

Friday, 30 November 2007

NET CLOSES IN ON SMALL LOAN PROVIDERS

People taking out small loans with fringe credit providers will experience greater protection from today, following the introduction of new consumer credit legislation.

Minister for Consumer Affairs, Jennifer Rankine, said the new regulations form a crucial part of the government's plan to crack down on unscrupulous lenders who take advantage of exemptions under the current regime.

"There are a number of lenders who make it their business to prey on vulnerable people, generally on low incomes, offering short-term cash advances by way of promissory notes or bills of exchange," Ms Rankine said.

"Because these facilities have traditionally been used in trade and commerce transactions they have been exempt from consumer laws. Some lenders have been exploiting this loophole, leaving people high and dry and without important protections"

"The loans offered by these lenders are usually between \$200 to \$500 and attract an interest rate of about 800%. When default fees are taken into account the annual percentage rate can exceed 4000%. People who've struggled to repay these debts have reported being harassed or have found themselves in court."

New protections for people using bills of exchange and promissory notes to obtain credit include:

- Lenders adequately disclosing information such as annual percentage rate, fees and charges and penalties to clients.
- Restricting debt collection practices of lenders i.e. giving a period of notice to rectify default and being unable to repossess goods if client has paid off more than 75% of loan
- Consumers having greater access to redress mechanisms

"These changes are part of a national package of reforms designed to bolster protection measures for people who deal with fringe credit providers. This particular initiative has been fast tracked due to the rapid growth in the number of lenders suspected of exploiting the Credit Code's bill facilities exemption," Ms Rankine said.

"Legislation coming into force today will provide people with increased protection throughout the whole of Australia, and will in turn make those in the fringe lending industry more accountable for their actions."