



Speech by

Mrs LIZ CUNNINGHAM

MEMBER FOR GLADSTONE

Hansard 9 August 2001

CONSUMER CREDIT [QUEENSLAND] AMENDMENT BILL

Mrs LIZ CUNNINGHAM (Gladstone—Ind) (12.18 p.m.): Together with other members, I rise to support the Consumer Credit (Queensland) Amendment Bill and commend the minister for the work she has done to protect those people who are usually the most vulnerable in our community. Generally speaking, this legislation was drafted in response to unscrupulous and unregulated practices of some payday lending companies. It has been said in this chamber that those payday lending companies that have acted responsibly with their clients will not object to this legislation, and they have been acknowledged. However, when we hear that \$50 loans, which were meant to be paid in two weeks but instead were rolled over 10 months, accumulate to \$900 and that \$120 loans accumulate to \$1,000 in three months, there is no argument that such legislation and such protection is necessary.

In its briefing documents the department cited interest rates of 235 per cent to 1,300 per cent. I am sure that most people would be affected by seeing that sort of percentage in writing before they took out a loan, although it would not affect everybody. Those who are not thinking beyond the need for the money still will not be convinced by the documentation, but for those who want to be fully informed and those who want to be made aware it is a very good step in the direction of making sure that people understand what a big black hole they are getting themselves into.

Some of the people who borrow from these lenders are subsistence families. They are the ones who need the greatest level of support. They live from pay to pay. The number of families in our society living like that is increasing. They do not have any disposable income after they have paid their bills. They have bought some food, even if it is very basic food, and they do not have any money for entertainment. They are the ones who definitely need the protection of the legislation. I commend the minister for it.

One issue I raise is not related to payday lending but I seek the minister's investigation of it. It is a general issue with regard to direct debits on accounts. We have had instances in my electorate of problems with direct debits. The most stark example is of an old gentleman who had retired and had a regular income through pensions. He was not well off, but he was a nice old fellow and was trusting. He had signed an agreement with a catalogue company. The cost of the catalogue was something like only \$9 or \$12 a month and the company direct debited his account so that he could get this catalogue on a monthly basis. He used to get it and look through it. He did not always buy much, but it was some form of reading for him.

He came into my office because six months earlier he had cancelled his subscription to this catalogue company but they had continued to debit his account. He had written to the bank and said that he no longer received the goods and he wanted the direct debit cancelled, and they wrote back and said, 'You can't cancel it. The company must.' He then cancelled his Bankcard. He paid out all the debt and cancelled the Bankcard, yet the bank continued to send him bills—\$12 a month plus interest. Then he cut his Bankcard up and sent it in the mail to the bank and said, 'I don't have a Bankcard account. You have cancelled it. How can you send me a bill on an account that does not exist? Please cancel it.' They wrote and said, 'We can't. The catalogue company has to.'

He eventually came in and I made some calls to the cataloguing company. They were like greased lightning. It was like trying to catch mercury. The first time I rang I could not get through. The number was answered by a collector of phone calls. Eventually I got on to the manager of this

catalogue company and asked him to cease the debit and he assured me that he would. Two months later the man came back in with another bill. I rang again with some other information and the manager did cancel the debit. But this old gentleman is not the only one who is affected by that.

Mrs Rose: Did he sign something?

Mrs LIZ CUNNINGHAM: He signed an authority for direct debiting 12 or 18 months earlier, but he had written to the company asking them to stop debiting.

Mrs Rose: He did not sign up for a certain period?

Mrs LIZ CUNNINGHAM: No. It was just a catalogue that he got on a monthly basis. Some people are very vulnerable. I say particularly to groups of retirees who are enticed all the time to direct debit because it is easier, less hassle and all that sort of thing: be careful with the groups you empower to direct debit. The electricity company regularly direct debits and there are a number of other reputable companies—maybe an insurance company or whatever—that people may feel comfortable about giving authority to effectively access their bank accounts.

But people should be very careful about less well-known companies that are asking for a direct debit facility. People may stop wanting the goods and may have ceased any obligation to receive the goods, but it is not up to them to cancel the direct debit; it is up to that company. If the company chooses to be tardy or worse, then that money still comes out of people's accounts. The banks do not care about these external arrangements. They just pay the bill and get the interest. It really is a frustration when all of the evidence is there to show that the person's account has been cancelled—they have acted in good faith and they have abided by all the rules—but they cannot cancel the direct debit.

Mrs Rose: How much did they end up ripping off him?

Mrs LIZ CUNNINGHAM: It was \$84, I think. It was about eight or 10 months at \$12 a month.

Mrs Rose: That's a lot to him.

Mrs LIZ CUNNINGHAM: It is for a pensioner. If he was a fisherman he could buy some bait and go fishing. And I am not being trite; it was probably his disposable income for the week for entertainment, if you like. But there are people who are caught with a much bigger direct debit. So I just warn people to be careful about whom they empower to make direct debits, because the person whose account is debited, who has entered into the agreement, cannot cancel it; the company to whom they have authorised that direct debit must cancel it. It really is a nightmare for people who genuinely have ceased receiving or requiring goods and have fulfilled all other contractual obligations.

Along with other members, I am sure, I received correspondence from a number of payday lending organisations extolling their virtues and saying that this legislation is not necessary. Having read the legislation—it is very simple and very clear—I believe that those payday lending organisations that are above board and want to do the right thing by their clientele will not be disadvantaged by it. They will just have to make their loans more transparent. If they are treating their customers and their clients with respect and giving them a fair go—as much as that sort of percentage interest rate can be called a fair go—they will not be disadvantaged. They will just have to put it down clearly in documentation.

The companies that will complain the loudest, I believe, are those that have hidden behind the fact that they are outside the regulated structure of the credit code, and they are the ones that will be disadvantaged—and rightly so. Again, I thank the minister for the work that has been done on this bill. It is a small, simple bill, but it will go a great way towards giving protection to groups and families in our community who are the most vulnerable. I thank the minister for her work.
