Speech by

DESLEY BOYLE

MEMBER FOR CAIRNS

Hansard 18 April 2002

CONSUMER CREDIT [QUEENSLAND] AMENDMENT BILL

Ms BOYLE (Cairns—ALP) (4.14 p.m.): I wish to support the Consumer Credit (Queensland) Amendment Bill 2002 and, in particular, to recognise the important initiative of providing for the inclusion of comparison rates in the bill. This bill is largely about introducing mandatory comparison rates on fixed term credit products, that is, loans. We will be the first Australian jurisdiction to introduce mandatory comparison rates on fixed term loans. It is intended, of course, that other states around the country will follow our lead.

The bill also extends the time limitation period for the Office of Fair Trading to commence civil penalty applications against credit providers who breach the code from two years to six years. There is some background to the introduction of comparison rates that bears mention. The code regulates all consumer credit—that is, credit for personal, domestic or household purposes—as opposed to investment or business credit, if a charge is made for that credit. A central feature of the code is the requirement that credit providers fully disclose important aspects of a loan prior to a consumer entering into a loan.

Since the introduction of the code in 1996, credit providers—cleverly, one might say—have developed a range of different fees and charges on loan products. The combination of these new fees and charges and the interest rate makes it difficult to compare the true cost of credit between different credit providers and varying products. The comparison rate is designed to help address this difficulty for consumers. I dare say if they were listening to our efforts in the House this afternoon, they would be saying 'Hear, hear, and about time, too!'

Several years ago, I personally experienced this problem. In my own defence, I expected to have a reasonable understanding of the various options, given my level of education in the field of maths. What happened? I got absolutely lost! I had decided that it was time to sell my home—the home that my children had grown up in and then, of course, had left. It was time to purchase a unit that would be more suitable to my new lifestyle.

Bravely, I called various credit providers, including the major banks, and compared their loan offers on a new unit. I bamboozled myself! As I recall, at one stage I had a package of about 20 pieces of paper on which I had scrawlings relating to interest rates, cheque books, account charges, fixed terms, variable rates and special offers. My job in the evenings was to puzzle over which one was really a better deal. At that point I called one of those firms that offer to do that sort of work on your behalf. They gave me about another 10 pages of comparisons and spent a lot of time with me, pointing out the advantages of the various loan products. I was totally bamboozled!

We are trying, on behalf of the consumers of Queensland, to get around that bamboozlement. We are trying to make the big banks, as well as the little banks—but especially the big banks—come clean and provide information about the benefits to consumers and the costs that they will incur in one single figure that consumers can then use to compare to the figures given by other institutions.

A comparison rate is an average annual percentage rate. It is a mathematical method of reducing the costs of a loan down to a single figure. It is hoped that the legislation being debated this afternoon will indeed make the situation better for consumers. Are consumers happy about it? Throughout the consultation process, there is no doubt that they said 'Yes'. Consumer groups also said, 'Yes, please proceed, and quickly so'.

Members can guess where the resistance to the comparison rate has come from. It has come from the big banks, which tell us that the comparison rates will change, depending upon whether or not they are applying fees, the level of those fees, or as loan arrangements change from variable to fixed. They say that therefore we will only confuse customers. That is nonsense! Of course comparison rates will change, but when they change—if it is by the choice of the consumer—the consumer will have the ability to ring each of the banks and obtain a single figure on what the impact will be. The consumer will at all times be better off.

What we are really hoping is that, by taking these moves, we will get the puff, as it were, out of advertising and get some clarity and honesty from lending institutions as to what they are offering to their customers. I am an optimist. I hope that is what will happen. The lending institutions should know that the members of this government will be watching very closely to ensure that they comply with this legislation and will join with consumer agencies in exposing them if they do not. I offer my compliments to the minister and all those who have worked on bringing this bill to the House this afternoon.