

<b>Audit Guide – Clause 7.3</b>	
<b>7.3. Where the RTO requires, either directly or through a third-party, a prospective or current learner to prepay fees in excess of a total of \$1500 (being the threshold prepaid fee amount), the RTO must meet the requirements set out in the Requirements for Fee Protection in Schedule 6.</b>	
<p><b>What is this clause about:</b> This clause requires the RTO to implement arrangements to protect the fees paid by learners in advance of services being provided. This is a requirement because following the GFC in 2008, more than a few RTO's went to the wall and took all of their learner's prepaid fees with them to the administrators. The standards currently give an RTO three options. The RTO may limit the amount required to be paid at any time by the learner to not exceed \$1500 in advance of services being provided (90% of RTOs), the RTO may hold an unconditional financial guarantee from a bank operating in Australia (very expensive to get) or the RTO may hold a current membership of a Tuition Assurance Scheme. There is a fourth alternative which allows the RTO to seek an alternative fee protection measure from the ASQA. The vast majority of RTO's utilise the standard option to limit the amount of fees charged in advance of services being provided to \$1500. There are a number of misconceptions about this requirement. The standard says that this applies to prospective or current learner's. So, this requirement is broader than just fees paid prior to the course commencement. It also relates to fees paid during the conduct of the course. To be clear, where any fee is required from a learner in advance of the services being provided; before or during the course, then any single payment cannot exceed \$1500.</p> <p><b>Take home point:</b> Unless you have a contractual obligation to hold a membership in a Tuition Assurance Scheme (such as the VET Student Loan Scheme), you do not need it. I occasionally come across RTOs who do not have any such obligation but have been "convinced" by a Tuition Assurance Scheme that they must have membership to comply with this clause. Tuition Assurance could cost you between \$5,000 - \$12,000 per year. The Tuition Assurance provider is very happy to take your money. All you simply need to do is structure your fees so that no single payment in advance exceeds \$1,500. Easy! Beware of those who seek to take advantage of your ignorance.</p>	
<p><b>Evidence to prepare:</b></p> <ul style="list-style-type: none"> <li>– Fee schedule and fee information included in pre-enrolment information</li> <li>– Access to learner records relating to fee payments</li> <li>– Tuition Assurance Scheme membership if applicable</li> </ul>	<p><b>You must be able to demonstrate that:</b></p> <ul style="list-style-type: none"> <li>– You do not require prospective or current learner's to prepay fees in excess of \$1500.</li> </ul> <p><b>You should prepare for these types of questions:</b></p> <ul style="list-style-type: none"> <li>– Are there any courses that you provide where you require payment in advance of services being provided in excess of \$1500?</li> </ul>

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<ul style="list-style-type: none"> <li>– Evidence of unconditional financial guarantee from a bank operating in Australia if applicable</li> </ul>	<ul style="list-style-type: none"> <li>– Can you provide me a copy of your fee schedule or fee information that identifies the total amount and the required fee payments during learner’s enrolment?</li> <li>– Can I access the payment details for the following students please?</li> </ul>

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