Speech by

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MEMBER FOR SPRINGWOOD

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CONSUMER CREDIT [QUEENSLAND] AMENDMENT BILL

Ms STONE (Springwood—ALP) (5.22 p.m.): It gives me great pleasure to rise to speak to the Consumer Credit (Queensland) Amendment Bill 2001. Many people watch current affairs programs, and all too often they show too many stories of honest, decent people being ripped off—people who are living pay to pay trying to make ends meet but who are then caught out by the unscrupulous practice of payday lending. Payday lenders are a new breed of fringe lender in Australia. They offer customers short-term cash loans between paydays. Payday loans are marketed as being quick, easy and convenient to obtain. They are advertised as being available on the spot, cash when you need it, cash within an hour. It all sounds a little bit too easy. We have heard the saying that if it sounds too good to be true then it is too good to be true. This certainly applies to some of the practices in the payday lending industry.

Although payday lending is a new industry to Australia, it has rapidly grown. There are three major payday lenders in Australia whose franchises keep emerging all over the country. If the USA, Canada or Europe are any indication of this practice, it will keep growing. With more and more people living pay to pay thanks to the introduction of the GST, I have no doubt this industry will continue to grow. The concerns of this industry are not confined to Queensland. Similar concerns are being raised all over the country, and this has turned into a national problem. It was Queensland that first started to inquire into the concerns being raised. In March 2000 the previous Minister for Fair Trading, Judy Spence, established a working party to look at the practices of payday lending.

What are some of the particular problems? Payday lenders lend small amounts of money. They appeal to decent, honest people—usually battlers on low incomes, welfare recipients or people who may not be eligible for a loan from a bank, building society or credit union. So what is the problem? Currently, the industry is unregulated as it does not fall into the regulation of the Consumer Credit Code because they are lending to people for a period less than 62 days. The lenders do not express the loan in terms of an interest rate but instead use the term of a charge. When this charge is converted to an interest rate, it is in the order of 500 per cent to 1,300 per cent per annum. This depends on how long the advance is for.

One complaint was received from a couple who borrowed $50. They found themselves on the ever-spiralling credit trap and could not afford to repay the money. In only eight months they owed $700. The fees charged were very high and consumers are not always made aware of this. This certainly highlights the unscrupulous practice of offering small loans at exorbitant cost to those who can least afford it. They are ripping people off who live day to day or perhaps who have circumstances in their life at the time that has made them desperate for some money. They are ripping people off through exploiting a loophole that currently exists.

When the Consumer Credit Code was introduced to offer the public protection from all forms of consumer credit, loans of less than 62 days were exempted to allow banks to provide short-term bridging finance and for trade credit arrangements. Statistics show that a large number of women are users of fringe credit providers—women who are struggling to keep the family going, keep the bills paid and food on the table. However, it is unscrupulous practices that are in fact leading to these people struggling. If we compare the cost of a payday loan to a credit card, the results speak for themselves. The fee for a $100 advance from a payday lender can be up to $3.50 per day. For $100 owing on a credit card, the interest bill at 18 per cent is approximately 5c per day. That is about 70 times less than the payday loan. Many of us complain about the high cost of a credit card, but imagine being hit with a bill 70 times that amount.

Because of the unregulated environment, contracts are not signed and most times contracts are never offered to clients. In other words, the industry is growing with no regulation in place. It becomes free for all to enforce any rules they want. Sometimes they ask clients for security over the loan. At times the security can be worth several thousands of dollars for a couple of hundred dollars being lent. Some people have had cars repossessed through the non-payment of a small loan. What can happen is that the lender can take a bill of sale over the car. Currently, there is no requirement for a contract, no regulation on fees and charges and no regulation on the security that can be taken on the loan. In other words, they can make up the rules and the consumer cannot challenge an unfair contract in court.

What is even more disturbing is that they are hurting people—people who need our support and help and people who do not deserve to be ripped off. These people usually fall more and more into the credit trap. They go and get money that is desperately needed. When they cannot pay it back, they go and get another loan, and the cycle keeps going. When we think it can stoop no lower, there are reports that threats and bullying tactics are being used to have money repaid. Being in financial debt to the point where it is almost uncontrollable is quite a strain physically and emotionally to anyone, but then being threatened and bullied must be one of the most frightening experiences. Some operators—and I repeat that it is only some operators—in the industry are abusing consumer credit and fair trading legislation.

People who may be stuck in a financial nightmare may look at getting some advice on budgeting or how to make ends meet, and this may help them during such a stressful time. In grades 11 and 12 my school offered a subject that was then called consumer education. It was a great subject. It involved learning about lending, particularly the different types of loans available. It also involved establishing a business and then operating that business. Of course, budgeting was another part of the subject. It was great, because we were put into real-life situations. It certainly gave me great knowledge for when I started my working life.

Today, the Queensland government assists school leavers by giving practical tips to school leavers in the *Psst! Post School Survival Tips* booklet. The booklet is distributed to all grade 12 school leavers and gives sound advice on topics such as buying a car, smart shopping tips and buying a computer. I am pleased to say that it also contains very good advice on credit. It provides advice on common credit contracts such as mobile phone agreements or a credit card. Most importantly, it identifies the pitfalls of getting caught in the credit trap.

It has been noted that 700 Queenslanders under the age of 25 declared themselves bankrupt in the 1999-2000 financial year. This is a disturbing trend, as the figures have increased dramatically in recent years. The failure of young people to manage finances is a matter that deserves attention. That is what *Psst!* is all about: assisting young people to become street wise and make informed choices on consumer issues. The Beattie Labor government wants to protect Queensland consumers from being caught in the credit trap. Some of the credit advice in *Psst!* states—

> Watch the Sharks—Despite the efforts of both government and business, there are some unscrupulous operators who will try to rip off consumers. Some traps to look out for:
>
> ...
>
> Up front fees which are non-refundable, there is still no guarantee you will get your money at a reasonable rate.
>
> ...
>
> 'Short-term credit under 62 days' sometimes known as Pay Day Lending. A fee could be charged which could equal 1300% annual interest on the money you are borrowing.

I must say, complaints about payday lending make the loan sharks look like dolphins.

I am pleased that the Beattie Labor government has introduced this bill as I know it will put an end to this unregulated environment. This bill ensures that consumers receive full disclosure of terms. Contracts will be written and a copy will be given to the consumer. This will enable court challenges if the contract is unfair or oppressive. This bill provides the protection that all Queensland credit consumers deserve. Payday lenders should be subject to the same laws that apply to the other forms of lending in Queensland.

I congratulate the previous minister, the Honourable Judy Spence, on instigating the working party and listening to the concerns of Queensland consumers. I congratulate the Honourable Merri Rose and her staff on their hard work on this bill. I commend the minister for the hard work she has done since becoming Minister for Fair Trading, because I know that the consumers of Queensland will be listened to and that unfair practices will not be tolerated. I commend the bill to the House.