



Speech by

**ROSA LEE LONG**

**MEMBER FOR TABLELANDS**

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Hansard 9 August 2001

**CONSUMER CREDIT [QUEENSLAND] AMENDMENT BILL**

**Ms LEE LONG** (Tablelands—ONP) (11.46 a.m.): I rise in support of this legislation, which I consider to be highly necessary. Every day that this legislation awaits final assent, the opportunity is there for unscrupulous lenders to draw other battlers into a network of debt. I have no doubt that those are the people whom the lenders often target. Usually the privileged members of our society have no difficulty getting financial help when they need it and they get it at carefully regulated conditions and interest rates. The battler in our society, the person at the low end of the credit chain who has no credit rating and whom the banks are not interested in helping, often risks the clutches of the loan sharks to tide them over in a financial situation. Once in their clutches, they are lucky to come out financially unscathed.

I understand that the payday lending industry is a fairly recent phenomenon, less than two years old. Put simply, it allows a person who needs cash overcome a temporary crisis. Perhaps that person cannot access mainstream banks or loan agencies to secure a loan until his next payday, hence the name payday lending. To the borrower, it seems simple. He wants \$100 and is prepared to pay \$20 or so to get it. Often he is asked to authorise a direct debit to his bank account, so that the lender has first call on any money that is paid into his account, including his wages. Depending on the way that this simple loan is formulated, he does not realise that he is actually borrowing at a percentage rate that can vary from 250 per cent to 1,300 per cent a year. Trouble comes when the borrower strikes a second problem that puts an added strain on his finances and he has to seek extra time to pay the loan. Further penalties apply to this rollover of the debt, and soon the unfortunate borrower is on a treadmill leading him into more debt.

The Queensland Office of Fair Trading quotes the case of a customer who borrowed \$50 to be repaid in two weeks. He could not make the payment, so he rolled over the debt. The amount increased each time he did so, until 10 months later he owed \$900. Stories like that are legend in the country. There are stories of families being forced to place households valuables, even expensive cars, in jeopardy as security for loans of a few hundred dollars.

It is on record that these loan parasites are blossoming in number in every state. Many are now siting their lending offices close to major gambling venues to trap compulsive gamblers with offers of immediate cash. The reason they are able to get away with their odious practices is that current laws give no protection for this kind of borrower. Because of the small amounts involved and because these loans are for less than 62 days the lenders are not required to comply with the uniform Consumer Credit Code which governs other sections of the money lending industry. Because of that, fees, conditions and interest rates do not have to be disclosed in a written contract. Nor is there any obligation on lenders to assess whether the borrower has the ability to repay a loan.

The legislation now before the House will make these payday lending operators accountable under the Consumer Credit Code unless the loan is for a period not greater than 62 days, the credit fees and charges do not exceed five per cent of the loan and the interest rate does not exceed 24 per cent per annum.

I support the legislation not only because it protects the battlers in our society but also because other states are awaiting our lead in curtailing the activities of these unscrupulous operators who are taking advantage of many vulnerable people.

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