

7-Eleven to pay \$98m after franchisees allege its model was 'a lemon' based on wage theft

By business reporter [Emilia Terzon](#)

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The ABC first exposed widespread wage theft in 7-Eleven stores back in 2015, as part of a Four Corners investigation. (*Four Corners*)

Convenience store giant 7-Eleven is set to pay out almost \$100 million after being hit with class actions by Australian franchisees who alleged the company's business model was "a lemon" that was built on wage theft.

The Federal Court of Australia today approved the payout of \$98 million to hundreds of franchisees.

The convenience giant largely operates in Australia through a franchise network model, where individual operators buy the rights to operate stores under its logo and guidelines.

The company's franchise network in Australia was first hit by wage theft allegations [in 2015 after a joint ABC Four Corners and Fairfax investigation found store staff – many of them migrants – were working twice as long for half the pay.](#)

Key points:

- 7-Eleven was being pursued by franchisees as part of several class action proceedings
- The action alleged 7-Eleven's business model was unprofitable unless staff were underpaid
- 7-Eleven has settled for \$98m without admitting any wrongdoing

The investigation alleged that franchisees implemented this wage theft but also that the head company was aware of it.

"Basically, your franchisee was being squeezed, and the front-end worker was the major loser," the class action's head lawyer Stewart Levitt told ABC News.

"[Our action] essentially encapsulated claims by franchisees that they'd been sold a lemon."

In a statement, 7-Eleven acknowledged the settlement without admitting to any of the claims made during two class action proceedings.

Franchisees worked for free to make ends meet

ABC News spoke to several franchisees involved in the class action proceedings.

All of them were migrants who had bought franchised stores before the revelations in 2015. None wanted their names used for fear of recrimination or because they simply now feel exhausted by the entire saga.

One former franchisee who had operated two 7-Eleven stores told the ABC that the business model was so unprofitable that their family used to work in-store for free.

"We cannot make money. Even my wife in some stages was not paid," they said.

"Management is 24 hours but you cannot get paid.

"I would not recommend my friends to buy into it. Unless he has a lot of family members who can help who can work there themselves and be paid as staff."

They said they bought the two store franchises for almost \$1 million and could only recoup \$500,000 when they did not have their licences renewed. The couple had refinanced their mortgage to pay for the stores originally.



7-Eleven says it has so far spent \$50m improving its business. (ABC News: Margaret Burin)

It is unclear how much exactly from the \$98 million settlement will go directly to the class action claimants.

The amount that will be taken out of this head sum for legal fees and litigation funders has not yet been decided by the courts.

Lawyer Stewart Levitt told the ABC it was expected the claimants would wind up with about \$55 million to \$60 million.

That cash will need to be shared by entities encompassing up to 600 stores, with the head claimants to get a bigger chunk of the cash.

Not all of the 600 stores are expected to make a claim. However, going by the numbers many will not take away more than \$100,000 each.

The anonymous franchisee told ABC said they would be using whatever they got from the settlement to pay off their still-outstanding mortgage.

"We have been working so hard for so many years to pay all the bank loans," they said.

7-Eleven says 'wage theft cannot occur again'

Since 2016, [7-Eleven has paid back more than \\$170 million to staff who worked in franchised stores](#), and spent \$50 million in operational improvements.

In a statement today, 7-Eleven Australia said that investment had resulted in improved technology, systems and processes.

"[This is] to ensure that, as far as is possible, wage theft cannot occur again and for enhanced education and training for franchisees in relation to their responsibilities in this regard," the company said in a statement.

"The settlement of the class actions for \$98 million is without admission of fault, liability or wrongdoing."

7-Eleven Stores chief executive Angus McKay said the company "is pleased this matter has reached an acceptable resolution".

"We are seeing the positive results of the significant efforts we have made together with our franchise network," he said.

"We intend to continue to adapt and improve and look forward to continuing to provide great products and service to our customers in Australia."

'Unequal and exploitative system'

Class action lawyer Stewart Levitt said, unfortunately, the issues with unprofitable franchise networks were not limited to 7-Eleven.

A parliamentary inquiry, in part triggered by the 7-Eleven revelations, found in 2019 that the entire franchise sector required drastic and immediate overhaul.

"The way in which so many franchise models are structured, particularly in the food industry, involve franchisees paying a large amount of money often borrowed to buy into a franchise," Mr Levitt said.

"And then they have no control over how it operates.

"The [head company] imposes huge cost expenses over [their franchisees] which don't affect its own profit line.

"It's a very unequal and exploitative system which has continued to prevail in the industry."