



MEDIA RELEASE

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Consumer Credit Legislation Amendment Bill offers mixed bag for consumers

Consumer advocates today acknowledged the passing of the *Consumer Credit Legislation Amendment (Enhancements) Bill 2012* (the Enhancements Bill) by the Australian Parliament, but were disappointed at the lost opportunity to better regulate payday lending.

'This bill does include a number of consumer credit protections that will offer invaluable assistance for consumers,' said Ms Lowe, Co-CEO of Consumer Action Law Centre.

The reforms welcomed by consumer advocates included:

- amendments to make it easier for consumers to make hardship applications when they cannot meet the repayments under a credit contract;
- significantly improved protections for consumers of reverse mortgages, particularly the statutory no negative equity guarantee;
- improved regulation relating to consumer leases, including provisions requiring statements of account; and
- the legislative protection for the term 'financial counsellor'.

Ms Lowe said legislative protection for the term 'financial counsellor' was historic. 'Financial counsellors offer free, independent and confidential support and advocacy to people in financial difficulty, and this protection recognises the important role they play in our community.'

But consumer advocates were disappointed that the bill did not offer better protection for vulnerable borrowers of payday loans.

'Research released just last week from RMIT and the University of Queensland showed that repeat borrowing is rife in this industry, and we're not convinced that these reforms will change that,' said Ms Lowe.

'Payday loans should really only be used as a stopgap fix when someone is in need of short-term cash. However, all indicators show that most payday loans are used to meet everyday expenses like utility bills. Yes some consumers have an income adequacy problem but the solution cannot be to pay a premium for credit and keep borrowers in a perpetual state of financial hardship.'

'We were supportive of amendments proposed by the Australian Greens that, if enacted, would have imposed a break on repeat use of payday loans. It is disappointing that this proposal was not supported by the major parties,' said Ms Lowe.

Consumer advocates welcomed the late commitment from the Federal Government to direct the Australian Securities and Investments Commission to undertake a review of the effectiveness of the enforcement provisions relating to small amount credit contracts, after being initially proposed by Senator Xenophon.

'We look forward to contributing to this review, and we hope it gets underway very soon. The legislation itself contemplates an independent review of the entire framework for small amount credit contracts in 2015. Such regular reviews are important opportunities to ensure that consumer protection legislation is working to reduce vulnerable consumers' reliance on high cost payday lending,' said Ms Lowe.

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