



Speech by

Hon. JUDY SPENCE

MEMBER FOR MOUNT GRAVATT

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MINISTERIAL STATEMENT

Banking Industry

Hon. J. C. SPENCE (Mount Gravatt— ALP) (Minister for Aboriginal and Torres Strait Islander Policy and Minister for Women's Policy and Minister for Fair Trading) (10 a.m.), by leave: In today's society banking should be considered an essential service. All citizens should be entitled to reasonable access to banking services at an affordable price. They should also be easily able to compare the actual cost of the services provided by the banks.

Over the past two decades, the number of bank branches has reduced and, in many respects, service levels have declined, all at a time when the profits of banks have been on the rise. The result has been that many people and communities have been disadvantaged, in particular people in rural areas, older residents unfamiliar with the use of ATMs and other forms of electronic banking, and people without ready access to transport. Anyone who has travelled around this State has seen the now vacant buildings in many country towns where once banks operated thriving businesses. Banks, like other commercial operations, have a responsibility to act as good corporate citizens and, based on their poor track record, it appears this can be done only by regulation.

Last Friday, the Queensland, New South Wales and Tasmanian Governments supported a paper that called for legislation for minimum standards of service for banks that was presented to the Ministerial Council on Consumer Affairs. These services would include the following: a certain number of fee-free transactions for those in receipt of Government pensions and benefits; a certain level of banking services in rural and regional areas; and safe, accessible and easy use of ATMs/EFTPOS for aged and disabled consumers.

Currently in the United States, as a result of its Community Reinvestment Act, banks are assessed by the regulator in terms of how they meet the needs of the entire community. Whilst the situation in Australia may not be identical to that in the United States, a similar model can be adopted here. Of course, bank licensing and regulation is the responsibility of the Commonwealth. I would urge the Commonwealth to take a greater role in ensuring that the banks meet their community obligations.

There are, however, areas where the States can force banks to give greater consideration to consumers, and this is in the area of an easily comparable rate for loan products. A review of the Uniform Consumer Credit Code is currently under way. The report on Stage 1 of the review was handed to the Ministerial Council on Consumer Affairs last week. Amongst other things, the report recommends the use of a comparison rate on loan products, which is known as the averaged annual percentage rate—AAPR.

Many people would be aware that, when they apply for a loan, they have to consider not only the interest rate but also other fees and charges. These include start-up fees, monthly account-keeping fees, application fees, early termination fees and the like. The AAPR also takes account of variations in the interest rate including, for example, honeymoon rates on housing loans. Whilst there are some practical difficulties with disclosure of the comparison rate, the inclusion of the AAPR in advertising and precontractual disclosure will further the objectives of the Consumer Credit Code.

It should be noted that the recommendation is only for fixed-term loan contracts—that is, home loans and personal loans. The Consumer Credit Code currently includes a formula for AAPR. However, the use of this figure is optional and, as a result, very few lending institutions use this real rate in

advertisements. It is something I believe should be mandatory and my stance is supported by the other Labor States of New South Wales and Tasmania.

I also understand that it is supported by the Opposition at a Commonwealth level and in South Australia. The stance is supported by at least one of the major banks. Last week I received a letter from the ANZ in which it indicated its support for greater use of the AAPR. Many other countries already advertise lending products on an annual rate. As the template State for the Consumer Credit Code, Queensland cannot make changes by ourselves on this matter. We need the endorsement of Fair Trading Ministers in other States.

The review recommended that a comparison rate for fixed-term products be displayed on all advertisements for fixed-term products. As mentioned earlier, whilst Stage 1 of the Credit Code review has reported, the Ministerial Council on Consumer Affairs has decided to wait until the second stage of the review is completed. This second stage, which is currently under way, will cover a large range of operations of the Credit Code, and I must say that Queensland institutions have played a leading role in this review.

Due to the lack of independent data on consumer decision making in the consumer credit market, approval has been given for research to investigate the following issues: the socioeconomic and demographic patterns of consumer credit usage in the community, the factors which contribute to and inform consumer decisions to enter into consumer credit arrangements, the factors which determine choices between credit providers and credit products, and the manner in which Code disclosure information is used by consumers.

As part of the process, the Queensland Government Statistician has researched data through a telephone survey of 1,500 consumers who had taken out loans since 1 January 1997. Another Queenslander, Justin Malbon of the Griffith University Law School, has prepared a report on the research findings as well as market surveys on credit advertising and focus group research to refine the research findings. The research report is in the process of being finalised and will be submitted to Fair Trading Ministers soon so that we can again consider the issue of comparable rates.
