

Franchise Council welcomes \$2b boost for SME loans

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The Franchise Council of Australia has welcomed the Federal Government's response to calls from business and lenders to act to underpin availability of credit for cash-starved small to medium businesses (SMEs).

"The Government's new small business funding policy recognises that it has become increasingly harder for small businesses to obtain finance other than on a secured basis, typically, against their main personal asset – their home, and costs are higher than they should be", says FCA CEO Mary Aldred.

"We understand that the new government fund will underpin SME loans issued by smaller banks and non-bank lenders, boosting funding to lend to small businesses and potentially lowering SME borrowing costs" says Ms Aldred.

"It's always been a challenge for small business to access debt finance, but the situation has worsened as the banking Royal Commission has waved the big stick of stricter lending laws and loan serviceability rules," says Ms Aldred.

"Franchising mainly comprises small businesses which make a major contributor to the Australia economy – there are 1,200+ different franchise systems, over 80,000 franchised businesses and more than 500,000 people employed in the sector across urban, rural and regional Australia. We want to see them grow and succeed and a transition from credit squeeze to credit crunch would have severe impact" says Ms Aldred.

"The FCA has been greatly concerned that any extension of the consumer responsible lending regime into SME lending could have significant negative impact in a sector already struggling in a tight market environment."

"The FCA believes that potentially vulnerable customers should be protected without restricting finance to customers who can afford it" says Ms Aldred.

"Small business is increasingly being squeezed on a number of fronts. This includes escalating energy costs, compressed margins, a complex industrial relations framework and availability of finance," says Ms Aldred. "We don't want to see a slowing of investment from the sector because that will have adverse implications for economic growth and jobs," she added.

For more information, please contact the FCA on 1300 669 030

The Franchise Council of Australia is the peak industry body for the \$146 Billion Australian franchise sector representing franchisors, franchisees and suppliers/advisors. www.franchise.org.au