



Law Council  
OF AUSTRALIA

*Legal Practice Section*

28 February 2020

Manager  
Financial Services Reform Taskforce  
Treasury  
Langton Cres  
PARKES ACT 2600

By email: [FSRCconsultations@treasury.gov.au](mailto:FSRCconsultations@treasury.gov.au)

Dear Sir/Madam

### **CAP ON VEHICLE DEALER COMMISSIONS**

1. The Law Council of Australia welcomes the opportunity to make a submission to Treasury in relation to the Financial Services Royal Commission Recommendation 4.4 – Cap on vehicle dealer commissions. This submission has been prepared by the Australian Consumer Law Committee (**the Committee**) of the Law Council of Australia's Legal Practice Section.<sup>1</sup>
2. The Committee supports the introduction of a cap on vehicle dealer commissions as the first step towards an outright ban.
3. The Committee notes that proposed reforms to subsection 12BA(1) of the *Australian Securities and Investments Commission Act 2001* (Cth) (**ASIC Act**) would limit the definition of a motor vehicle to 'motor-powered road vehicle' meaning it may not capture other vehicles that may be subject to sales commissions and the misaligned incentives that they bring. These could include off-road vehicles, quad bikes and caravans.
4. The proposed definition of 'commission' to be inserted into subsection 12BA(1) of the ASIC Act should also be expanded to cover the situation where dealers underwrite their own warranties.

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<sup>1</sup> The Law Council of Australia is a peak national representative body of the Australian legal profession. It represents the Australian legal profession on national and international issues, on federal law and the operation of federal courts and tribunals. The Law Council represents 60,000 Australian lawyers through state and territory bar associations and law societies, as well as Law Firms Australia.

5. The Law Council would welcome the opportunity to discuss this submission further with Treasury. In the first instance, please contact the Chair of the Committee, Ben Slade on [BSlade@mauriceblackburn.com.au](mailto:BSlade@mauriceblackburn.com.au).

Yours sincerely

*Margery Nicoll.*

**Margery Nicoll**  
**Acting Chief Executive Officer**