



Speech by

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MEMBER FOR GREENSLOPES

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CONSUMER CREDIT [QUEENSLAND] AMENDMENT BILL

Mr FENLON (Greenslopes—ALP) (4.04 p.m.): It is a great pleasure to speak in support of the Consumer Credit (Queensland) Amendment Bill 2002. This is a very important bill, because it deals with regulation in a area that relates to perhaps one of the most important decisions that people make in their lives. In terms of the electorate that I represent, people are entering into that phase in their life where they make probably their biggest investment. The latest round of land valuations in my area certainly indicates that that is the case. People are making investments and perhaps taking out loans on houses of \$300,000 to \$500,000. That is not a small issue. It is the biggest decision in those people's lives. They may spend a very large part of their life paying off those loans, perhaps up until they retire. It is perhaps one of the biggest decisions in their lives and one not to be taken lightly. As such, as legislators we have a great obligation to make sure that people are well protected and are given every device at law to ensure that they make informed decisions. I say 'informed decisions', but in this context it is almost informed consent.

I refer to a situation where people are also very emotional. Real estate agents often talk about buyers falling in love with their properties. Investment advisers always tell people that the last thing to do is to fall in love with a piece of land or a house. That is the worst thing that they can do. But inevitably people do that. They fall in love with their proposed investments and they get very emotional. When those people go to the bank to seek a loan, those emotions are still with them and they take over. Often people are then corralled into making decisions that they might not have otherwise made. They are making decisions on the hop, with people pushing them from each direction affecting their emotions. In that context, these people really need the best guidance that can possibly be provided to them.

This bill goes to the heart of assisting those people in terms of providing for mandatory comparison rates for fixed-term consumer credit products. More than a decade ago—back in the 1980s—our banking sector was deregulated and internationalised. Since then, we have seen an increasingly diverse range of products. That is certainly a new development in our financial landscape and the landscape in which people buy property. That has complicated matters. Not only do we have a far wider range of products but also we have a far wider range of marketing ploys and other devices to get people to take up a product. I am sure that some of the activities that the credit sector engage in are certainly obfuscation to give people the impression that they are getting a comparable product with something else in the marketplace. However, that might not necessarily be so. A lot of effort is made to gloss over the detail and to draw people to a very simple conclusion about a product.

When we read the small print of these financial packages, look at all the details, look at the extras, and look at the time over which the loan runs, we certainly come to a very different conclusion. It is not for the individual consumer to sit down with a calculator—or more appropriately a computer—to sort out the complications involved with these packages. We have an obligation to ensure that those people are provided with those calculations and, more importantly, that they have a guaranteed common rule by which to make those comparisons. This is exactly what this legislation provides. It provides for a common formula and that common formula can be applied to each of these particular packages. Obviously, that is a very complex formula. Having seen it, even with an accounting background I do not fancy doing a quick set of calculations on a couple of simple packages because it really is complex. However, I am sure that the finance sector, once charged with the responsibility to undertake these calculations, will do so properly and competently.

I am sure all members would agree with the importance of making this concept work and ensuring that it is acceptable, palatable and understandable in the marketplace. One of the most important aspects of this legislation, which I hope will stand, is the simple matter of communicating just what this concept is. We are talking about the broad concept of a mandatory comparison rate. A number of people might even read that phrase differently. In the marketing phase it will be very important to ensure that people understand what a comparison rate is. It could mean all manner of things, depending upon individual interpretation.

We need to communicate to the general public, to the consumer, that even though the calculations are very complex, there is a simple concept which allows them to compare one package with another. There may be different ways of viewing that comparison rate according to whether or not there are variations in interest rates in the future. People also need to understand that there are still some complicating factors.

Obviously there is still some way to go in terms of ensuring that this legislation is successful in the marketplace. I understand that similar legislation has worked overseas and that it has been very useful to consumers. However, we do not want it to be useful only to people who can understand the concept; we want it to be useful to everyone in the community, regardless of their educational background or competence in financial matters. I am sure that many people start to feel strained when they hear discussion on compound interest as opposed to simple interest. Often that is a result of a deficiency in their early education. The variations that can occur in these packages have led to a very complex market. For that reason, this is a very important and a very good piece of legislation.

Another element of this legislation is the extension of the time limit for civil penalty applications currently available under the code. Again, this is a good, sound development in terms of providing consumers with further protection in the marketplace. It is important that people have appropriate redress when things go wrong, and that is the fundamental intent.

I commend the minister for bringing this bill before the House. I wish the departmental staff well in communicating the essence of this legislation to the public as it is implemented. I commend the bill to the House.
