



Speech by

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MEMBER FOR MANSFIELD

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CONSUMER CREDIT [QUEENSLAND] AMENDMENT BILL

Mr REEVES (Mansfield—ALP) (12.27 p.m.): I congratulate the minister and the department on a great piece of legislation. This department is becoming known as the people's friend, because it is the department that protects those who need protection from the unscrupulous shonks of the world. I congratulate the minister and the Office of Fair Trading for continuing to lead Australia and probably the world—

Mr Wilson: The universe?

Mr REEVES: Maybe not the universe yet. The office is continuing to lead the way in implementing good fair trading legislation for consumers.

The purpose of the Consumer Credit (Queensland) Amendment Bill is to close the loophole in the Consumer Credit Code that allows payday lenders to operate in an unregulated way. The code is intended to regulate all personal lending in Australia, including home loans, personal loans, credit cards and in-store finance.

The code provides protection to consumers who borrow money in the following ways. It requires lenders to fully and frankly disclose the terms of the loan prior to the consumer signing the loan contract, including the fees and charges payable, the interest rates, the amount of payments, the terms of the loan and whether security is required. It requires loan contracts to be in writing. It requires the lender to provide the consumer with a copy of the loan. It provides that the lender must properly account for repayments made. It requires the lender to ensure that the borrower can repay the loan without substantial hardship. It provides restrictions on the types of security that can be demanded. Also, it prevents a lender from taking court or recovery actions against a borrower without first contacting the borrower and providing an opportunity for the borrower to make good any arrears or default.

Currently payday lenders do not have to comply with the code as it does not regulate a loan of less than 62 days. Payday loans are typically for less than 62 days. Therefore, none of the consumer protections within the code apply to consumers obtaining payday loans. This non-regulation of payday lenders is a major frustration of the objectives of the code, particularly as the people obtaining payday loans are some of the most vulnerable consumers in our society—people who are desperate for cash. The code is national uniform legislation, and the Queensland code is the template. All other states and territories, except Western Australia—and hopefully it will come on board eventually—will adopt the Queensland code as law in that state or territory.

Over the past few years south-east Queensland has seen the visible re-emergence of loan sharks preying on the vulnerable people in society, particularly people who cannot obtain credits or loans from mainstream lenders. We all remember the different movies we have seen about the horror stories. But the frightening thing about those movies is that those loan sharks are alive and well in south-east Queensland. They are actually real. The member for Lytton would have seen the movie *Rocky* a few times. He was a loan shark or collector.

Mr Lucas: I actually saw it in Italian at school. They made us see an Italian dubbed version of it.

Mr REEVES: There you go! In May 1999 the Office of Fair Trading produced a report which was the forerunner to this legislation called 'Fringe Credit Providers—A Report and Issues Paper' detailing the existence of loan sharks operating in south-east Queensland. The report outlined how a group of

loan sharks was lending relatively small amounts of money—typically between \$500 and \$2,500—to the battlers who could not obtain loans from mainstream lenders such as banks and credit unions. The main reasons cited by borrowers for obtaining finance from loan sharks included paying the household bills or car rego, purchasing a car or other personal expenses—in other words, typical household expenses incurred and certainly not luxuries. And on the issue of car rego—this government has assisted people so that they can now pay their car registration six monthly, which restricts that huge impost on them on an annual basis.

According to the report, these loan sharks charge between 150 per cent and 250 per cent in interest rates. Weekly cash payments are demanded, but the catch is that weekly payments do not come off the principal; they cover only the interest. The only way to reduce the principal is by making a minimum \$500 payment—an impossibility for most battlers. Consequently, borrowers become trapped, with little or no prospect of repaying the money. When payments are missed, the loan sharks use harassment, intimidation, threats, extortion, assaults and even death threats to ensure payments are made. The report outlined some shocking stories of people repaying the original loan amount many times over in interest and still owing the original loan amount, and large men in groups visiting borrowers at any time of the day or night to collect payments and making threats to the borrowers if they did not pay.

These sharks seem to have resurrected techniques that most people thought had disappeared years ago from Australia's lending landscape. It is important to be aware, as part of this debate, that loan sharks do still operate and engage in these types of shonky activities. The reason it is important to be aware of these issues in this debate is that if legislation completely outlawed payday lenders and other lenders of last resort, then the loan sharks, who pay little or no regard to consumer protection—or any other law for that matter—would probably move in and fill the void. It is therefore preferable to regulate payday lenders and make them far more accountable for their actions than they are at present rather than put them out of business altogether.

A concern I have had about payday lenders is the way they advertise. Payday lenders deliberately target desperate people in their advertising—problem gamblers, welfare benefit recipients, single parents, et cetera. Advertising highlights the worst features of the industry as though they were positives. Lack of written contracts and creditworthiness checks, lending to pay day-to-day expenses as opposed to capital items such as white goods or motor vehicles is also emphasised. The actual cost of the loan is never mentioned. Here are some examples taken from Queensland media and signage outside payday lending offices—

We'll lend you cash on the spot ... no hassles.

Do you need emergency cash ... now?

Will your boss lend you cash till pay day? We will.

Will anyone lend you cash to pay those bills? We will, no hassles.

Did you blow your money on that horse that couldn't lose? We'll lend you cash till your next pay day.

Did you walk out of that casino without enough money to buy a pie? Don't want anyone to know? We'll lend you cash till your next pay day and—p.s.—we won't tell.

Every day's a pay day.

Need cash now? Ask us how!

Bills galore and no ready cash? It's no laughing matter! We'll loan you cash on the spot ... It's as easy as 1-2-3!

Rent due and no cash? No need to stress! We'll loan you cash on the spot. It's as easy as 1-2-3!

And wait for it—

1 hour cash loans. All Centrelink customers welcome. Loans from 1 to 60 days.

That came from a payday lender situated right across the road from a Centrelink office. If that is not the most disgraceful advertising anyone has heard, I am not here.

Mr English: Targeting the weak.

Mr REEVES: It is targeted at those who can least afford it. These unscrupulous people know that payday will never come. They keep putting people into a cycle of debt.

One organisation that I have had major concerns about, particularly over the last four weeks, is Cash Converters, which is a very large organisation. It has been extensively advertising payday lending on FM104—which is one of my favourite stations, I do not mind saying—over the last four weeks.

Mr Lucas: I thought you were a 4BH person.

Mr REEVES: Only when it had the football many years ago. This advertising is aimed at 18 year olds. They say, 'If you are 18 you need some money.' They are talking to 18 year olds who really want cash to get them through the week or to get them a good night out on the town. They are aiming it at the 18 year olds who will start that cycle of debt and never recover from it.

There are numerous stories about people who start the cycle of debt very early and are forever in debt; they have generations of debt because of unscrupulous people like this. I call on Cash Converters to stop that kind of advertising. If people still want to borrow money from payday lenders or Cash Converters after this legislation, they can walk into a store and do it. But at least there will be a basic requirement for Cash Converters to show them all the information and people will know what they are up for. So I call on radio station FM104, which is allowing that organisation to target unscrupulously its listeners—the 18 year old listeners—who can least afford to get themselves into debt, to stop this advertising.

It is not just one or two advertisements a day. On Tuesday evening when I got home, as always I turned on the radio. I always turn on the radio before I fall asleep. And in one hour I heard 10 advertisements from Cash Converters. I was still thinking about what I was going to say in this speech, so that helped me. It illustrated that they are really targeting the young and the vulnerable.

I call on FM104 and Cash Converters to cease that type of advertising. Cash Converters is an Australiawide company—worldwide, I think. It has 29 franchises in Queensland, 21 of which are in Brisbane. It generally operates out of shopfronts and has offices in other states. It has a reasonably good business. I do not think the company needs to stoop to this level to gain extra customers. On average, its loans are for an amount of \$200 for a period of between 21 and 36 days, 36 days being the maximum length of its loans. Its fees include a one-off \$10 sign-on fee. The fee is 25 per cent of the loan, that is, \$50 for a \$200 loan. No benefit or discounts are given if a customer pays out early. So it is just taking the money and reaping the benefits. Generally for repayments a direct debit authority is taken from the customer, and generally no security is taken on these loans.

This company is lending money to people who probably have no capacity to pay it back, and it really needs to cease this advertising. I call on other radio stations, television stations and newspapers to question the type of people they have as customers, what they are doing to their customers, and what future they are giving their potential customers. The media are very quick to pick on politicians and others and say that they have a responsibility, but the media have a responsibility to their clients and customers, too.

Once again, I congratulate the minister and her department on an excellent bill. It will have a major benefit for those in our society who are more vulnerable. I commend the bill to the House.
