



esdalesinclair & ASSOCIATES

...your local finance specialists

Welcome to our quarterly newsletter.

Our sympathies go out to those effected by the recent spate of bush fires in our region, there are a number of concessions available to those effected. Banks and Financiers will consider deferment of payments, the ATO have also announced deferred dates for submission/payment of BAS and IAS statements as well as an interest free repayment arrangement for Impacted Postcode Regions, we are happy to assist any clients with assistance in this regard.

In this edition we take a look at:

- Buying a new car? – Our car buying service could save you dollars!
- The Royal Commission and Code of Banking Practice - What does this mean if you are looking to borrow money or renew existing banking facilities
- First Home Deposit Scheme - Good news may be coming for those that are looking to buy their first home
- Slattery's through their quarterly report provide an insight in to what is happening with assets in the various industry sectors
- And finally we take a look at changes to gift cards – just in time for the holiday season.

As this is our last quarterly newsletter for this year we would also like to take the opportunity to wish you and your family all the best for a safe and happy Christmas and New Year.

As always, if we can help with any aspect of your finance, or if you know of someone that would benefit from our services, please do not hesitate to contact us on (07) 4922 7221 to discuss.

Enjoy the read!



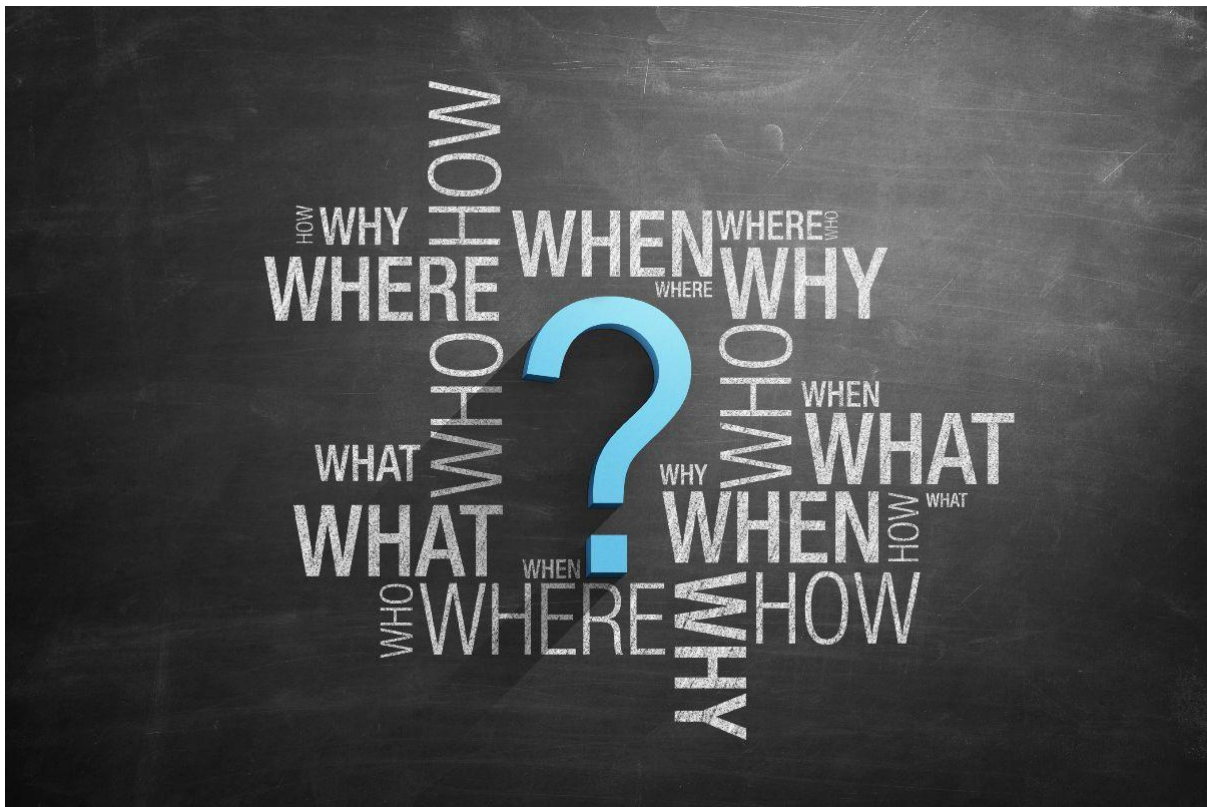
Buying a New Car?

If you are looking to buy that dream car but don't have the time - or patience - to search through dealerships or websites, we can take the pain and hassle out of buying a new car.

How does it work?

Our car buying service offers a personalised "concierge" service. They will discuss the details and options available for the car you are looking to purchase. They will then utilise their unique tendering system to access over 1,300 dealerships across Australia to obtain a competitive price – sometimes saving thousands off the purchase price. This is due to their ability to obtain fleet pricing.

We then organise the finance making the entire process streamlined and easy for you.



The Code of Banking Practice and the Financial Services Royal Commission – what does it all mean if you are seeking finance?

Following on from the Financial Services Royal Commission, the Australian Banking Association issued a revised Banking Code of Practice (Code).

The Code specifies minimum standards of practice and conduct for Banks when providing banking services to the following customers:

- Individual customers
- Small business customers, being those with:
 - An annual turnover of <\$10m in the previous financial year;
 - < 100 FTE employees; and
 - <\$3m total debt to all credit providers
- A guarantor or prospective guarantor for a loan to an individual or small business customer

What are the positives from the Royal Commission and the Code?

As most of us are aware from media reports surrounding the Royal Commission, there was clearly a need for change.

The revised Code adopted by the Banks provides increased protection to borrowers against unfair contract terms in loan documents. It achieves this by enhancing the protection provided to small business. Specifically, it prohibits a range of potentially unfair and one-sided terms in loan contracts for small business borrowings up to \$3 million.

In addition to the Code, Australian consumer law protects small businesses (being those who borrow up to \$1 million) from unfair terms in standard form contract terms. Further information can be found here: [Unfair contract terms](#)

The Code also provides improved protection for Borrowers and Guarantors, with the Banks now required to clearly stipulate how and when they can take action against a small business customer for non-monetary defaults under loan contracts.

Loan Guarantors are now provided with additional information in the event that a borrower's financial position is deteriorating as it relates to the guaranteed loan. There is also now a requirement to enforce against a Borrower's assets first to recover the debt, rather than the Guarantor's assets.

The above changes are now included in standard form contracts and security documents.

What are the downsides?

We have seen an overall tightening of credit by the Banks, with additional hurdles being placed on small and medium business clients seeking a new loan or renewal of existing facilities.

In particular, we are seeing the following behaviour from the Banks:

- Implementation of consumer-type lending requirements, particularly for clients that operate under a trust structure

- Even if the client has adequate cash flow to service the proposed finance amount, directors are being asked to submit a detailed analysis of their personal living expenses, which results in increased paperwork and delays in processing applications. We consider this an unnecessary impost on business
- Any lending proposal that fails to 'tick all the [Bank's] boxes' (to enable approval of the transaction) is generally declined – We are seeing limited opportunities for customers to present to the Banks their logical arguments as to why a transaction should be approved
- Delays in processing Credit Applications - We are seeing delays of up to four weeks from submission of application to the time it is reviewed
- Some clients that are subject to an annual review of their facilities by their Bank are being asked to exit, despite the length of the relationship

What is happening now?

Some of our clients simply cannot obtain finance from their Bank to support business growth, or worse still have been asked to exit their current Bank entirely.

If you are experiencing similar problems, we can introduce you to another Bank, or we can discuss other streamlined Business Finance Options that may be available.

Holiday cash crush

At this time of year, business is preparing to close over the December/January period -and many will effectively utilise the ATO as a short term funder over that period, with payment of the December quarterly BAS not due until 28 February 2020.

From our experience, February typically marks the time when thousands of small businesses are stretching their cash flow to the limit following the holiday period. Now may be the time to consider cash flow over what, for many businesses, will be a tough period of cash payments outstripping cash receipts until normal service resumes in February/March 2020.

With the streamlined Business Finance Options (in summary):

- Cash is available for any worthwhile business purpose; such as marketing expenses, taking advantage of discount terms on stock purchases, injecting cash to support business growth or even hiring additional staff
- Terms of finance from 6 months up to 36 months
- No property security is generally required
- Quick decisions (usually within 48 hours)

We have access to over 15 lenders (covering both Debtor Finance and Business Loans), which means we can generally deliver an outcome based on individual needs.



Latest news - First Home Loan Deposit Scheme

Good news may be coming for those that are looking to buy their first home, with the Federal Government announcing the First Home Loan Deposit Scheme (Scheme).

This Scheme takes the form of a Government Guarantee designed to help eligible first home buyers secure a residential mortgage.

The plan at the time of writing is that the Scheme will commence on 1 January 2020.

To be eligible:

- First home buyers must earn less than \$125,000 for singles (\$200,000 for couples) and have a deposit of at least 5%
- The maximum price of the property being purchased will be capped according to where in each State or Territory the property located, as follows:
 - **NSW:** \$700,000 in Sydney and regional centres and \$450,000 for the rest of the State.
 - **ACT:** \$500,000
 - **Victoria:** \$600,000 in Melbourne and regional centres and \$375,000 for the rest of the State
 - **Queensland:** \$475,000 in Brisbane and regional centres and \$400,000 for the rest of the State
 - **Northern Territory:** \$375,000
 - **Western Australia:** \$400,000 in Perth and regional centres, \$300,000 in the rest of the state
 - **South Australia:** \$400,000 in Adelaide and regional centres and \$250,000 for the rest of the State
 - **Tasmania:** \$400,000 in Hobart and regional centres and \$300,000 for the rest of the State

How the scheme works

The Government becomes a guarantor to the loan, guaranteeing the remaining

deposit amount to secure a financier up to a 20% deposit level. The proposed Scheme means that eligible borrowers would not have to pay additional costs for lenders' mortgage insurance, which is usually required on loans taken out with a deposit below 20%.

An eligible borrower with a 5% deposit would still be borrowing 95% of the purchase price of the property and be required to pay back that principal, plus interest, to their financier.

Eligible applicants will be required to apply for the Scheme.

Which financiers will have access to the Scheme?

The Government has revealed that the 'big-four' banks (including their subsidiaries) will each not be permitted to facilitate more than 5,000 loan guarantees in each financial year, in a bid to enhance market competition.

Further details are expected to be announced in December, once the Government has finalised feedback from submissions. Further information on the scheme can be found here: [FHLDS](#)



What is the performance of assets in various industry sectors? – Slattery’s Third Quarter Report 2019!

Slattery’s Asset Advisory produces a quarterly report that looks at the performance of assets in various industry sectors.

The third quarter of 2019 has seen declines in key market sectors continue, although there were a few outliers that bucked the trend of declining new asset sales. The quarter, in short, can be found below:

- Slattery's continue to **see the decline in the new Truck sales market due to the oversupply of trucks** throughout 2018 and the downward pressure on operators to reduce their margins.
- **Volvo is the flavour of the quarter in the heavy-duty truck sector** bringing their year to date total to 1,656 just. **50 trucks behind market leader Kenworth.**
- **Caterpillar Inc is reporting a 6% decrease in revenue across their business.** The Caterpillar construction industries for **Asia Pacific have reported a 29% decline in sales** in the third quarter.
- The TMA (Tractor and Machinery Association) has reported that confidence in the sector remains low, however, there has been a reasonable amount of deals happening with dealers looking to sell equipment at less margins than we normally see.
- Year-to-date, the motor vehicle market is sitting on **811,464 registrations, down 7.9 per cent** compared to the same point in 2018
- **Passenger cars are down 18.3% and light commercial vehicles have been down 5.4%** for the quarter. The only rise in vehicle sales over the quarter is in the SUV segment which is up by 1.1%.

You can obtain a full copy of Slattery’s report and sign up to receive regular reports here: [Slattery Quarterly Reports](#)



Handy news - New Legislation – Gift Cards

At this time of the year, you may be planning on giving a gift card or receiving a gift card. The good news is that, from 1 November 2019, all gift cards and vouchers sold must remain valid for at least three years and the expiry date must be clearly shown. Even if a gift card indicates an earlier expiry date, consumers will still get the benefit of the mandatory three-year period.

Note that gift cards and vouchers are not covered by this new legislation if they are:

- Sold for a good or service at a genuine discount; or
- Provided to customers in a limited promotion (for example: valid in-store today).

Businesses cannot charge post-purchase or administration fees that reduce the value of the gift card. Such fees include activation, account keeping and balance enquiry fees.

Businesses can still charge other costs; such as fees for overseas transactions, payment by credit card, or replacing a lost or damaged card.

The Australian Securities and Investments Commission (ASIC) has set requirements for vouchers and gift cards, based on the *Corporations Act 2001*.

Vouchers and gift cards:

- Must clearly display the expiry date. This includes the activation expiry date for cards that need to be activated before use
- Can be used more than once
- Cannot be reloaded (i.e. the value cannot be increased or added to)
- Cannot be redeemed for cash unless there is a remaining amount that, in the business' reasonable opinion, cannot be conveniently used.

Copyright © 2019, Esdale Sinclair & Associates.

(Esdale Sinclair & Associates is a trading name of Esdale Sinclair & Associates QLD Pty Ltd

ABN 78 138 553 483)

All rights reserved.

DISCLAIMER: The information contained in this newsletter is of a general nature and does not take into consideration your own circumstances. It is recommended that seek your own independent advice. To the extent permitted by law neither Esdale Sinclair & Associates or any related party will be liable to anyone who relies on this information contained in this Newsletter. Articles contained in this newsletter are not to be construed as an offer of finance and all applications are subject to Credit Approval.

Our mailing address is:

Esdale Sinclair and Associates

184 Musgrave Street

North Rockhampton, QLD 4701

Australia