operator's staff appeared to follow a complaints procedure. They did not feel their complaints were sufficiently resolved because, by the time participants made complaints, they appeared to be already questioning the value of the membership.
- 117 When participants complained about poor quality accommodation, some were offered bonus points or free accommodation as a form of redress. However, in most cases, they felt that the bad experience had caused them to doubt the quality of accommodation they might experience with other properties. Together with difficulties in securing bookings, which most participants had also experienced, this also made them generally question the value of their timeshare membership.
- 118 When participants complained about access to accommodation, operators generally responded by suggesting they book further in advance or purchase additional points to upgrade their timeshare membership. The research found that the presentation of the purchase of additional points as the primary solution to their difficulty accessing properties potentially sets people up to make a further financial outlay that may not be suitable for their situation or resolve their issues.
- 119 Some participants who had complained, particularly around the lack of access to accommodation, had also tended to escalate the complaint to include requests about exiting their timeshare membership.

Upgrading membership

- 120 The research sample did not appear to include consumers who had actively sought to upgrade their membership. Operators had suggested an upgrade to them at a sales presentation they attended while staying at timeshare accommodation, or when they complained about their membership.
- 121 The research found that, in some cases, upgrades appeared to follow a similar sales process to new purchases. That is, the operator offered participants an incentive to attend a sales presentation and purchase

additional points, and used similar sales tactics. Most participants said their motivation to attend the presentation was simply to obtain the incentive.

122 The research found that the primary driver of membership upgrade was a desire by participants to derive more value from their membership. The operator also convinced many participants that an upgrade would make their timeshare membership more usable, or would better fit their current or future needs.

123 Some who had upgraded said they felt they were getting additional value by being able to book longer periods of accommodation. However, some said it was too early to tell whether they would actually get value to justify the outlay.

I found [memberships] always appeal, which is very good, right, and theoretically ... but practically, I still have doubt. The reason for that is ... we have to make time to do it, right? They say it's this year [to use it] ... we're in May already, we haven't really used [it] ...
(Couple, aged 60-plus years)

D Research findings: Exit from timeshare membership

Key points

Most participants had not considered at the time of purchase what they might do if their circumstances changed and they no longer wanted, needed or could afford to maintain their timeshare membership.

There are barriers to exiting a timeshare membership that mean participants were unable to exit in a way that did not leave them worse off financially.

There is a risk of consumer harm when members transfer their timeshare membership to someone else in their family on their death. In many cases, participants had come to see the membership as a financial liability.

Participants had difficulty exiting their timeshare membership

- 124 Most participants were in timeshare memberships that had a very long contract term. The membership period typically ranged from 20 to 99 years or indefinitely. Most participants were generally aware of the long term of their membership contract at the time of purchase. However, it appeared that most participants had not considered what they might do if their circumstances changed and they no longer wanted, needed or could afford to maintain their membership.

I said to them, 'I don't want to be involved in this program anymore, I don't use it, there's no benefit from this program for me, whatsoever, it's not for me.' I even felt that it was more, you know, like [in the case of] low-to-mid-income earners it's not something that should be promoted ... I wanted to get out of it ... I've divorced as well. (Male, aged 30–44 years)

- 125 Participants in the research who had actively taken steps to exit their timeshare membership described they had done so because:
- (a) their circumstances had changed so they could no longer get value from their membership—for example, the participant had retired, had children, their relationship with their partner had ended, or their work made it difficult to travel;
 - (b) their membership experience was not what they expected or believed they were sold; or
 - (c) they were experiencing financial hardship.

- 126 Most participants described similar experiences when they had exited, or attempted to exit, their timeshare membership and did not have a loan to pay back.
- 127 First, they contacted the operator to find out options for exiting. The operator told them there was no refund of the cost of their timeshare membership and that they were obliged to keep paying annual fees for the life of their membership. The operator also said that the only options for exiting were to sell their points or transfer them to someone else. Some participants were given contact details for a broker.
- 128 After looking further into selling the timeshare membership and discovering the price they might receive, some participants were 'horrified' to discover the value of the membership was far lower (a third or less) than they had paid.
- 129 While some participants resolved to keep trying to get value out of the timeshare membership, others thought it was better to sell at whatever price they could.
- 130 Some participants had stopped paying the annual timeshare membership fee, which prevented them from using their membership. They were contacted by the operator who sought to collect the fees.
- 131 Some participants were aware that, by not paying the fee, they would forfeit their timeshare membership. They stopped paying the fee knowing that this was not a legitimate exit strategy supported by operators and that they may be chased for payment. Some did not do this because they were unwilling to accept the risk of debt recovery action.
- 132 On balance, participants were unable to exit their timeshare membership in a way that did not leave them worse off financially. This was because:
- (a) there is a limited secondary market in which participants could recover their initial costs by selling their membership privately; and
 - (b) participants could not end their ongoing financial commitments (i.e. either loan repayments or annual fees) under the long-term contract without repercussions.
- 133 Participants reported a lack of assistance by operators to help them exit their timeshare membership, to clarify the process or to explain the consequences of not paying annual fees.

It's not only not worth it, it was all our savings and we absolutely [regret it]. Because not only we didn't use it, we can't get rid of it ...
(Couple, aged 30-44 years)

They never told us anything about the possibility that it would be hard to sell, they never warned us of that, they never said that if we couldn't sell it, it remains with you for the rest of your life and it's part

of inheritance, it would have to pass onto someone else and they'd have to ... we were never told that. It was made clear to us at the time that yes, you can sell at any time, normally via a broker, no problem at all. (Female, aged 45–59 years)

Case study 4: Ben, aged 45–59 years

Ben purchased a timeshare membership about a decade ago, paying around \$25,000, with a loan to be paid back over approximately five years.

He decided to exit the membership because he felt his family was not getting value for money. He cited the increasing annual fees, poor standard of accommodation, and difficulties securing bookings.

After doing some research online, he realised that he would need to find his own buyer. Ben looked on a few websites but thinks he ended up selling the membership via a consumer-run Facebook group.

'Finding someone to buy it, it took a little while ... [W]e sort of priced ours at the lower end of what was currently being asked, because we noticed that there were memberships that had been for sale for a while and we thought well, if this is the case, we need to put ours at a good price to get rid of it.'

It took Ben around three to four weeks to find the buyer, and then it was another few weeks before the operator had completed the paperwork. He said that he found it straightforward to deal with the operator during this time.

Ben received \$5,000 for his membership. He was annoyed that he was only able to recover a small amount of his original investment—he felt that half would have been more appropriate—but he said he was glad to be out of the timeshare membership.

Risk of consumer harm in family transfers

- 134 In most cases participants were aware that their timeshare membership was likely to outlast them (i.e. the financial commitments would continue after they died). Participants assumed that questions of exiting or transferring the membership were a matter for their estate.

I know that once we own it, we own it, and it's transferrable. I think they said you could transfer it to your children or family, so you probably can, once you own it you probably can transfer it. I didn't look that far ahead, but I did know that I wanted my kids to keep using it. (Male, aged 30–44 years)

- 135 The research showed that there is a risk of consumer harm when a financial liability may be transferred to a family member without the means to bear it.

It'd be like giving them a \$50,000 debt, I guess, potentially because they'd have to pay \$1,000 for the next 50 years. (Male, aged 45–59 years)

Appendix 1: Research methodology and sample

Focus of consumer research

- 136 We commissioned Heartward Strategic to conduct qualitative research into consumer experiences of time-sharing schemes in Australia.
- 137 Heartward Strategic conducted the research between May and June 2019. The research examined consumer experiences from when a consumer is initially approached by an operator, through to the consumer's purchase, use and exit (or attempted exit) of a timeshare membership.
- 138 The objectives of the research were to:
- (a) provide a detailed understanding of consumer experiences throughout the timeshare sales process, including mapping the process, identifying any decision influences and exploring the experience and role of financial advice;
 - (b) gather the experiences of consumers who have purchased a timeshare membership including exploring use (or lack of use) of their membership, any positive experiences or issues they have had, and how this relates to their expectations at the time of sale; and
 - (c) explore consumer experiences of exiting or attempting to exit a membership, including drivers of exit, and experiences of the process and dealing with the operator.

Note: The consumer experience in obtaining a loan to fund their purchase was not the primary focus of the research.

In-depth interviews with consumers

- 139 Heartward Strategic conducted in-depth interviews with 50 consumers. The participants had all received personal financial advice to purchase a timeshare membership from one of the five main timeshare operators in Australia (Accor Vacation Club, Classic Clubs, Ultiqa, Wyndham or Marriott Vacation Club).
- 140 To find participants for this research, we obtained client contact lists from each operator using ASIC's compulsory information-gathering powers. We randomly selected a number of these clients and called them to obtain their consent for ASIC to pass their contact details onto Heartward Strategic.

141 Heartward Strategic then used a screening questionnaire to recruit a subgroup of these consumers to participate in the in-depth interviews. The screening questionnaire was used to ensure an appropriate level of diversity across consumer groups and subgroups, timeshare operators and key demographic variables such as gender, age, language other than English spoken at home, household income and location.

Specific groups of interest

142 In the interviews, Heartward Strategic focused on specific groups of interest. These were people who:

- (a) recently received financial advice to purchase a timeshare membership (Group A);
- (b) had a timeshare membership but had not used the membership in the previous 12 months (Group B);
- (c) had a timeshare membership and had used the membership in the previous 12 months (Group C); or
- (d) exited their membership in the previous three years (Group D).

143 The qualitative sample aimed to include an equal number of participants per operator and to ensure a robust representation across each group. The final sample achieved differed slightly from the original targets because:

- (a) there was a limited number of people available in some categories for some operators; and
- (b) some people attributed to a particular group when they were recruited for the research ended up more closely representing another category when interviewed.

144 We have set out the participant groups, sub-groups and numbers in Table 5.

Table 5: Participant sub-groups and interview numbers

Participant group	Participant sub-groups and number of interviews	
Group A	Purchased or upgraded a membership	5
	Purchased and cooled-off	6
	Did not purchase membership	3
Group B	Attempted to use membership	8
	Did not attempt to use membership	4
	Attempted to exit membership	3

Participant group	Participant sub-groups and number of interviews
Group C	Have used their membership in the last 12 months, including some who have attempted to exit 12
Group D	Have exited membership 9
Total	50

145 Heartward Strategic conducted 42 one-on-one interviews and 8 paired interviews—31 face-to-face interviews and 19 phone interviews. Interviews took between 30 and 90 minutes, to explore experiences with timeshare in detail and in a sensitive and flexible manner.

146 Fieldwork was conducted across Australia. Face-to-face interviews were conducted in Sydney, Melbourne, Perth, regional Western Australia, Brisbane and regional Queensland.

147 Some data was also captured in the recruitment stage. Heartward Strategic gave a short survey to 10 consumers who were in-principle willing to be involved in the research but were unable or unwilling to complete an in-depth interview.

148 Table 6 sets out the final sample composition for key demographic variables and interview type.

Table 6: Sample composition

Variable	Category and number of interviews
Decision maker	Joint 33
	Main 15
	Unsure 2
Gender	Male 22
	Female 28
Age range	18-29 years 0
	30-44 years 20
	45-59 years 20
	60-plus years 9
	Prefer not to say 1
Language other than English spoken at home	Yes 8
	No 42

Variable	Category and number of interviews	
Annual household income before tax	Below \$80,000	14
	\$80,000 or above	30
	Prefer not to say	6
Self-reported confidence in making unassisted decisions	Very confident	20
	Somewhat confident	22
	Not very confident	7
	Not at all confident	0
	Did not ask	1
Location	Metro	28
	Regional	19
	Rural	3
Interview method	Face-to-face	31
	Phone	19
Interview type	Individual interview	42
	Paired interview	8

149

All research has constraints and limitations. In this research:

- (a) given the objective was to understand consumers' experiences, we deliberately selected a qualitative research design. Only qualitative research can provide an in-depth understanding of the motivations, behaviour and experiences of consumers. While broadly indicative, qualitative research is not intended to statistically represent the experiences of all consumers who have bought, used or exited timeshare memberships; and
- (b) the data collected in this research was self-reported and therefore, like all self-reported data (e.g. surveys and interviews), it represents the subjective accounts of the participants. These accounts can be affected by memory constraints and natural behavioural biases.

Appendix 2: Accessible versions of figures

This appendix is for people with visual or other impairments. It provides the underlying information for the figures presented in this report.

Table 7: The timeshare consumer journey

Stage	Features of the stage	Risks and harms
Approach and sale: Approach	Incentives to attend Occurs in a relaxed environment	Consumers are unprepared Consumer have little awareness of timeshare Consumers are actively approached by operator's representatives
Approach and sale: Sales presentation	Strong, persuasive sales tactics Incentives to buy Easy access to finance	Consumers attend to receive incentive Consumers make same-day purchase, deciding to spend large sums of money with ongoing financial commitments Consumers have little time to understand and assess suitability Consumers are not aware they got financial advice
Approach and sale: Cooling-off period starts	Cooling-off period starts	The cooling-off period may be missed because: <ul style="list-style-type: none"> the cooling-off period is too short the cooling-off period ends before consumers return from holiday consumers don't exercise their cooling-off rights as membership is untested at this point
Use: Membership	Complex rules and limits Ongoing fees and costs Changes in personal circumstances Long-term contracts	Consumers may not get the promoted or expected value Consumers may have difficulty meeting ongoing financial commitments
Use: Grievance	Difficulties accessing properties Membership fails to meet expectations and needs	Operators encourage consumers to upgrade and purchase more points—spending more money may not be suitable for their situation or resolve their issues

Stage	Features of the stage	Risks and harms
Exit: Exiting	Long or indefinite membership Ongoing fees and loan repayments still apply	Consumers are unable to exit without becoming worse off financially. Consumers must: <ul style="list-style-type: none"> • meeting ongoing financial commitments • sell privately (for much less than they paid), or • transfer membership to someone else
Exit: Family transfer	Membership term is expected to outlast the life of the member	Financial liability may transfer to the member's estate and to someone who cannot afford it

Note: This table sets out the data in Figure 1.

Table 8: Likelihood of benefits expected at time of purchase to be realised

Consumer experience	Financial	Practical	Emotional
Unlikely to be realised	Saving money on holidays	Saving time and effort in booking accommodation	No benefits found
Inconsistent experiences	Experiencing luxury accommodation affordably Purchasing at today's prices to avoid inflation Other specific financial benefits	Compelled to take more regular holidays	Investing in wellbeing, quality family time, making memories Sharing benefits of membership with friends and family
May realise in future	No benefits found	No benefits found	Peace of mind with holidays locked in for the future
Key finding:	Based on recounted experiences, we do not consider any of the benefits expected at the time of purchase are consistently likely to be realised.		

Note: This table sets out the data in Figure 2.

Key terms

Term	Meaning in this document
ASIC	Australian Securities and Investments Commission
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
ATHOC	Australian Timeshare and Holiday Ownership Council
Ch 5C	A chapter of the Corporations Act (in this example numbered 5C), unless otherwise specified
consumer	A retail client, as defined in s761G and s761GA of the Corporations Act
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
Div 2	A division of the ASIC Act (in this example numbered 2), unless otherwise specified
financial advice	Has the meaning given to 'personal advice' in s766B(3) of the Corporations Act, unless otherwise specified
financial adviser	<p>A natural person providing personal advice to retail clients on behalf of an AFS licensee who is either:</p> <ul style="list-style-type: none"> • an authorised representative of a licensee; or • an employee representative of a licensee <p>Note: This is the person to whom the obligations in Div 2 of Pt 7.7A of the Corporations Act apply: see the definition of 'advice provider' in the 'key terms' in RG 175.</p>
financial product	<p>A facility through which, or through the acquisition of which, a person does one or more of the following:</p> <ul style="list-style-type: none"> • makes a financial investment (see s763B); • manages financial risk (see s763C); • makes non-cash payments (see s763D) <p>Note: This is a definition contained in s763A of the Corporations Act: see also s763B–765A.</p>
National Credit Act	<i>National Consumer Credit Protection Act 2009</i>
operator	An operator of a registered time-sharing scheme
promoter	A licensed associate of an operator authorised to promote sales of interests in the operator's registered schemes
Pt 7.7 (for example)	A part of the Corporations Act (in this example numbered 7.7), unless otherwise specified
RG 160 (for example)	An ASIC regulatory guide (in this example numbered 160)

Term	Meaning in this document
s912A (for example)	A section of the Corporations Act (in this example numbered 912A), unless otherwise specified
timeshare	A time-sharing scheme
timeshare membership	An interest in a time-sharing scheme
time-sharing scheme	<p>A scheme, undertaking or enterprise, whether in Australia or elsewhere:</p> <ul style="list-style-type: none"> • where participants are or may become entitled to use, occupy or possess property of the scheme for two or more periods; and • that is to operate for no less than three years <p>Note: See s9 of the Corporations Act for the exact definition.</p>

Related information

Headnotes

consumer harm, financial advice, operator, time-sharing scheme, timeshare, timeshare membership

Regulatory guides

[RG 160](#) *Time-sharing schemes*

Reports

[REP 632](#) *Disclosure: Why it shouldn't be the default*

Legislation

ASIC Act, Div 2 of Pt 2

Corporations Act, Pts 7.7, 7.7A, 7.8A; Ch 5C; s9, 764A, 766B(3), 912A(1), 961B, 961G, 961H, 961J

Corporations Regulations 2001, Sch 10

National Credit Act

Media releases

[16-418MR](#) *Timeshare operator to revise disclosure and sales practices following ASIC surveillance*

[18-253MR](#) *ULTIQA Lifestyle timeshare lender fined for responsible lending failure*

Non-ASIC documents

RB Cialdini, *Influence: The psychology of persuasion*, 2007