Speech by

PETER LAWLOR

MEMBER FOR SOUTHPORT

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CONSUMER CREDIT [QUEENSLAND] AMENDMENT BILL

Mr LAWLOR (Southport—ALP) (5.35 p.m.): It gives me great pleasure to speak in support of the Consumer Credit (Queensland) Amendment Bill 2001. One of the major concerns with payday lending that this bill will address is the creation of debt traps. Consumers can easily get caught in a debt trap by taking out payday loans. One of the most vulnerable groups is young people—students and so on—who are forever short of money and always seeking quick solutions to their chronic money shortage. When I was at uni a game of cards was seen as an avenue to easy money, but of course for every winner there was a loser, so it did not always solve the problem.

Much of the advertising for payday loans is directed at students and young workers who do not have the experience to examine these agreements and to look further down the track to realise that the payments required to repay the immediate cash loan incorporate an interest component that equates sometimes to up to 1,300 per cent per annum.

The same comments could just as validly be applied to elderly people—pensioners and so on. The GST has impacted most heavily on this section of the community and, as a result, their savings have been greatly diminished. When they come to a bit of a hurdle for which they have not allowed—for example, health problems or motor vehicle repairs, or even matters they have anticipated, such as rates or insurance bills—they do not have the money and it is attractive to seek a quick solution to the problem. As is the case with young people, they do not look far enough down the track to realise that the repayment figure contains a ridiculous interest component. Of course, in the event of default the penalties and interest become outrageous. If there is further default, there are no adjectives to describe the penalties and interest payable.

I have mentioned the young and the elderly and some of the problems with this type of lending for them, but it impacts on the whole community. Consumers can easily find themselves getting caught having to borrow money each week just to live to the next payday. It gets worse if the consumer has to continue to borrow more and more money each week to pay out existing loans, and higher and higher fees are incurred. What is a superficially attractive proposition to alleviate what is perceived as a temporary situation causes permanent damage to the financial health of the borrower. It is not only damaging to financial health; financial hardship and even bankruptcy can have disastrous effects on the physical health of borrowers and their families.

This situation is a treadmill that just keeps getting faster and faster. Eventually something has to give. Desperation can lead to desperate deeds. One way of repaying loans that have grown out of all proportion to the amount originally borrowed is to resort to crime. I am sure this is a factor in the level of drug and property offences we see today.

In my legal practice I regularly acted for people driven to crime by what they saw as insurmountable debts. They saw no legal way out of the problem. And that was in the days when personal bank loans, bank cards or other credit cards were the problem. They at times charged up to 20 per cent per annum and caused those sorts of problems. Imagine the impact of payday loans with an effective interest rate of 1,300 per cent per annum!

Some payday lenders require security for loans, such as a bill of sale over a car or other chattels, such as a caravan or a boat. The costs associated with the bill of sale are added to the loan, and the value of the security often far outweighs the amount of the loan. It also overlooks the fact that usually if there is some security for a loan, the interest rate is lower, as it is expected that the interest rate would reflect the possibility of default and non-recovery of the debt.

So in addition to a bill of sale over, say, a car worth thousands of dollars to secure a loan for a few hundred dollars, these lenders are also charging up to 1,300 per cent per annum in effective interest rates. Many payday lenders obtain from customers a direct debit authority authorising the lender to withdraw money from the customer's bank account. That gives the lender first access to the customer's pay, possibly at the expense of the necessities of life, such as food and rent and children's clothing, et cetera.

As I have said, payday lending is simply putting temptation in the way of sometimes desperate people. Payday lenders are exploiting a loophole in the consumer credit laws. This means that payday lenders are not covered by the same consumer protection laws as those that govern all other lenders. This means, for example, that payday lenders are not required to disclose to consumers the fees payable; payday lenders are not required to give consumers copies of the loan contract or paperwork; payday lenders are not required to give statements of account or receipts showing how much of the debt has been repaid; a contract does not need to be in writing—and this of course leads to all manner of confusion, misunderstanding and outright fraud; a consumer's ability to challenge in court the fees charged or other conduct of the lender is severely limited; and enforcement practices if the borrower does not repay are not regulated.

I congratulate the minister and her staff on this bill, which will end these abuses, and I commend the bill to the House.