



ASIC
Australian Securities &
Investments Commission

Lifting the bonnet: ASIC's review of car loans

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About this report

We reviewed eight lenders from the motor vehicle finance (car loans) sector. We focused on consumer outcomes, including for consumers in regional and remote locations and First Nations consumers.

We found significant indicators of consumer harm. This report sets out our detailed findings, including the improvements lenders made as a result of our review.


Artist acknowledgement

The 'Success Our Way' artwork concept and narrative was created by Tarni O'Shea, a South Sea Islander and Butchula artist and designer for Gilimbaa Creative Agency.

The [story behind the artwork](#) captures the Guiding Principles and the Key Learnings that underpin the ASIC's Indigenous Financial Services Framework. The element on the cover page represents the financial sector, including how it adapts to respective communities' needs.

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

Access to a car is essential for many Australians, enabling them to engage with activities and services like employment, education, health and medical appointments. For consumers located in regional and remote locations, not having a car can make getting to these services virtually impossible.

Industry data shows that consumers are increasingly purchasing used cars, with sales rising from 2.1 million in 2023 to 2.2 million in 2024 (12% growth). Often, consumers take out a loan to purchase the vehicle (car loan). Lending data demonstrates:

- › for the quarter ending December 2025, the amount of new loan commitments for road vehicles (referred to in this report as 'cars') was \$4.8 billion, and
- › for the 2025 calendar year, the total amount of new loan commitments for cars was \$19.3 billion, up from \$17.8 billion in 2024.

Note 1: Australian Automotive Dealer Association (AADA) data and Australian Bureau of Statistics (ABS), [Lending indicators: December quarter 2025](#), 2 February 2026.

Note 2: Percentages in this report have been rounded to whole numbers.

Finance providers across the new and used car sector (lenders) rely heavily on third-party distributors – including aggregators with broker networks, independent brokers and car dealerships. These distributors have direct contact with consumers, with lenders often one step removed from consumer interactions. As such, lenders must keep consumers front of mind and ensure that they have processes and oversight across their business, including their distributors, to support positive consumer outcomes.

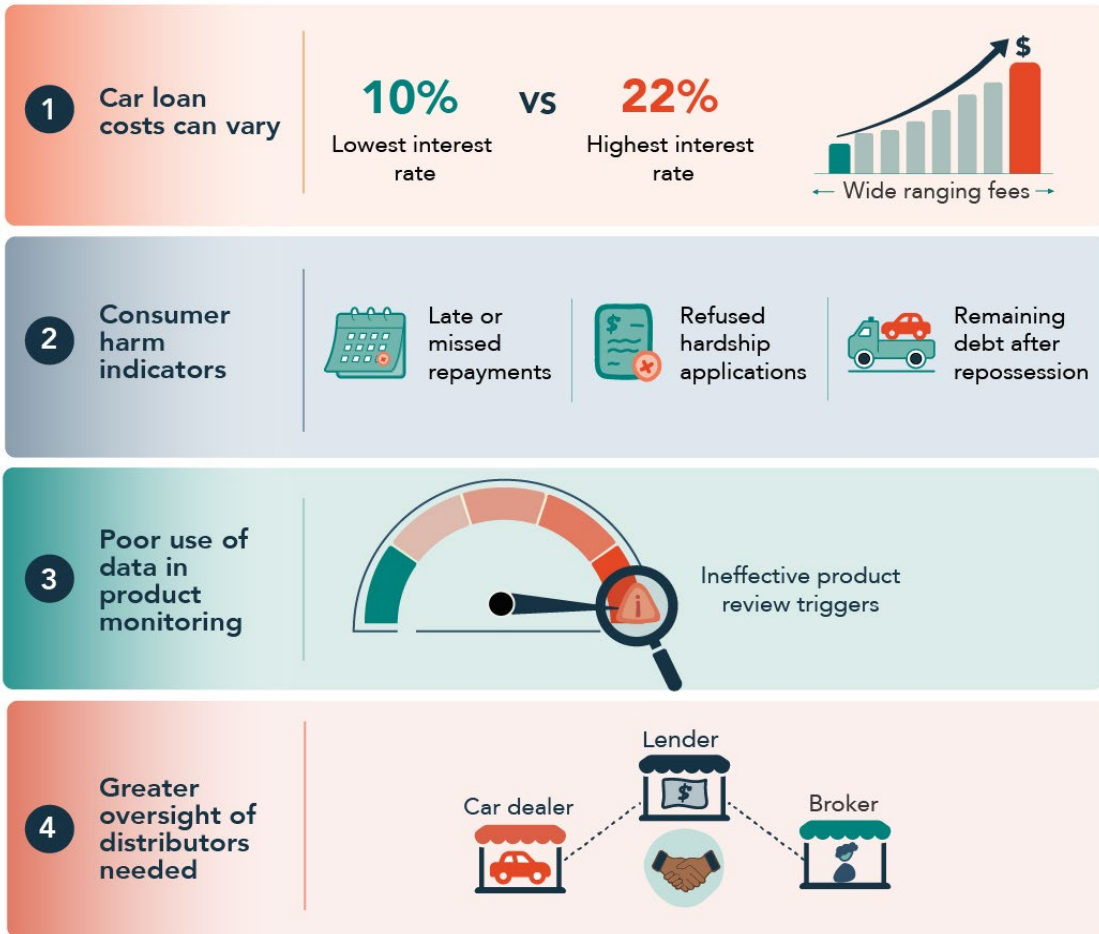
Following an increase in complaints to ASIC about car loans, we reviewed the car loan sector (the project). This work was led by ASIC's Indigenous Outreach Program, given that many of the complaints related to matters affecting First Nations consumers. However, the project's findings are relevant to all consumers.

This work identified concerns relating to consumers' experience of car loans, including:

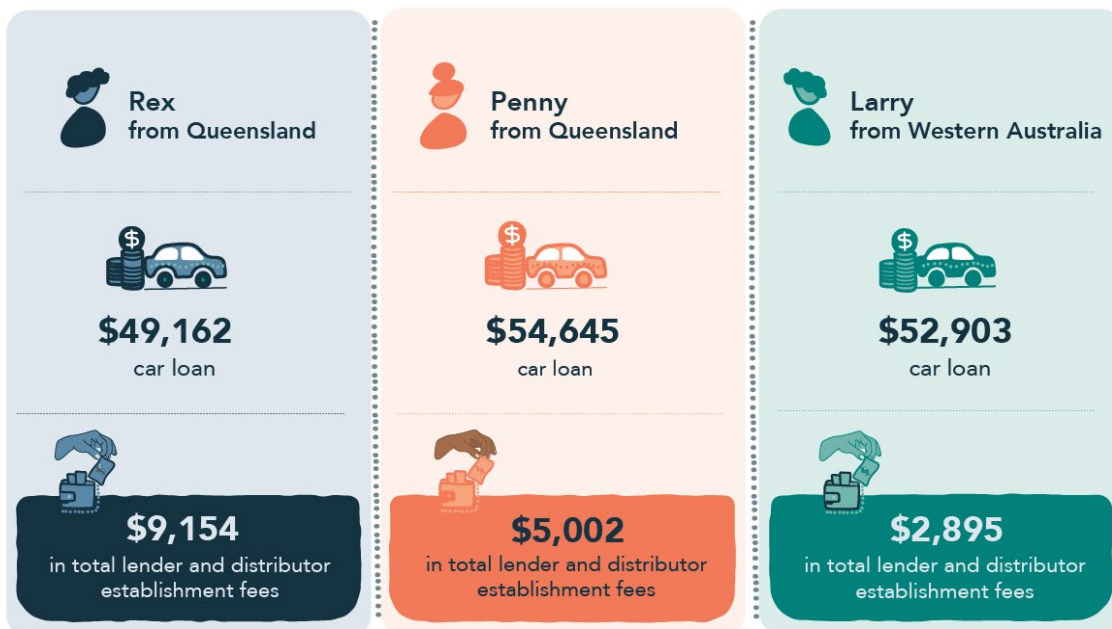
- › significant variations in the overall costs of a car loan (due to differing interest rates and loan origination costs)
- › indicators of harm, such as consumers defaulting on payments, seeking hardship variations and ultimately having debt remaining following repossession and sale of the cars (residual debt), and
- › poor use of data by lenders to monitor product distribution to ensure that products reach the right consumers.



What ASIC's review of car loans found



Highest fees, different lenders



Insights from lenders' aggregate loan data, including loan sizes and median fees incurred, can be seen at Table 7 in Appendix 1 within the report. Names have been changed for confidentiality.



We also found that:

- › the purchase price of a car for which finance was provided was often significantly higher than the lender-verified 'book value' of the car. This presents heightened risk for consumers if the proceeds from selling the car later are not enough to cover the cost of the loan (leaving the consumer owing a significant residual debt)
- › some consumers had high levels of residual debt where cars had been repossessed. Four participating lenders provided data on over 250 loans where cars had been repossessed, including the post-sale loan balance. In nearly 90% of those cases, consumers still owed over half the original loan amount after the car was repossessed, and
- › some consumers had complained about lenders contacting them to pursue debt collection, despite the consumer having a hardship variation in place to manage arrears.

Lifting the bonnet and starting to correct the course


Through the project, we issued participating lenders with tailored action letters, setting out a range of areas for improvement. Given that our initial findings differed by lender, the identified improvements did not apply to all participating lenders.

Based on areas for improvement specific to each participating lender, recommendations included that the lenders should:

- › better articulate their products, including key features and respective target markets via published target market determinations (TMDs)
- › address problematic sales practices (e.g. high-pressure sales tactics and overriding consumer objections to certain types of finance)
- › implement better governance frameworks to ensure adequate oversight of intermediary brokers and dealers
- › improve distribution conditions, given the market's overwhelming reliance on distributors, including outlining how lenders will monitor compliance with those conditions
- › develop stronger product review triggers and risk frameworks, including using available harm indicators and internal data to ensure their products reach the right target market, and
- › improve hardship policies and practices, such as enhanced communications on voluntary surrender and time-to-sell arrangements, so consumers can be aware of these options.

Improvements already made because of the project include:

- 6 participating lenders improved **hardship processes**, including better communications, resourcing and strengthened system capability
- 6 participating lenders improved their **product distribution conditions**, to better set out the training and accreditation processes required for distributors, and improved how lenders oversee and monitor such conditions
- 5 participating lenders improved their **linked credit provider policies**, by increasing monitoring of complaints and reviews, strengthening accreditation processes, and additional training

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- 3 participating lenders improved their **product review triggers**, including by considering consumer sub-cohorts and triggers that may indicate consumer harm (e.g. hardship applications and long-standing arrears)
 - 2 participating lenders improved their **risk management arrangements** by updating their systems and increasing their data insights
 - 2 participating lenders improved their **governance arrangements**, including by increasing the frequency of internal audits
 - 1 participating lender improved its **dealer training** by revising modules that were aimed at overriding consumer objections, which we had flagged as problematic
 - 1 participating lender improved its **oversight of 'high-volume distributors'** by including a range of metrics on consumers' loan experience with these distributors
 - 1 participating lender improved its **lending criteria-based identifiers of 'riskier' loans** and took steps to address potential for consumer harm for such cohorts

ASIC's ongoing focus and action

Given the wide breadth of concerns raised in complaints to ASIC about this sector, we will monitor the impact of participating lenders' actions. When we identify lenders or intermediaries that are failing to comply with their legislative obligations, we will take targeted action to address harm to consumers.

This action aligns with:

- › ASIC's 2026 enforcement priority of **misconduct exploiting consumers facing financial difficulty including predatory credit practices**, and
- › the enduring enforcement priorities of **misconduct involving a high risk of significant consumer harm** and **misconduct impacting First Nations people**.

We remain concerned that some of the poor outcomes identified in this report could continue to occur without ongoing focus by lenders in this sector, particularly for vulnerable consumers.





ASIC's approach to reviewing the sector

Participating lenders

The diversity of size, scale and breadth of lenders in this sector is wide. Those involved in the project represent a cross-section of the broader car loans sector, with lenders ranging in size, consumer markets and product features.

The lenders involved in ASIC's project were:

- › Australian Alliance Automotive Finance Pty Ltd (AAAF)
- › Angle Auto Finance (Angle Auto)
- › Latitude Automotive Financial Services (Latitude)
- › Nissan Financial Services Australia Pty Ltd (Nissan)
- › Pepper Asset Finance Pty Ltd (Pepper)
- › Plenti Finance Pty Ltd (Plenti)
- › Rapid Loans Pty Ltd (Rapid), and
- › Toyota Finance Australia Limited, including PowerTorque Finance (Toyota Finance).

Note: AAAF is wholly owned by Toyota Finance, but each entity has a separate Australian credit licence (credit licence). Given this relationship, Toyota Finance and AAAF have been grouped collectively where appropriate throughout this report.

Project methodology and review

As part of the project, we obtained data from the participating lenders on loans which commenced between March 2023 and March 2025 (the review period), along with a range of indicators of consumer outcomes over that initial loan term.

Key differences across the participating lenders include variance in market share (i.e. volume of loans per lender) and the type of distribution models used. All lenders rely mostly on third-party distribution models, either aggregators, brokers or car dealerships (or a combination of these): see more detail at Appendix 1.

The project considered compliance with a range of legislative frameworks applicable to the participating lenders. These obligations include:

- › the *National Consumer Credit Protection Act 2009* (National Credit Act) which applies to consumer credit, such as secured car loans, and
- › the design and distribution obligations within the *Corporations Act 2001* (Corporations Act), which require financial service product issuers, such as lenders and relevant product distributors, to take a consumer-centric approach to the design and distribution of financial products, along with stated conditions for distribution and triggers for product review.

We have included more details on the legislative obligations in Appendix 2.





Not all car loans are equal

The design and distribution obligations require lenders to ensure that the products they offer are designed and distributed in a manner that aligns with the product's defined target market – even if there are unique product features. Lenders define their product's target market in their TMD.

Consumer harm can arise where lenders' products are not designed or distributed with a focus on specific and defined target markets. This is particularly apparent if individual features are not aligned with:

- › consumers' requirements and needs, or
- › consumers' understanding of how features operate in practice, including any requirements they need to satisfy to obtain the benefits of such features.

Secured car loans

Most participating lenders' secured car loans:

- › offered loan terms between 12 and 84 months, some with minimum terms of 24 months
- › set minimum loan amounts around \$5,000 – but some lenders had no maximum loan amount, and others had maximum loan amounts ranging from \$55,000 (Rapid) to \$300,000 (Pepper), and
- › limited secured car loans to cars no older than 15 years at loan maturity.

A limited number of participating lenders financed grey imports (i.e. cars imported into Australia), repairable write-offs (i.e. cars previously declared written off due to damage but repaired and on sold) and cars up to 25 years old at loan maturity. Rapid, Latitude, Pepper and Plenti also provided loans for private sales.

Most participating lenders offered products with balloon payment features (i.e. a lump sum payment at the end of the loan term, typically larger than the standard repayment amount). These participating lenders applied a sliding scale for the amount the lender was willing to allow as the balloon payment (Rapid and Latitude did not offer these features). Generally, the shorter the loan term and the newer the car, the larger the allowed balloon payment. Some participating lenders also provided options for meeting balloon payments, such as selling the car, or refinancing the balloon payment.

Nissan, Angle Auto, Toyota Finance and AAAF all offer specific guaranteed future value (GFV) loans. These loans have shorter terms (between 12 and 48 months) and guarantee the car's future value when it is returned to the lender on certain conditions. For example, to realise the full pre-determined value of a car, some GFV loans may require the car to not:

- › have exceeded the agreed kilometres set at the start of the loan, or
- › be in a condition that is considered beyond 'fair wear and tear' in the lenders' opinion.

Case study 1: Toyota Finance and AAAF consider product design as part of sales practices

Toyota Finance and its associated brands (Toyota and Lexus), and AAAF's associated brands (Mazda and Suzuki) offer a GFV loan with a 12- to 48-month term and mandatory balloon payments.

We considered that Toyota Finance and AAAF were prioritising the GFV loan during the sales process, over longer term loans without a GFV feature. This was apparently to the benefit of lenders and dealers, giving rise to an increased risk of consumer harm.

We obtained Toyota Finance training modules for dealership staff. Some modules appeared designed to persuade consumers to accept GFV loans through high-pressure sales tactics. The modules encouraged dealers to disregard consumers' likely needs and objectives by focusing on overcoming customer 'opposition' to the GFV loan. Examples of 'opposition' included hypothetical customers who wanted to pay in cash, wanted to be able to pay off the loan 'when they want' and wished to use the car without restrictions on maximum kilometres or wear and tear issues (indicating a GFV loan would not suit them).

Toyota Finance and AAAF's dealers were trained to 'introduce Toyota Finance Access (GFV) on every single eligible car, 100% of the time'.

Toyota Finance and AAAF agreed to identify improvements to its design and distribution obligation processes. This included:

- › considering enhanced distribution conditions on its TMD
- › reviewing all internal sales targets to ensure they do not implicitly encourage the selling of one product over another, and
- › removing and reviewing dealer training modules that we identified as problematic.

A car's value as a secured asset – a risk for lenders and consumers

Appropriate and accurate valuation of a secured asset is in the interests of both the lender and the consumer. The value of the car affects the amount a consumer can access through a loan (based on their respective circumstances) and the amount available to recoup by a lender should the asset be surrendered or repossessed and sold to cover outstanding debt.

There is heightened risk of consumer harm if the car purchased and secured against the loan is overvalued or defective. In these cases, consumer debt after the sale of the car can be significant. Lenders should ensure processes for verifying the condition and value of the car are robust, given this risk.

All participating lenders assessed the value of cars they finance through an independent third-party platform based on car specifications – this is known as the car's 'book value'. Most participating lenders adjusted this value based on the reported condition of the car and any accessories, with the information often being provided by the loan distributor (i.e. dealership, broker). The verified value was then used to determine the loan-to-valuation ratio (LVR) applied by the lender during the application process.

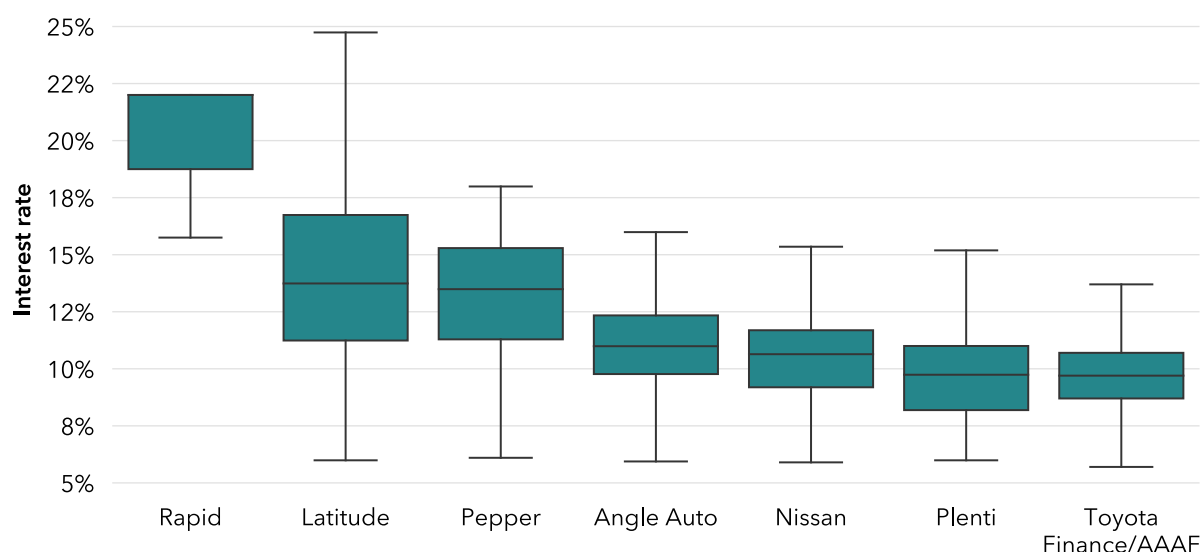
Tolerance for LVR limits is a credit risk decision, with differences across the sector based on risk appetite. The participating lenders' average LVR ranged from 94% to 127% across loans. There may be reasons for an LVR to be outside the lender's own standard LVR range in particular circumstances, including when financing on-road costs or financing classic cars.

Variance in participating lenders' interest rates across loans

The median interest rate participating lenders charged consumers varied widely, reflecting discrete market segments and differences in business risk appetite and the predominant underlying cars (e.g. new or used cars): see Figure 1.

Some participating lenders had similar median interest rates across the loans reviewed in the project – Angle Auto (11%), Nissan (11%), Plenti (10%), and Toyota Finance and AAAF (10%). Toyota Finance had the lowest median interest rates for reviewed loans. Pepper and Latitude's loans had higher median interest rates (13% and 14%, respectively), reflecting an appetite for higher risk lending in the market they service. Rapid's median interest rates were by far the highest across all loans reviewed (22%).

Figure 1: Median interest rates, by participating lender



Note: See the paragraph above for the trends in this graph (accessible version).

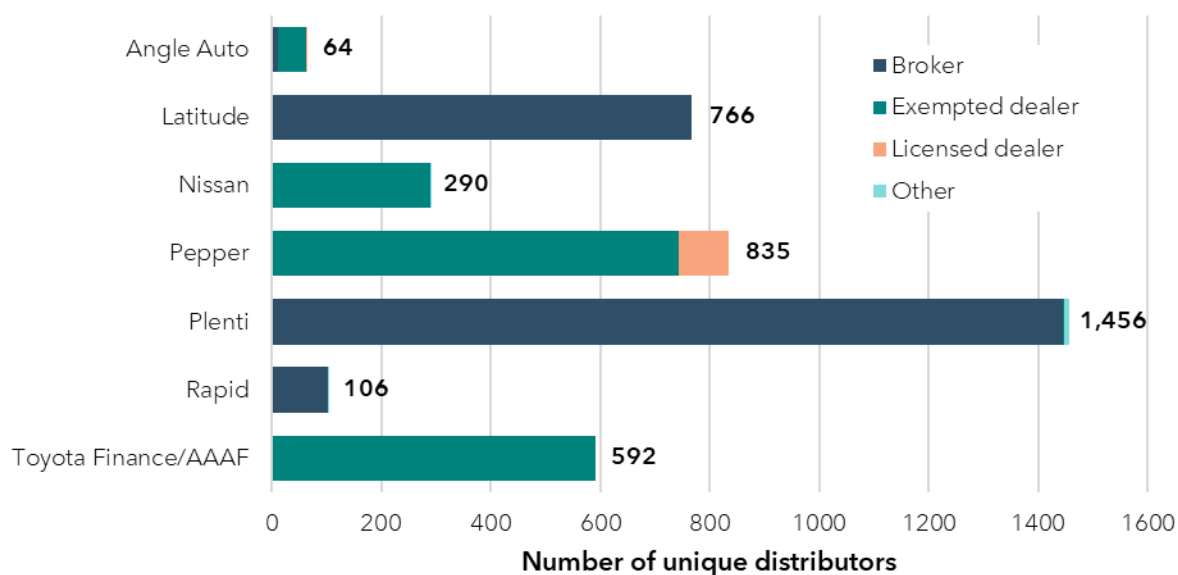
Diversity in distribution models

We identified that the participating lenders' distributor types varied greatly, with each lender also having a predominant distribution type: see Figure 2.

Nissan, Toyota Finance and AAAF and Angle Auto all use car dealerships as their main distribution channels. Rapid, Plenti and Latitude use brokers (including through aggregators) as their main distribution channels. Pepper had a mixture of both dealerships and brokers (including through aggregators).



Figure 2: Participating lenders' total unique distributors, by distribution type



Note: For the data shown in this figure, see Table 8 in Appendix 3 (accessible version).

Improvements to product distribution conditions

Lenders' design and distribution obligations require them to specify 'distribution conditions' for their products. Lenders' distribution conditions on TMDs must clearly articulate tangible parameters that are objectively clear. This includes setting out:


- › training and accreditation processes for distributors of their products, and
- › monitoring processes for distributors, including where requirements differ across various distribution channels used.

These conditions ensure the product is directed to the intended and defined target market, and explain when an issuer would restrict distribution. Setting these conditions is part of how product issuers demonstrate the reasonable steps taken to ensure appropriate distribution.

We found that some participating lenders had detailed distribution conditions in their product TMDs. These conditions included distributors being required to complete training and accreditation processes, and noted how this was monitored to ensure appropriate distribution. However, other participating lenders' TMDs contained little or no detail on these processes.

Several participating lenders responded positively to our requests for improvement. For example:

- › Toyota Finance and AAAF have published enhanced distribution conditions. Their prior conditions had scant detail of distributor training and accreditation obligations. The enhanced conditions include mandatory requirements for the distribution of its products, such as disclosures to customers on product features, and accreditation and training requirements for sales staff. Toyota Finance and AAAF's broader design and distribution review program is also considering further restrictions.
- › Pepper updated its distribution conditions to detail appropriate training, attestation, system controls and accreditation processes for its distributors. This update also included improvements to existing appointment and review processes to ensure that loans are only issued to consumers in the target market.

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- › Plenti improved its product distribution conditions based on distributor type and to provide clarity in the frequency of oversight mechanisms, including notifying distributors when it makes changes to the TMD that affect their obligations: see Case study 2. Plenti also committed to specifying additional distribution conditions in its TMD – these conditions focused on quality assurance reviews for the distributors who introduce the highest volume of loans (high-volume distributors).
 - › Rapid has committed to making improvements to its product distribution conditions, although these were not completed at the time this report was published.
 - › Angle Auto's TMD already contained detailed distribution conditions. Despite this, Angle Auto improved the systems it uses to monitor distributor conduct and its use of available data on distributor conduct. For example, it introduced a new distributor performance dashboard with defined thresholds to alert it of potential misconduct by distributors across hardship, complaints and arrears, and expanded training, mystery shopping and governance oversight via its Sales Practices Review Forum.
 - › While Latitude already had robust distribution conditions, it made several additional improvements. It introduced a compliance review of aggregator bonuses and commission programs, added risk-based performance metrics to its aggregator bonus commission program, established regular reporting on aggregator bonus programs, and automated clawback commission processing.

Case study 2: Plenti improves TMD distribution conditions, including for high-volume distributors

We identified that, of all the participating lenders, Plenti had the highest number of unique distributors across its loans, while being the third smallest participating lender overall. Plenti's distribution model predominantly used brokers as distributors of their product, including through aggregators. We also found that, although the number of unique distributors was comparatively high, a much smaller number of distributors originated a significant proportion of the loans in the review period.

Plenti's predominant distribution channels (aggregators and brokers) have their own obligations under the National Credit Act, including credit licence obligations. However, we asked Plenti to consider improvements to its TMD, including to the oversight frequency of these high-volume distributors and to operation-level monitoring of distribution channels.

In response, Plenti made a range of improvements to its TMD. It changed the layout of the TMD to increase clarity about the applicable conditions for each specific distributor type. Plenti also notified distributors when it made these changes, to ensure awareness and appropriate subsequent distribution.

It also inserted additional distribution conditions that reflect more rigorous and frequent monitoring for high-volume distributors, to be undertaken quarterly. This includes quality assurance and monitoring a range of indicators, such as hardship requests and complaints for loans through those distribution channels.



Car loans can have a significant cost for consumers

Our review identified variance in the overall cost to consumers of getting a car loan, including differing interest rates and loan establishment costs.

ASIC has a limited regulatory remit over the costs applied to loans, other than ensuring lenders comply with requirements such as interest rate caps (of 48%), the ban on unfair contract terms, and sales conduct obligations (e.g. comparison rate disclosures). However, the cost of accessing a car loan can have a significant impact on consumer outcomes – particularly as these costs are often capitalised (i.e. added to the principal amount borrowed) within the loan.

Across the sector, and for all participating lenders, consumers generally pay two fees – a loan establishment fee and a distributor establishment fee. Participating lenders commonly apply a fixed loan establishment fee (between \$299 and \$995) and distributor establishment fee (between \$912 and \$1,500). When loan amounts are low, these fees often represent a substantial proportion of the overall loan.

Establishment fees borne by consumers

Loan establishment fees

Participating lenders typically imposed a set loan establishment fee, covering the assessment and processing of the loan. This was a fixed or tiered amount, or a percentage of the total amount borrowed.

Table 1: Loan establishment fee, by participating lender

Participating lender	Loan establishment fee
AAAF	\$395
Angle Auto	\$490
Latitude	\$395
Nissan	\$499
Pepper	\$499 (dealership sales) and \$600 (private sales)
Plenti	Between \$299 and \$849
Toyota Finance	\$395
Rapid	Up to \$995, plus additional provider fee (see Case study 3)

Case study 3: Rapid's product scales and higher loan cost

Rapid was the only participating lender to charge customers an additional 'provider fee'. It was also an outlier, with the highest median loan establishment fees compared to the other participating lenders' fees over the review period. The highest combined establishment and provider fee charged on Rapid's loans was \$9,162.

Rapid categorised its products into three tiers (bronze, silver and platinum), based on applicant criteria such as the consumer's employment status, income and living situation.

Consumers whom Rapid assessed as 'bronze' were allowed to borrow lower amounts over shorter periods. Rapid also charged bronze consumers a higher provider fee (12.5% of the principal loan amount, compared to 8.5% for silver and 8% for gold), and a higher interest rate (22%, compared to 18.75% for silver and 16.75% for gold).

For the earlier part of the review period, Rapid's establishment fees were set at \$400 (for loans up to \$4,999) and \$495 (for loans \$5,000 and over). At that time, an 'all fees and interest cap rate' was in place that set a maximum fee rate between 26% and 47.5%, depending on product classification and loan amount.

In March 2024, Rapid introduced new fee structures and caps on its establishment and provider fees (\$995 and \$2,250 respectively). However, in October 2024, Rapid removed the cap to its 'provider fee' and increased this fee for 'bronze' assessed customers from 12.5% to 15% of the principal loan amount.

We were concerned that these fees often constitute a significant portion of the total loan amount, contributing to consumer harm.

We have highlighted our concerns about the structure and settings of Rapid's fees with the lender. Rapid has committed to a review of its product design, including fees and charges, and we continue to engage with Rapid in relation to these concerns.

Distributor establishment fee

If a loan is established through third parties (e.g. a broker or a dealership), there are typically additional 'introducer' fees which vary significantly. The lender charges these fees to the consumer under the loan contract (e.g. as broker or dealer origination fees) and pays them to the distributor that assisted in the loan establishment. Two participating lenders had flat distributor establishment fees, while the rest varied up to a capped amount.

Table 2: Distributor establishment fees, by participating lender

Participating lender	Distributor establishment fee
AAAF	Up to \$912.25
Angle Auto	Up to \$1,250
Latitude	Up to \$2,500
Nissan	Up to \$1,200
Pepper	Up to \$1,500
Plenti	Up to \$990 (may be more than this, depending on individual broker agreements)
Toyota Finance	Up to \$912.25
Rapid	Up to \$1,320

We have set out insights from lenders' aggregate loan data, including loan sizes and median fees incurred, at Table 7 in Appendix 1.

We have set out case studies showing examples of the highest fees incurred by individual consumers on the loans we reviewed: see Table 3. The case studies highlight the variance in consumer cost for establishing each respective car loan. They are not representative of the participating lenders' overall data.

Table 3: Case studies of highest amounts paid in fees, by participating lender

Lender	Case study
Rapid	Rex, based in Queensland, got a Rapid car loan for \$49,162 , which included \$9,154 in establishment fees. These fees included \$1,320 paid to the broker and \$495 paid to Rapid as an establishment fee, with a further \$7,339 paid to Rapid as a 'provider fee'.
Plenti	Penny, based in Queensland, got a Plenti car loan for \$54,645 , which included \$5,002 in establishment fees. These fees included \$4,503 paid to the broker and \$499 paid to Plenti.
Latitude	Larry, based in Western Australia, got a Latitude car loan for \$52,903 , which included \$2,895 in establishment fees. These fees included \$2,500 paid to the broker and \$395 paid to Latitude.
Pepper	Peter, based in South Australia, got a Pepper car loan for \$6,108 , which included \$2,100 in establishment fees. These fees included \$1,500 paid to the broker and \$600 paid to Pepper.
Angle Auto	Andy, based in South Australia, got an Angle Auto car loan for \$9,704 , which included \$1,740 in establishment fees. These fees included \$1,250 paid to the dealership and \$490 paid to Angle.
Nissan	Nina, based in New South Wales, got a Nissan car loan for \$10,989 , which included \$1,699 in establishment fees. These fees included \$1,200 paid to the dealership and \$499 paid to Nissan.
Toyota Finance/AAAF	Tony, based in New South Wales, got a Toyota Finance/AAAF car loan for \$8,303 – this included \$1,307.95 in establishment fees. These fees included \$912.95 paid to the dealership and \$395 paid to AAAF.

Note: The names in these case studies have been changed.

Incentives underpinning distribution models

The participating lenders' distribution models were underpinned by a range of incentive arrangements, including:

- › volume-based commissions
- › tiered bonuses, and
- › performance-linked rewards.

This is reflective of the sector more broadly. In some cases, distributors can receive higher fees for introducing higher contract amounts, usually on a sliding scale. Distributor agreements often involve clawback provisions on early loan termination and other situations.

Some distribution models inherently give rise to conflicts of interest, such as dealerships benefiting from the sale of a car and distributor establishment fees along with commissions. Regardless of the distribution model, in a sector that relies heavily on distributors over direct sales, it is important that lenders have robust governance and oversight of distributors: for more information, see page 26.



Responsible lending processes

We reviewed the participating lenders' policies for complying with their responsible lending obligations and considered indicators of harm from the data. Such indicators included high rates of default occurring relatively quickly after loan origination, and hardship variation applications that might indicate issues with serviceability rather than a change in a consumer's circumstances.

Improvements to responsible lending processes

We identified areas for improvement for some participating lenders in the following areas:

- › Higher risk 'fast approval' processes – relevant lenders agreed to review these processes, which are more likely to result in inadequate assessments and verification.
- › Affordability assessment documents with guidance and prompts that are too broad – for example, a category of 'general living expenses' may result in consumers inadvertently failing to disclose a range of expenses. Relevant lenders agreed to give consumers and distributors further guidance and more specific prompts to gather the best view of consumers' total expenses.
- › Hardship variation applications that highlight an inability to service the loan – for example, if there has been no change in the consumer's financial circumstances, this may indicate inadequate assessment processes at loan origination. Relevant lenders agreed to review credit decision processes, bank statement analysis and approval scorecards.

Case study 4: Concerns with Rapid's responsible lending processes

Rapid's data showed higher levels of consumer harm compared to other participating lenders. For example, Rapid's customers experienced significantly more defaults on repayments. There were also indicators that a high proportion of Rapid's consumers were experiencing financial hardship (e.g. Rapid had higher rates of loan defaults and low hardship variation acceptance rates).

From the data reviewed, over 64% of all of Rapid's loans had one or more defaults during the review period, with 82% of those defaults occurring in the first 6 months of the loan term. Only 13% of those loans that had defaults within the first 12 months applied for a hardship variation within that period – with Rapid rejecting 53% of those applications. The high rejection rate could indicate potential initial overcommitment, rather than hardship due to a change in consumer circumstances.

Rapid committed to reviewing its product structure and fees. It has also committed to reviewing its product review triggers, oversight metrics and lending processes (e.g. loan application, verification and onboarding processes). Rapid also committed to:

- › reviewing their portfolio of loans to identify and assess potentially impacted consumers
- › developing consumer communication protocols, and
- › identifying any remediation required.

We will continue to monitor these actions to ensure appropriate improvements are implemented.

Consumers' experience of car loans

Consumer defaults on loan repayments

A range of consumer harms are often indicated by defaults. Early and recurring defaults can indicate a loan is unaffordable or unsustainable. Defaults themselves can arise for numerous reasons (e.g. the loan not aligning with consumers needs or a change in consumer circumstances).

Participating lenders did not use a consistent definition of 'default'. We have interpreted the data on defaults by taking this into account. All lenders apply different timeframes for when they consider a payment has defaulted and not been rectified: see Table 4. Different repayment frequencies and loan terms also change how and when lenders will record defaults and report them in our data collection.

Table 4: Default periods used by participating lenders, by days past due date

Day 1	Day 15	Day 30	Day 32	Day 34
Rapid	Pepper	Toyota Finance/AAAF Nissan Latitude	Angle	Plenti

These timeframes dictate the period in which the participating lender seeks to issue consumers with the required default notice under the National Credit Act.

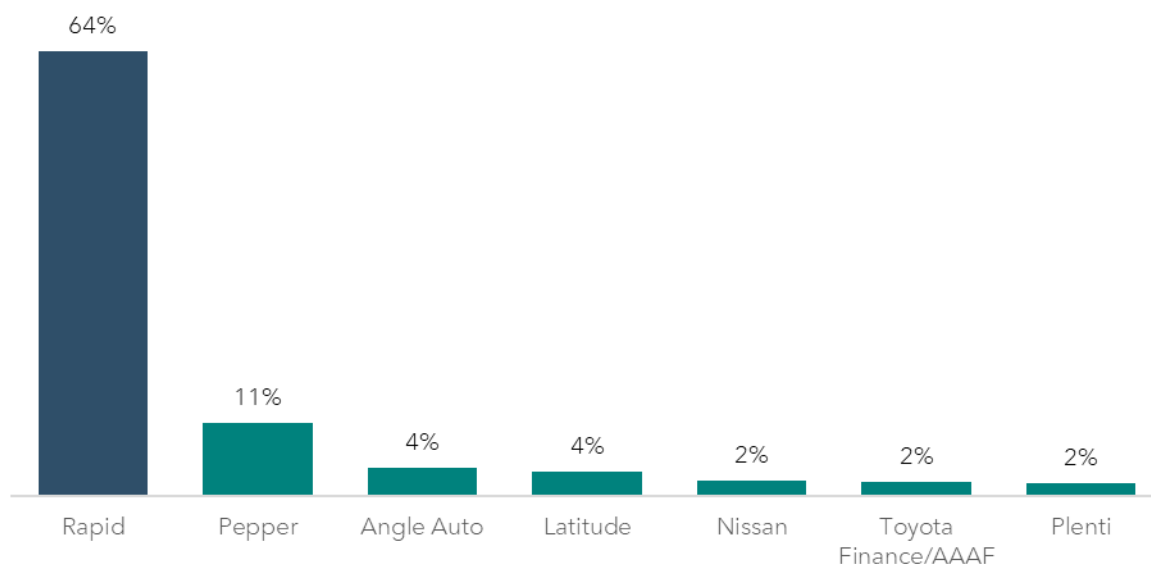
The 'default rate' refers to the proportion of loans provided in the review period where the consumer failed to make (defaulted) at least one repayment.

On the loans reviewed in the project, the participating lenders' default rates varied (see Figure 3):

- › Rapid had the highest default rate at 64% and one of the highest total number of loans with at least one default (3,785 loans). Rapid also had the highest proportion (82%) and the highest number of loans (3,104 loans) with at least one default within the first 6 months of the loan.
- › Larger participating lenders had higher numbers of loans with at least one default – see Table 5.
- › Latitude, Nissan and Plenti had lower default rates – this was 4% for Latitude (544 loans), 2% for Nissan (778 loans) and 2% for Plenti (372 loans).



Figure 3: Proportion of loans with at least one or more default, by participating lender



Note 1: See the paragraph above for the trends shown in this figure (accessible version).

Note 2: In this figure, 'default' is based on the respective lender's definition of default.

Table 5: Default metrics for larger participating lenders

Metric	Pepper	Toyota Finance/AAAF	Angle Auto
Default rate	11%	2%	4%
Number of loans with at least one default	3,962	3,830	2,631

Lenders usually applied a fee or charge when a consumer missed a scheduled repayment. This was usually a one-off default or dishonour fee. In some cases, lenders charged higher default interest rates for the period the loan balance was overdue until the consumer cleared the arrears.


Loans that remain in arrears can be impacted by compounding additional costs, with these costs increasing with the number of repayments the consumer misses.

Hardship progress made, yet opportunities to improve

The project identified themes consistent with those covered in Report 782 *Hardship, hard to get help: Findings and actions to support customers in financial hardship* ([REP 782](#)), noting that some of the participating lenders were involved in that review. Some lenders had made improvements aligned with the REP 782 findings, including in hardship accessibility. For example, participating lenders had streamlined access to hardship support (which reduced processing times and the evidentiary burden on consumers) and improved systems, decision making and overall governance.

Several participating lenders had also taken steps to improve the visibility and accessibility of hardship support, resulting in increased hardship variation applications. For example, Pepper and Nissan recorded higher hardship variation application rates, including for loans with at least one default (45% and 46% respectively). We acknowledge that such rates may reflect improved awareness and accessibility of hardship support following the publication of REP 782.

We noted that Rapid had a streamlined process for initial hardship applications, yet it rejected a higher proportion of hardship applications than other lenders, with 53% of applications refused.



We identified opportunities for specific participating lenders to improve hardship communications. For example, lenders could present information on available options – such as voluntary surrender, voluntary repossession or time-to-sell arrangements – to consumers as part of their hardship arrangement communications. Clearer and more timely communication of these options are likely to help consumers make informed decisions and reduce avoidable costs through repossession outcomes: see our findings on residual debt at page 21.

We also identified opportunities for some participating lenders to strengthen the alignment between hardship, complaints and collections processes, and improve how they used hardship data to inform product governance and oversight. We found that internal collections teams or third-party organisations (particularly at Latitude and Angle Auto) did not always consistently communicate about and acknowledge hardship arrangements or active consumer complaints. That is, the team were inappropriately contacting consumers for collections, despite that consumer having an ongoing complaint or hardship variation arrangements in place to manage arrears. This caused unnecessary distress and confusion.

Both Latitude and Angle Auto had identified these issues internally during the review period, with internal forums and reporting identifying resourcing constraints and process gaps. Both lenders commenced improvements, including enhanced monitoring, system changes and revised controls and oversight.

Improvements to hardship application processes

Following ASIC's findings, participating lenders undertook a range of actions to improve hardship frameworks, processes and communications:

- › Latitude increased resourcing in hardship and complaints, and improved alignment between hardship arrangements and collections activity.
- › Angle Auto improved its systems, increased hardship resourcing and identified improvements for its hardship framework. This included policy improvements, such as explicitly reframing voluntary surrender and private sale as approved hardship outcomes. It also updated customer communications and implemented automated collections pause controls during hardship.
- › Nissan implemented simplified hardship application requirements, updated its policy and guidance, and committed to improving vulnerability identification and customer communications.
- › Plenti updated frontline communications to explain voluntary surrender and time-to-sell options, and enhanced hardship training.
- › Pepper improved hardship communications and committed to embedding voluntary surrender options into hardship pathways for repeat-default and higher risk cohorts.
- › Rapid appointed a hardship officer and committed to implementing a range of hardship improvements over 2026. This included improving hardship accessibility (including via phone and email), strengthening escalation and review of decisions, monitoring hardship outcomes (including against consumers in arrears), and updating hardship communications.
- › Toyota Finance undertook to strengthen its application of the design and distribution obligations by enhancing distributor training materials, refining sales processes, reviewing its monitoring and supervision framework, and providing additional training on linked credit provider complaints-handling procedures.

Consumers remaining in debt after the sale of the secured asset

It is good practice and better risk management for lenders to have robust policies in place to ensure distributors are disclosing the appropriate value for cars secured to the loan. This is particularly the case in higher risk situations, such as older cars in remote areas.

Lenders were focused on the value of the car when assessing the loan at its application stage. The value of the car as the secured asset for the loan was also then relevant if the lender or consumer triggered the voluntary surrender or repossession options under the loan – this is when the car is sold and proceeds set against the outstanding debt. A range of costs can apply as part of repossession and collections processes, and such costs can affect the remaining debt owed (residual debt).

Across data reviewed, rates of voluntary surrender or repossession were generally low (917 loans, being 0.3% of all loans reviewed). Of the participating lenders, four provided data on loan balances before and after the sale of the asset for repossession (Angle Auto, Pepper, Plenti and Rapid) – this related to 267 loans (being 29% of loans that experienced repossession). This data only covered the window of the relevant period (two years), not the full term of the loans.

Among the loans within that data, we observed cases where a small number of customers had significant residual debt remaining following the sale of the car. The amount of residual debt leftover can be affected by numerous factors. The value of the car may have reduced as a result of poor maintenance or unlawful modifications. High residual debt can also be a reflection that the car was not accurately valued when the loan was entered into, and can include numerous fees added to the loan. The examples in Figure 4 show high residual debt after repossession, following sale of the vehicle by the lender.

Figure 4: Highest examples of residual debt

Cars repossessed, debts left behind



Note 1: For the information shown in this figure, see Table 9 in Appendix 3 (accessible version).

Note 2: Examples selected represent the most severe examples of remaining debt, rather than the full scope of all loans reviewed. Total remaining debt can arise due to a range of circumstances. Names have been changed for confidentiality.

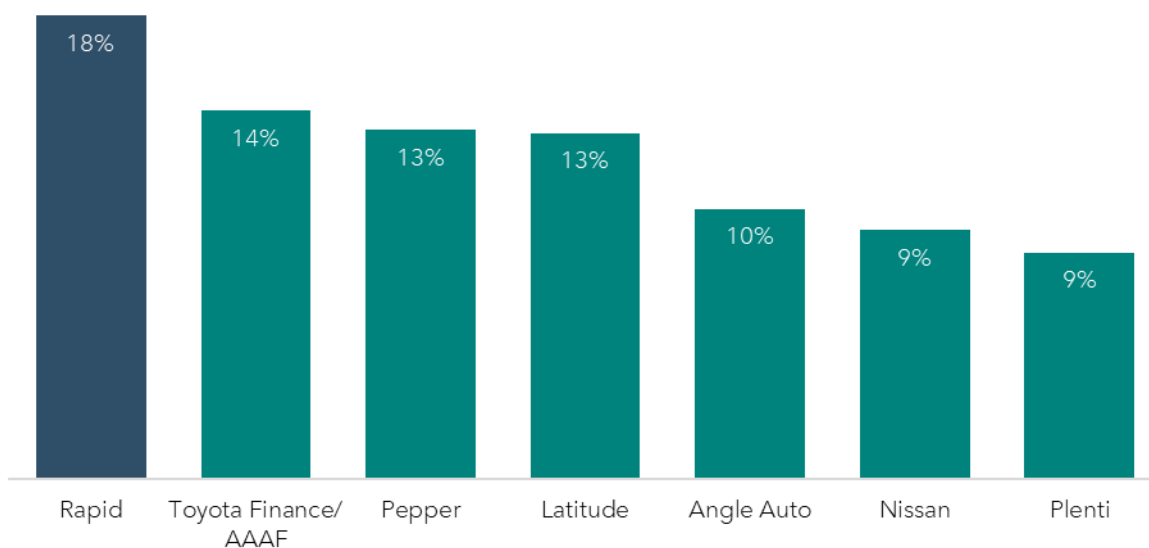
Regional and remote consumer loan outcomes

Lenders should ensure that hardship policies and information are proactively communicated and accessible to all consumers, including regional and remote consumers.

Across all participating lenders' loans, 13% (44,622) of loans were provided to consumers whose residential address is a location classified as regional or remote (regional and remote consumers).

The smallest participating lender, Rapid, had the highest proportion of loans to regional and remote consumers (18%). Toyota Finance and Angle Auto had the highest total number of loans to regional and remote consumers, although overall this equates to a smaller proportion of loans across their business (13%): see Figure 5.

Figure 5: Proportion of loans provided to regional and remote consumers, by participating lender



Note: See paragraph above for trends shown in this figure (accessible version).

Based on the data we reviewed, regional and remote consumers' experience of loans was not significantly different from other consumers' loans. It typically reflected the participating lender's broader trends and conduct.

For most participating lenders, the proportion of consumers that missed at least one repayment and applied for a hardship variation was relatively similar (30% of regional and remote consumers in default, and 32% of other consumers in default). Our findings did suggest that both location and lender may affect hardship application outcomes, with the participating lenders approving a lower proportion of hardship applications for regional and remote consumers than other consumers.

Case study 5: Nissan – Hardship experiences in a remote area

Chris (name changed), a First Nations man in a remote part of the Northern Territory, obtained a Nissan car loan when he purchased a car through a dealer based in Victoria.

Ten months after entering the loan, Chris began to default on his repayments due to unexpected periods of injury, unemployment and housing instability. Through the assistance of a financial counsellor, Chris was able to access Nissan's hardship policy. He successfully obtained various hardship adjustments over several years, including payment extensions and alternative payment plans. The matter was also referred to the Australian Financial Complaints Authority (AFCA), where Nissan's actions were accepted as appropriate in the circumstances.

Over time, Chris continued to experience challenges, and the matter was ultimately resolved after a subsequent financial counsellor made further complaints on Chris's behalf, one year later. This resulted in Nissan agreeing to resolve the remaining issues by approving a debt waiver for Chris in the amount of \$31,170 (63% of the total amount of the loan) and allowing him to retain the car.

This case study demonstrates that lenders' hardship policies and processes need to be responsive to individuals' circumstances and accessible, including for remote customers. It also emphasises the importance of lenders engaging with and responding to customer representatives to ensure suitable outcomes are obtained for consumers (including through external dispute resolution).

Existing tailored servicing for regional and remote consumers

All participating lenders' vulnerability frameworks include consumers who are socially isolated or live in remote areas. Three participating lenders have additional processes for regional and remote consumers:

- › **Two lenders** add buffers of between 10% and 30% to the household expenditure measure (HEM) for consumers living in remote areas, to account for the higher cost of living, before comparing it to borrower's non-discretionary expenses.
- › **One lender's** credit policy also excludes certain higher risk segments of the market, including 'remote geographical regions where operational limitations affected their ability to economically retrieve cars following consumer default'.

Case study 6: Rapid's lending trends in remote Queensland

We identified specific findings for Rapid's lending to consumers residing in postcode 4871 – which is a location with a significant First Nations population cohort, as it is a service hub for a range of nearby Aboriginal communities such as Yarrabah.

Of the total loans reviewed, the participating lenders provided 201 loans to consumers residing in this area. Rapid was the lender for 49 loans (24%).

Note: In the ABS 2021 census, 4871 has a 28% Indigenous identifying rate and a further 11% with Indigenous status not stated (Australian Bureau of Statistics (2021). Using the indicators: 'Postal Area', 'Usual Residence' by 'Indigenous Status' (Person) [Census TableBuilder], accessed 6 August 2025).



We observed that Rapid's lending in this location is more likely to be to consumers with:

- › casual or other declared employment (65%), and
- › comparatively lower income levels, ranging from \$24,000 to \$48,000 a year (71%).

Our review identified that approximately 84% of Rapid's loans to consumers in 4871 had at least one default.

We asked Rapid to review and improve distribution of its products to remote and regional consumers based on high indicators of harm. Rapid accepted our finding that its customers in regional and remote areas had higher default rates and earlier defaults, and committed to:

- › enhanced geographic analysis of defaults
- › reviewing lending criteria with distributional impacts in mind (including geographic concentration risk), and
- › update its Vulnerable Customer Policy to cover a wider range of circumstances. It now includes remoteness and those from an Aboriginal and Torres Strait Islander background.

We will continue to monitor Rapid's actions to ensure they implement appropriate improvements.

Consumer avenues for linked credit

We consider it good practice for lenders to regularly review the reputation and financial standing of car dealerships that offer the lenders' loans as linked credit (also known as 'tied contracts'). Lenders should also regularly review complaints about car dealerships to determine if the lender may be liable for any loss or damages suffered by consumers in such circumstances.

Lenders that provide loans to consumers through dealerships that are selling the cars are linked credit providers. This includes all the participating lenders, except Latitude and Rapid. It covers circumstances where the lender:

- › has a contract, arrangement or understanding with the car dealer relating to the provision of credit for cars they supply
- › regularly receives referrals relating to credit to purchase cars from the car dealer
- › permits the car dealer to make credit applications available as per the arrangement, or
- › has an arrangement or understanding by which the car dealership can sign contracts, credit applications or offers at the dealership premises.

If a lender is a linked credit provider, this provides consumers with additional protections. For example, if a consumer suffers loss or damage because of misrepresentations, breach of contract or failure of consideration in relation to a car sale, the car dealer and linked credit provider may be equally liable for that loss.

Our review found that, although the participating lenders were aware of the provisions and responsibilities, at the commencement of the project none of them had a policy outlining how to practically deal with these obligations.





Improvements to linked credit provision practices

The participating lenders acknowledged there was room for improvement in their management of this obligation. They conducted retrospective reviews to determine if there were consumers that required remediation. They have implemented various improvements, which they committed to complete by June 2026. These include:

- › increasing the regularity of ongoing reviews
- › strengthening accreditation processes
- › monitoring complaints about suppliers that could indicate an issue in this area, including reviewing historic complaints, and
- › new training requirements aligned with above improvements.





Lenders' risk management and governance

Lenders' product review triggers and risk management

It is good practice for lenders to use up-to-date data across a range of transparent metrics to monitor relevant review triggers. These metrics should cover both product design elements and distribution channels over the lifecycle of the loan. This helps lenders adequately manage risks flowing from improper distribution or design features that may no longer be suitable. This feeds into broader governance obligations, which lenders must demonstrate as part of their core business.

Under the design and distribution obligations, lenders must have effective arrangements for managing the risks identified with their product's distribution. Potential risks include the risk of distribution inconsistent with the TMD and harm that could result to consumers. Lenders' arrangements should include processes to eliminate or minimise such risks. The requirement to take reasonable steps to ensure appropriate product distribution also includes taking proactive steps to reduce the risk of inconsistent product distribution.

One component of this risk management is the requirement to specify review triggers in the product's TMD. Specific triggers will differ based on the nature of the product and how it is distributed. Lenders should use their own data (and data provided by distributors) to assess whether their review triggers are appropriate, or to redesign products when required.

We considered the extent to which the participating lenders' review triggers correlated to metrics that could be used to monitor consumer outcomes. We observed that some participating lenders had clearer metrics, which could be tracked by internal compliance processes, than others – for example, triggers that noted significant changes in metrics like:

- › internal delinquency data, cancellations, product switching rates, late repayments, complaints and hardship application rates
- › how often a distributor appears in decline or arrears data
- › identified systemic issues in the loan or across the loan lifecycle
- › material external events (e.g. relevant litigation, adverse media coverage or regulatory attention), which may suggest the TMD is no longer appropriate, and
- › product changes (e.g. 'we make a material change to the product, including to the key attributes or fees').

Most participating lenders had data that allowed them to review their loan books and observe what classes of consumer had concerning patterns of 'time to first default' (e.g. by employment status or distribution channel). We found that the participating lenders' review triggers were able to be updated and monitored to more effectively manage the risk of consumer harm and improve consumer outcomes. The purpose of review triggers is to align the product with its intended target market. This requires lenders to track data indicators (i.e. default rates, default rates for consumers assessed as having low surplus, hardship rates, and voluntary surrender and repossession).





Improvements to review triggers and monitoring

We asked certain participating lenders to provide clearer evidence of how they used specific metrics to inform product governance, distribution oversight and escalation decisions.

Participating lenders made the following improvements to their review triggers:

- › Pepper committed to improving monthly threshold metrics to include sub-cohorts by customer age and asset types, and to improve its analysis of other data. For example, it decided to segment the review trigger 'repossession within the first 24 months of settlement' (i.e. within 2 years of the loan beginning) to show additional target metrics for customers aged between 18 and 24 and 60 and over. It also set a new review trigger of an increase in declined hardship applications, for more robust oversight.
- › Toyota Finance committed to review the triggers in its TMD in March 2026. It also committed to examine whether it should add further triggers, focusing on dealer oversight and training processes, given our findings (see Case study 1). This is part of a broader review of its design and distribution processes, which is ongoing.
- › Angle Auto implemented several enhanced review triggers, such as new triggers focused on hardship applications using a rolling 12-month average of the proportion of hardship applications received in the first 12 months of a loan. It also made improvements to the complaint review trigger, to expand the complaint categories captured. New categories will include charges, financial difficulty and debt collection.

Some participating lenders also made improvements to address risk management concerns, using available data and system improvements to inform overall product distribution:

- › Angle Auto developed new system notifications, ensuring communications are sent to the correct party, customers are of sufficient age for the product, and that the applicant will remain in Australia for the loan period. It also enhanced responsible lending systems (i.e. new warning prompts if relevant disclosed monthly expenses are significantly below the HEM benchmark). It increased distributor reviews and created a new randomised assessment of practice standards to ensure consistency of dealership performance reporting (including a new performance dashboard). It also created new online training modules for distributors on how to accurately capture applicant expenses, advertising, and discussing fees and charges with consumers.
- › Latitude introduced specific product variation thresholds (fixed and variable) and incorporated this into existing monitoring practices. It also improved the documentation of its key product distribution risks and controls across each relevant channel, and refreshed indicators and thresholds as early identifiers of when a product is at risk of being distributed outside its target market. These indicators and thresholds form part of design and distribution monitoring and reporting. It established additional guidelines for aggregators on 'significant dealing' characterisation, and expectations for reporting potential significant dealings to it. Latitude also refined review trigger thresholds to support more granular assessments of material changes and potential significant dealings across different products.
- › Rapid has committed to implement enhanced product monitoring to better identify consumer harm and distribution outside the target market. This will include distributor-level monitoring, using outcome-based metrics with escalation to oversight channels. These metrics include consumers entering arrears early in the loan, seeking hardship and making complaints. Rapid also intend to refine the Rapid TMD product review triggers to be measurable and outcome-focused with defined thresholds.



Lenders' governance requirements

The project also considered the participating lenders' governance and risk management processes, as part of their general conduct obligations in the National Credit Act. See Appendix 2 for more details on these obligations.

Improved governance arrangements

Based on our findings outlining apparent governance gaps and issues, the participating lenders committed to various improvements:


- › In March 2026, Angle Auto implemented several changes aimed at addressing gaps in its oversight of distributors. It enhanced the consequence management framework (used to manage distributor conduct) by including new performance dashboards. The dashboards provided Angle Auto with monthly oversight thresholds for hardship variation applications and complaints, and identified indicators of poor distributor conduct. It also improved its quality assurance frameworks, using sampling methodologies, and redesigned its checklists to better identify and monitor for potential breaches.
- › In April 2026, Toyota Finance implemented new agenda items at its compliance committee meetings to ensure obligations marked as 'not met' over a 12-month period are considered at a higher level and addressed more promptly. This includes dealer activities. Toyota Finance made this change following our requests for information on how they identified and escalated hardship-related and compliance issues, as well as whether they used these issues to inform TMD reviews and distribution oversight to mitigate potential consumer harm.
- › Latitude improved its governance processes by strengthening its record-keeping practices for product changes, governance and decision making. This included refining its TMD review trigger thresholds to support more granular assessments of material changes to product distribution.

Case study 7: Rapid's governance and risk management systems

We observed numerous issues with Rapid's governance and risk management systems. In this manner, Rapid was an outlier compared to other participating lenders. Our concerns ranged across numerous issues and included:

- › product design elements that appeared to target younger borrowers and those on lower incomes, as well as tiered products that may encourage distributors to lend more and earn higher introducer payments. This also included products where longer term loans with higher total dollar commitments 'reward' borrowers with lower establishments fees and lower interest rates
- › infrequent audits and less oversight of distributors compared to other participating lenders, and
- › practices promoting unrealistic expedited (four hour) approvals used by Rapid as a core performance indicator.





To address our concerns, Rapid has retained an external consultant (Korda Mentha) to conduct a broad review of its product design (including fees and charges), its governance model and its compliance framework.

We will continue to monitor these actions to ensure compliance.



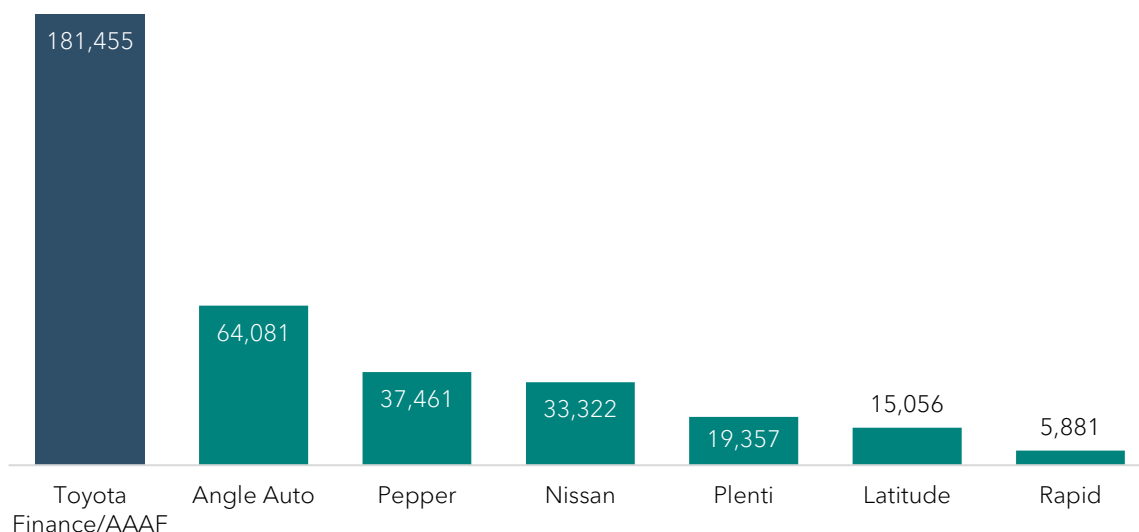
Appendix 1: Participating lender selection

We selected a group of project participants that represent a cross-section of the diverse car loans sector, along with a mixture of distribution models to consider differences and areas for improvement across the sector. We considered a range of data already available to ASIC, including internal dispute resolution (IDR) and external dispute resolution (EDR) data, breach reporting data, reports of misconduct lodged with ASIC, and anecdotal information provided from stakeholders.

We also took into account ASIC's enforcement action or investigations current when the project commenced.

We obtained data focused on indicators of consumer harm during the review period. This data was limited to a two-year window and did not cover the life of the loan.

Figure 6: Number of loans provided over the review period, by participating lender



Note: For the data shown in this figure, see the total column in Table 6 (accessible version).

Table 6: Number of loans provided by participating lenders over the review period, by distribution channel

Participating lender	Licensed dealer	Licensee	Exempted dealer	Broker	Other*	Total
Angle Auto	12	0	63,424	645	0	64,081
Latitude	0	0	0	15,056	0	15,056
Nissan	0	0	33,170	0	152	33,322
Pepper	0	488	11,657	25,318	0	37,461
Plenti	0	984	1,359	15,515	1,499	19,357
Rapid	0	90	0	5,775	16	5,881
Toyota Finance/AAAF	0	9,602	171,853	0	0	181,455

Note: 'Other' includes distribution through affiliated entities like comparison websites, banks that do not provide secured car loans and credit intermediaries that refer customers to the lender.

Table 7: Lowest, median and highest establishment fees across loans portfolios, by participating lender

Lender	Lowest loan	Median loan	Highest loan	Lowest 1% of fees	Median fee	Highest 1% of fees
Angle Auto	\$9,811	\$34,096	\$93,152	\$490	\$1,590	\$1,740
Latitude	\$7,049	\$27,053	\$91,618	\$395	\$1,385	\$2,895
Nissan	\$10,491	\$36,489	\$105,689	\$499	\$1,489	\$1,699
Pepper	\$ 9,287	\$34,592	\$119,334	\$499	\$1,999	\$2,100
Plenti	\$10,085	\$34,455	\$99,611	\$299	\$1,489	\$3,099
Rapid	\$7,378	\$19,816	\$49,761	\$1,454	\$3,761	\$6,073
Toyota Finance/AAAF	\$9,549	\$38,506	\$119,571	\$395	\$1,307	\$1,307



Appendix 2: Legislative obligations

As credit licensees, lenders must comply with a range of the legislative frameworks. These include the National Credit Act and the design and distribution obligations in the Corporations Act.


National Credit Act

The National Credit Act applies to consumer credit, such as secured car loans, mortgages and personal loans. The law includes a range of obligations on lenders. Lenders must:

- › be licensed by ASIC and comply with 'general conduct obligations' in section 47, which require lenders to:
 - do all things necessary to ensure that credit activities authorised by it are engaged in efficiently, honestly and fairly (see Section C of Regulatory Guide 205 *Credit licensing: General conduct obligations* ([RG 205](#)))
 - have adequate risk management systems (see Section D of RG 205)
 - have in place adequate arrangements to ensure that their clients are not disadvantaged by any conflict of interest that may arise wholly or partly in relation to credit activities engaged in by the lender or their representatives (see Section D of RG 205)
 - take reasonable steps to ensure that their representatives comply with the credit legislation, are adequately trained and that their organisational competence is maintained (see Section E of RG 205 and Regulatory Guide 206 *Credit licensing: Competence and training* ([RG 206](#))), and
 - have adequate resources available to engage in the above requirements (see Regulatory Guide 207 *Credit licensing: Financial requirements* ([RG 207](#)))
- › make adequate disclosures and accurate representations about the products that they offer
- › carry out their lending responsibly, by:
 - considering and accounting for consumers' financial situation and their needs and objectives, and
 - assessing and ensuring loans would not be unsuitable and would not cause substantial hardship (see Regulatory Guide 209 *Credit licensing: Responsible lending conduct* ([RG 209](#))), and
- › have adequate IDR and EDR measures, including being a member of AFCA.

The National Credit Code is set out at Schedule 1 to the National Credit Act and provides important provisions on linked credit providers. A linked credit provider is a lender who provides car loans for cars sold through dealers. For example, the dealer may have an arrangement with the lender where they regularly refer people to that lender for the purpose of obtaining credit – in these circumstances, most lenders are 'linked credit providers' under the legislation.

A lender that is a linked credit provider under the National Credit Act has certain responsibilities. If a consumer suffers loss or damage as a result of misrepresentation, breach of contract, or failure of consideration in relation to a car purchase (including by a dealer) where it is a linked credit contract, the car dealer and the linked credit provider may both be equally liable for that



loss: see section 129 of the National Credit Code. Lenders also have defences to these provisions under section 129(2) of the National Credit Code, including by showing that:

- › the loan was established independently by the consumer (e.g. without dealer involvement)
- › the lender made due inquiries to establish the good reputation and conduct of the distributor, and
- › the lender had no reason to suspect that consumers interacting with that dealer might suffer loss.

Design and distribution obligations in the Corporations Act

The design and distribution obligations in the Corporations Act (see Regulatory Guide 274 *Product design and distribution obligations* ([RG 274](#))) are intended to help consumers obtain appropriate financial products and minimise consumer harm. They require financial product issuers to have:

- › a consumer-centric approach to the design and distribution of financial products, and
- › effective product governance arrangements across the lifecycle of the financial product.

Product issuers must:

- › define an appropriate target market, including distribution conditions and review triggers, to ensure the product is being distributed to the appropriate consumers (RG 274.9)
- › specify distribution conditions and restrictions that make it likely that the consumers who acquire the product are in the relevant target market. This includes planning how the product and its distribution will be monitored and reviewed (RG 274.41, section 994B(8)(a)) and restricting distribution where appropriate (RG 274.96)
- › take reasonable steps to align product distribution with the products' TMD. This includes having an adequate risk management approach (RG 274.11), and
- › monitor and review the outcomes produced by the design and distribution of its products, and consider whether changes are required to the product, to the way it is sold or to whom it is being sold (RG 274.13). This requires issuers and distributors to take a consumer-centric approach (RG 274.14).


Distribution conditions

An issuer may become aware that the distribution conditions for its product are inadequate. If this happens, the issuer must amend its TMD to set out additional distribution conditions to ensure such distribution does not occur or cease distribution (RG 274.100).

Risk management and review triggers

Product issuers must have effective arrangements to manage the risks identified with distribution: RG 274.141. This includes taking reasonable steps to consider:

- › *risk* – the likelihood of distribution being inconsistent with the TMD
- › *harm* – the nature and degree of harm that might result from the product being distributed otherwise than in accordance with the TMD, and

- 
- › *mitigation steps* – steps that can be taken to eliminate or minimise the likelihood of the distribution being inconsistent with the TMD and the harm that might result (RG 274.142, section 994E(5)).

Issuers must specify product review triggers in the products' TMDs. These triggers are events and circumstances that would reasonably suggest the TMD is no longer appropriate (RG 274.103). Review triggers are likely to differ based on the nature of the product and its intended target market, including how it's distributed (RG 274.104). An issuer should use its own data, along with the data provided by distributors, to review a TMD for appropriateness, or redesign products when required (RG 274.108).



Appendix 3: Accessible versions of figures

This appendix provides accessible versions of some of the figures in this report.

Table 8: Participating lenders' total unique distributors, by distribution type

Lender	Broker	Exempted dealer	Licensed dealer	Other	Total
Angle Auto	12	50	2	0	64
Latitude	766	0	0	0	766
Nissan	0	289	0	1	290
Pepper	0	743	92	0	835
Plenti	1,444	4	0	8	1456
Rapid	103	0	0	3	106
Toyota Finance/AAAF	0	592	0	0	592

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

Table 9: Highest examples of residual debt

Bob from New South Wales	<p>Got a car loan to purchase a 2015 Nissan X-Trail. Bob's car loan totalled \$23,250, but 18 months later the lender repossessed and sold the car.</p> <p>Bob's loan balance before the car was sold was \$25,773. After the car was sold, he still owed \$23,500 – that is, Bob still had to pay 92% of his loan after repossession.</p>
Jasmine from the Northern Territory	<p>Got a car loan to purchase a 2013 Mazda Utility Dual Cab. Jasmine's car loan totalled \$34,455, but 6 months later the lender repossessed and sold the car.</p> <p>Jasmine's loan balance before the car was sold was \$34,955. After the car was sold, she still owed \$37,299 – that is, Jasmine still had to pay 107% of her loan after repossession.</p>
Sebastian from Queensland	<p>Got a car loan to purchase a 2015 Holden Cruze. Sebastian's car loan totalled \$15,678, but 8 months later the lender repossessed and sold the car.</p> <p>Sebastian's loan balance before the car was sold was \$18,237. After the car was sold, they still owed \$20,714 – that is, Sebastian still had to pay 114% of their loan after repossession.</p>
Madhu from South Australia	<p>Got a car loan to purchase a 2015 Jeep Wrangler. Madhu's car loan totalled \$47,989, but 12 months later the lender repossessed and sold the car.</p> <p>Madhu's loan balance before the car was sold was \$49,673. After the car was sold, she still owed \$41,520 – that is, Madhu still had to pay 83% of her loan after repossession.</p>

Note: This table sets out the data shown in Figure 4.

Key terms and related information

Key terms

AAAF	Australian Alliance Automotive Finance Pty Ltd, including the brands Mazda Finance, Suzuki Financial Services and Power Alliance Finance
Angle Auto	Angle Auto Finance Pty Ltd
balloon payment	A lump sum payment at the end of the loan term, typically larger than the standard repayment amount
book value	The estimated value of a car (trade-in or retail) as determined by industry guides. Book value is usually used by lenders to assess risk and calculate the LVR
car loan	Motor vehicle finance product
default rate	The proportion of loans provided in the review period where the consumer had failed to make at least one repayment
distributor establishment fee	A one-off, upfront fee paid by the consumer to cover the administrative, processing, and set-up costs incurred by the lender's relevant distributor in the establishment of a new loan
GFV loan	Guaranteed future value loan – a car loan with a shorter term (usually 12 to 48 months) that guarantees the value of the car at the end of the term
Latitude	Latitude Automotive Financial Services
lender	A credit licensee who provides car loans
loan establishment fee	A one-time, upfront charge paid to a lender for setting up a new loan, covering administrative tasks like processing and document preparation. These fees can be a flat rate or a percentage of the loan amount, often capitalised into the total debt
LVR	Loan-to-valuation ratio – the amount of the loan (less any other products financed as part of the loan) as a percentage of the appraised value of the asset the loan is secured against
Nissan	Nissan Financial Services Australia Pty Ltd
participating lenders	Lenders participating in this project, including: <ul style="list-style-type: none">› AAAF› Angle Auto› Latitude› Nissan› Pepper› Plenti› Rapid, and› Toyota Finance
Pepper	Pepper Asset Finance Pty Ltd

Plenti	Plenti Finance Pty Ltd
Rapid	Rapid Loans Pty Ltd
regional and remote consumers	Consumers identified by loan data as having a residential address located in an area classified under the Remoteness Areas of the Australian Bureau of Statistics as: <ul style="list-style-type: none"> › Outer Regional › Remote › Very-Remote
review period	March 2023 to March 2025
RG 274 (for example)	An ASIC regulatory guide (in this example numbered 274)
Toyota Finance	Toyota Finance Australia Limited, including the brands Toyota Finance, Lexus Financial Services, Powertorque Finance and Hino Financial Services

Related information

Headnotes

car loans, credit, credit licensees, defaults, design and distribution obligations, fees and costs, hardship, interest rates, lenders, loan affordability, motor vehicle finance, residual debt, review triggers, risk management,

Legislation

Corporations Act 2001, sections 994B(8)(a) and 994E(5)

National Consumer Credit Protection Act 2009, section 47

ASIC documents

[RG 205](#) *Credit licensing: General conduct obligations*

[RG 206](#) *Credit licensing: Competence and training*

[RG 207](#) *Credit licensing: Financial requirements*

[RG 209](#) *Credit licensing: Responsible lending conduct*

[RG 274](#) *Product design and distribution obligations*

