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INDEPENDENT GUIDE · AUSTRALIA · REVIEWED JUN 2026

The ultimate guide to choosing a personal loan or car loan finance broker

How brokers are paid, what they must legally tell you, how to protect your credit score, and the exact questions to ask — so you can choose with confidence.

PUBLISHED BY
Noddle · ACL 526746 · Member of AFCA

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WHAT'S IN THIS GUIDE

What a finance broker actually does

A finance broker is a go-between who arranges a loan for you by dealing with lenders on your behalf. In legal terms a broker is a **credit assistance provider**: they don't lend you the money themselves, they help you find, compare and apply for a loan from a lender. Brokers who specialise in home loans are usually called mortgage brokers. This guide focuses on brokers who arrange **personal loans and car loans**.

For these loans, a good broker does four things: assesses your situation, compares lenders to find one likely to approve you on competitive terms, explains the real cost before you commit, and manages the application through to settlement. You pay the broker a brokerage fee for this work. The value to you is saved time, wider options, and protecting your credit score along the way.

The key thing to understand up front: a broker arranging a regulated consumer loan in Australia must be licensed, must give you specific information in writing, must follow responsible-lending rules, and must belong to a free independent complaints scheme. The rest of this guide shows you how to confirm each of those, and how to tell a good broker from a bad one.

Step 1 — Check they're licensed

Any business arranging consumer loans regulated by the **National Consumer Credit Protection Act 2009** (the National Credit Act) must hold an **Australian Credit Licence (ACL)**, or operate as an authorised **credit representative** of a licence holder. This is not optional. Arranging regulated consumer credit without a licence or authorisation is illegal.

You can verify this yourself, for free, in under a minute. Don't take a broker's word for it:

- Search **ASIC Connect's Professional Registers** at connectonline.asic.gov.au — search Credit Licensee or Credit Representative, or
- Call ASIC on `1300 300 630`.

A legitimate broker displays their ACL or credit representative number on their website and in their Credit Guide. People are sometimes confused about whether they're dealing with a lender or a broker, so if you're not sure, ask directly. If a broker can't or won't give you a licence number, stop there.

Step 2 — Understand how they get paid

This is where most people get caught out, so it's worth being precise — and it works differently for personal and car loans than it does for home loans.

For a personal loan or car loan, the broker normally charges **you** a **brokerage fee** for the work of finding you a loan. That fee is usually **added to the loan amount** you borrow rather than paid out of your pocket up front. Because it's rolled into the loan, you also pay **interest on the brokerage fee** over the life of the loan, so it costs you more than the fee figure alone. On top of the brokerage fee, the broker **may also receive a commission from the lender**.

None of that is hidden or improper — paying a broker for their work is normal, and a good broker earns it by finding you a better deal than you'd find alone. What matters is that you see the full picture before you commit:

WHAT YOU MAY PAY	HOW IT WORKS
Brokerage fee (paid by you)	The broker's charge for arranging your loan. Usually added to the loan amount, so it's financed and you pay interest on it over the loan term.
Lender commission (paid by the lender)	The broker may also be paid by the lender when your loan settles, sometimes as an upfront amount and an ongoing trailing commission. This is separate from your brokerage fee.

The law requires the broker to disclose the brokerage fee and any lender commission **in writing**, before they do the work, and to tell you the maximum amount payable by you. If a broker won't put their fee in writing, that tells you what you need to know.

THE HONEST VERSION

You're paying for a service, so treat it like one. Ask what the brokerage fee is, confirm it's being added to your loan, and ask the broker to show you the **total cost including interest on that fee**. Then ask **why** a particular lender and loan is being recommended. A good broker explains the reasoning and shows you the full number. The fee is fair when the deal and the time saved are worth it to you, not because nobody mentioned it.

Step 3 — What they must tell you in writing

The National Credit Act requires every broker to give you two documents **before** they do the work: a **Credit Guide** and a **quote**. These are your single best tool for sizing up a broker, so ask for them early and read them.

THE CREDIT GUIDE MUST CONTAIN

Name & contact details	required
Licence / rep number	required
Any fees payable	required
Lenders used most often	top 6
Internal dispute process	required
AFCA membership (external DR)	required
Your right to the assessment	required

The quote must:

- be in writing;
- specify the services being provided;
- specify the **maximum amount** payable by you, including all fees and charges; and
- state whether any fee is still payable **if you decide not to proceed**.

DON'T SIGN ANYTHING YOU HAVEN'T READ

People have signed documents thinking they were a loan application, only to find later they'd signed a binding contract with a fee payable whether or not they took the loan. If anything is unclear, get independent advice before you sign.

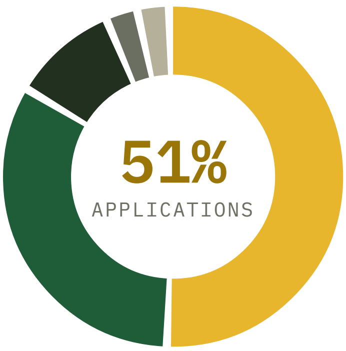
Step 4 — Protect your credit score

Here's something most borrowers don't realise until it's too late. Shopping around by applying to lender after lender can quietly drag your own credit score down.

Every full credit application can leave a **hard inquiry** on your credit file. Under the standard Equifax credit score model, the number of credit applications you make is the **single largest factor** in your score, bigger than your repayment history. Apply to five lenders in a month and you may have added five hard inquiries before you've taken out a single loan.

A good broker avoids this by running a **soft inquiry** or pre-qualification first. This checks which lenders are likely to approve you without affecting your score, so a full application only goes to a lender likely to say yes. Always ask a broker whether their initial check is soft.

Components of a standard Equifax credit score



Credit applications	51%
Comprehensive credit reporting	33%
Adverse events (e.g. defaults)	10%
Personal information	3%
Credit report age	3%

Where you sit decides who'll lend, and at what rate

Your credit rating reflects your risk compared with the rest of the credit-active population. The higher the band, the more lenders compete for you and the sharper the rate.

EQUIFAX CREDIT SCORE RANGE (0–1200)

Below avg	Average	Good	Very good	Excellent
0–459	460–660	661–734	735–852	853–1200

Weightings and band ranges reflect a standard Equifax Credit Score model and may change. You can request your own credit score and report for free from the major Australian credit bureaus. Learn more on MoneySmart: credit scores and credit reports.

Step 5 — Ask about their lender panel

Be sceptical of any broker showing a wall of 50 lender logos. In practice most brokers actively work with a handful of lenders. That isn't necessarily bad, a focused panel the broker knows well often beats a long list they rarely use, but you deserve honesty about who's really on it. The law backs you up: the Credit Guide must name the lenders the broker uses most often.

For personal and car loans, the lender you end up with and the rate you're offered depend heavily on your **credit profile**. Higher bands attract more lenders and sharper rates; lower bands mean fewer options and higher rates. A good broker tells you straight where you sit and what's realistic, rather than implying everyone gets the headline rate.

Step 6 — Your responsible-lending protections

Under the National Credit Act, a broker arranging a regulated consumer loan must follow **responsible-lending obligations**. The broker must:

- make **reasonable enquiries** about your financial situation, and about your requirements and objectives in seeking the loan;
- take **reasonable steps to verify** your financial situation; and
- only assist you into a loan that is **not unsuitable** for you.

A loan is **unsuitable** if you could not meet the repayments without substantial hardship, and/or if it does not meet your stated requirements and objectives. You have the right to request a copy of the broker's preliminary **assessment**.

> A NOTE ON BEST INTERESTS
>
> A formal **Best Interests Duty** has applied to mortgage brokers since `1 January 2021`. Brokers who only arrange personal loans or car loans are generally not covered by that specific duty, but they are still bound by the responsible-lending rules above, and must not put you into an unsuitable loan. Whichever applies to your broker, you are always entitled to ask why a particular loan suits you, and to get a clear answer.

Clawbacks and early-exit costs

A **clawback** is when a lender reclaims some or all of the commission it paid a broker if the loan is repaid or refinanced early, typically within the first one to two years. This is separate from the brokerage fee you've already paid. Practices vary, so don't assume. Read your contract, and ask your broker plainly: if I repay or refinance this loan early, is there any cost to me, and is any part of my brokerage fee refundable? If you tend to refinance often, this matters.

If you've been declined before

Different lenders assess different things, so a decline from one lender often means little to another. A good broker's job is to know which lenders suit your situation before you waste an application. That's a genuine benefit.

BUT BE CAREFUL

No one can guarantee approval, and loans aimed at borrowers with poor credit history are usually more expensive. Be wary of any broker who promises to get you a loan no matter what, or who charges a substantial fee and steers you to expensive lenders. If you're seeking a loan because you're struggling to repay existing debts, taking on more expensive credit can leave you worse off. Speak to a free financial counsellor on the National Debt Helpline, `1800 007 007`, before you borrow.

The questions to ask any broker

Print these. Ask them on the first call. The answers tell you almost everything.

1. **Are you licensed?** What's your ACL or credit representative number? Then verify it on ASIC.
2. **What's your brokerage fee?** Is it added to my loan, and will I pay interest on it? Do you also receive commission from the lender?
3. **Will you do a soft check** before any application that affects my credit score?
4. **How many lenders are on your panel,** and which do you use most often?
5. **Why this lender and this loan** for my situation specifically?
6. **What's the total cost** — the rate, the brokerage fee, the interest on that fee, and the total amount I'll repay over the loan?
7. **Is there any clawback or early-exit cost** to me if I repay or refinance early?
8. **Are you a member of AFCA,** and what's the process if I have a complaint?
9. **Can I see your Credit Guide and a written quote** before I commit?

Red flags to walk away from

- They won't give you a licence number, or it doesn't check out on ASIC.
- They pressure you to sign on the spot, or push paperwork late at night.
- They won't put fees or total costs in writing before you commit.
- They run a full credit application before checking your eligibility softly.
- They promise approval no matter what. No one can guarantee a lender's decision.
- They charge a substantial fee and steer you toward expensive lenders to fix a debt problem, without exploring alternatives first.
- They can't or won't explain why a recommended loan suits you.
- They ask you to sign something described as an application that's actually a binding fee agreement.

Broker vs going direct

You never have to use a broker. You can deal with most lenders directly, and sometimes you could get the same loan without one. The honest comparison:

	USING A BROKER	GOING DIRECT
Time	One application; broker does the shopping	You apply to each lender yourself
Credit score	Eligibility checked before applying, if a soft inquiry is used	Each direct application can add a hard inquiry
Options	Compares a panel of lenders at once	One lender at a time
Cost	You pay a brokerage fee, usually added to your loan (so you pay interest on it); the broker may also earn lender commission	No brokerage fee; you do the legwork
Complex situations	Broker knows which lenders fit self-employed, irregular income or prior declines	You risk repeated declines

A broker tends to win for time-poor borrowers, anyone with a complicated income picture, and anyone declined before — because finding a suitable lender is genuinely hard work and the broker does it for you. Weigh the brokerage fee, and the interest you'll pay on it, against the time it saves you and the deal it finds. Going direct avoids the fee and can suit you if you already know exactly which lender you want. Even if you use a broker, it's worth checking what you could get directly.

If something goes wrong

First, raise it directly with the broker through their **internal dispute resolution** process. The Credit Guide tells you how. If you can't resolve it, every licensed broker must belong to the **Australian Financial Complaints Authority (AFCA)**, which provides free, independent dispute resolution.

- **AFCA:** afca.org.au · `1800 931 678`
- **Free financial counselling, for debt or hardship:** National Debt Helpline, `1800 007 007`

Frequently asked questions

+ What is a finance broker?

A finance broker is a credit assistance provider who arranges a loan for you by dealing with lenders on your behalf. For personal and car loans, the broker assesses your situation, compares lenders, recommends a suitable option, and submits the application. For this work you normally pay the broker a brokerage fee, usually added to your loan, and the broker may also receive commission from the lender.

+ Do finance brokers have to be licensed in Australia?

Yes. Any business arranging consumer loans regulated by the National Consumer Credit Protection Act must hold an Australian Credit Licence (ACL) or operate as an authorised credit representative. Verify a broker for free on ASIC Connect at connectonline.asic.gov.au or call 1300 300 630.

+ How are personal loan and car loan brokers paid?

For personal and car loans, the broker normally charges you a brokerage fee for arranging the loan. That fee is usually added to (capitalised into) your loan amount, which means you also pay interest on it over the loan term. The broker may also receive commission from the lender. The brokerage fee and any commission must be disclosed in writing before you commit, along with the total amount payable by you.

+ Will using a finance broker hurt my credit score?

It shouldn't, if the broker uses a soft inquiry before submitting a full application. Each full application can leave a hard inquiry, and credit applications are the single largest factor in a standard Equifax score. A good broker checks likely approvals first so you avoid unnecessary hard inquiries.

+ What is a clawback clause?

A clawback is when a lender reclaims commission from a broker if a loan is repaid or refinanced early, usually within one to two years. It's separate from the brokerage fee you pay. Always read your contract and ask whether any early-exit cost applies, and whether any part of your brokerage fee is refundable, if you repay or refinance early.

+ What must a finance broker tell me by law?

They must give you a written Credit Guide and quote before doing the work. The Credit Guide states their name, contact details and licence number, any fees (including the brokerage fee), the lenders they use most (top six or all if fewer), and their dispute-resolution and AFCA details. The quote states the services, the maximum amount payable by you, and whether a fee applies if you don't proceed.

+ What are responsible lending obligations?

They require a broker to make reasonable enquiries about your situation, requirements and objectives, take reasonable steps to verify your finances, and only assist you into a loan that is not unsuitable. A loan is unsuitable if you couldn't repay it without substantial hardship, or it doesn't meet your objectives. You can request the broker's assessment.

+ Does a finance broker have to act in my best interests?

A formal Best Interests Duty applies specifically to mortgage brokers, since 1 January 2021. Personal and car loan brokers are generally not covered by that specific duty, but they are still bound by responsible-lending rules and must not put you into an unsuitable loan. Either way, ask why a loan is being recommended for you.

+ Can a broker get me a loan I couldn't get elsewhere?

Be cautious of that promise. A broker may know which lenders suit you, but no one can guarantee approval, and bad-credit loans are usually more expensive. If you're borrowing to fix a debt problem, more expensive credit can make things worse. Talk to a free financial counsellor on 1800 007 007 first.

+ What questions should I ask a finance broker?

Are you licensed and what's your number? What's your brokerage fee, is it added to my loan, and will I pay interest on it? Do you also get lender commission? Will you do a soft check first? How many lenders are on your panel? Why this lender and loan for me? What's the total cost? Any clawback cost? Are you an AFCA member? Can I see your Credit Guide and quote? See the full list above.

+ What should I do if I have a problem with my broker?

Raise it through the broker's internal dispute resolution first. If unresolved, lodge a free complaint with AFCA at afca.org.au or 1800 931 678. Every licensed broker must be a member. For debt or hardship help, call the National Debt Helpline on 1800 007 007.

+ Should I use a finance broker or go to a lender directly?

Both work. Going direct avoids a brokerage fee and can suit you if you know which lender you want. A broker charges a fee for their work, usually added to your loan, but saves time, compares lenders, and can protect your credit score by checking eligibility first. For time-poor borrowers, complex income, or anyone declined before, paying a broker to find a suitable loan can be worth it. Weigh the fee against the time saved and the deal found.

Trusted sources and further reading

- **MoneySmart** — Australian Government, run by ASIC. Independent guidance on loans, credit scores and brokers: moneysmart.gov.au
- **ASIC Connect Professional Registers** — verify a broker's credit licence: connectonline.asic.gov.au · 1300 300 630
- **Australian Financial Complaints Authority (AFCA)** — free, independent dispute resolution: afca.org.au · 1800 931 678
- **National Consumer Credit Protection Act 2009** — the law governing credit assistance, responsible lending and licensing in Australia.
- **National Debt Helpline** — free, independent financial counselling: 1800 007 007

Important. This guide is general information only and does not take your personal objectives, financial situation or needs into account. It is not legal, credit or financial advice. Loan products are provided by lenders, subject to their terms and approval criteria; approval is not guaranteed. Laws, regulatory guidance and credit-scoring models may change after the review date. Consider whether the information is right for you and seek independent advice where appropriate. Noddle is a credit assistance provider, not a lender. Australian Credit Licence 526746. Member of AFCA.

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