

Sunday 26th August 2007

CREDIT LAWS EARMARKED FOR OVERHAUL

Pay day lenders and Credit Providers who exploit people through unfair practices face a crackdown via proposed amendments to the Uniform Consumer Credit Code and the Consumer Credit Regulations.

Minister for Consumer Affairs, Jennifer Rankine, said reforms are long overdue and, if enacted, will address practices considered unjust and exploitative.

A draft bill released this weekend includes:

- Requiring credit providers to state the Annual Percentage Rate for all credit contracts, which means lenders, who have been charging a flat fee only, will now have to disclose this. Currently these rates can be anywhere from 300% - 1900%.
- Closing loopholes in relation to splitting fees by creating a separate finance broker arm, which will mean fees will be counted as a cost of the loan and not hidden
- Including a general prohibition on unconscionable fees and charges which will help prevent excessive fees, charges and interest being imposed on their small loans
- Allowing fees to be challenged in court as unconscionable and allowing Government agencies to take such matters to court, which will help low income people who usually do not have the resources to take action
- Requiring credit providers to advise borrowers of their rights to be able to cancel a direct debit authority
- Preventing lenders taking security over essential household items such as tables, fridges and crockery

Changes to the Uniform Consumer Credit Code will apply to fringe credit providers as well as mainstream credit providers, providing improved protection for all parties.

“It was astonishing to hear the Federal Treasurer’s recent bombshell claiming he was finally willing to ‘step in and legislate’ for the sake of consumer protection, when the hold up has been caused by constant hoops the federal Government has forced the State’s to jump through in the pursuit of regulatory change.

At a State level we’re continuing to pursue a range of measures to ensure that only fit and proper people are allowed to operate within the industry as well as exploring the feasibility of licensing members and introducing an interest rate cap,” Ms Rankine said.

The Consumer Credit Code has successfully regulated a range of credit options since being introduced over 10 years ago, but there has been an explosion of new and increasingly complex credit products, and so it's high time the code was updated.

“Many people have signed up for new and different credit products but have found themselves in a vulnerable position because of a lack of disclosure about various aspects of the loan,” Ms Rankine said.

The draft Bill is now available for consultation via the following website: www.creditcode.gov.au

Written comments should be forwarded by Friday 14 September 2007 to:

Fringe Credit Project

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