Speech by

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MEMBER FOR KAWANA

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CREDIT (COMMONWEALTH POWERS) BILL

Mr BLEIJIE (Kawana—LNP) (4.33 pm): I rise this afternoon to contribute to this exciting debate on the Credit (Commonwealth Powers) Bill 2010 introduced by the government. From the outset, I would like to convey my overall support for the bill before the House. The general subject of credit laws and regulation has come to the fore in recent years. As technology has improved rapidly, the digital age we now find ourselves in offers a plethora of consumer options that make for quick and easy access to markets and commodities in what is now considered a global village. The global marketplace offers consumers greater choice, more products and different markets than has ever been the case before.

The advancement of these technologies has great benefits to consumers, but there are also many new risks associated. Once considered sacred, banking information and credit card details are more than ever bandied around with reckless regard and, unfortunately, there are predators in our society who prey on certain members of the community and their vulnerability in this area.

The general issue of credit protection has become global and therefore the overall protection of consumers in the nation needs to be at the forefront. This broad example, identifying the dangers associated with credit access, requires greater consumer protection for individuals across the nation. The legislation before this House transfers the constitutional power for credit, including finance broking, to the Commonwealth government and repeals the necessary state legislation as indicated in the explanatory notes.

As this is an issue of greater national significance, it is necessary that the Commonwealth government acquire the responsibility for national regulation in this area, as was agreed at the original COAG meeting in 2008. I understand that it is the intention of the government to move during consideration in detail the amendments as have been circulated. As noted in the explanatory notes to the amendments to be moved during consideration in detail by the minister, and also as just referred to by the member for Keppel—

Following introduction of the *Credit (Commonwealth Powers) Bill 2009*, the Commonwealth and State Governments agreed to modify the terms of the amendment power and agreed to allow the States to adopt the Commonwealth legislation and refer an amendment power. The objectives of the amendments are to clarify the scope of the amendment power and to adopt the Commonwealth legislation and refer an amendment power to ensure the Constitutional soundness of the referral of consumer credit powers.

Coupled with the transference of regulatory powers associated with credit matters is the extra powers given to the Australian Securities and Investments Commission to police this scheme. It is vital that national regulations ensure that all Australians have equal protection from the Commonwealth government as this issue is one on an international scale. As outlined at the COAG meeting in 2008, this micro-economic reform will achieve significant improvements in Australia’s competition, productivity and international competitiveness.

The Consumer Credit Code, introduced as a federal initiative, was developed in response to business and consumer concerns to standardise credit practice in Australia. The code covers a wider range of credit transactions than previous laws. Under the definition of a code, a credit provider is identified as a business which provides finance to purchase goods, services and land or to lease goods. The code applies to these credit providers if they charge for credit and if their customers are individuals or residential strata corporations who use it mostly for personal, household or domestic purposes.

In a world where materialistic possession seems to take precedence over individual financial situations, there needs to be protection in place for the consumer. As previously indicated by the shadow minister, consumer credit can include motor vehicle finance, personal loans, retail loans and open-ended credit such as credit cards. Australia has been able to weather the economic storm, over the past 18 months in particular, thanks largely to the economic reform undertaken by the former Treasurer of Australia, Peter Costello, and the overall state of the nation's finances when the Howard government left office in 2007. Australia therefore did not suffer the full impacts of the global financial crisis as other countries around the world did.

The subprime mortgage collapse in the United States and subsequent insolvency of many financial institutions across the world has ensured that the availability of credit will now involve far more stringent tests than was previously the case. My concern has always been that the availability of credit ultimately subjects more consumers to financial stress than should be the case, as repayments are often unaffordable and the lure of the immediate purchase of goods outweighs the long-term repercussions of unaffordable payments and unreasonable subclauses in credit contracts.

The lack of regulation in this instance has meant that consumers are entering into credit contracts that have not been explained with appropriate detail and associated risks outlined. Ultimately this has ensured that much of the credit burden in this country has been placed on those who can least afford the repayments in the long term, effectively meaning that those consumers on lower incomes are at higher risk of defaulting on their credit repayments and being put at risk of bankruptcy.

Before I came into this place, I was a solicitor and I often looked at mortgage documentation. A lot of financiers require that consumers obtain solicitor certificates of advice and also financial advice. I noticed after the recent boom we have had that was certainly the case. But, prior to that, I can recall what happened when clients came in with mortgage documents. I remember one specific situation where a young couple wanted to live the Australian dream. They had a contract for purchase which was subject to finance. I had a look at their mortgage documents, which they had not signed at that stage. It had 'no dependants' listed on the documentation, yet their child was in the boardroom at that time. I asked them why they had ticked the box as having no dependants, and they said their financial broker had advised them that if they put that they had a dependant it would lessen the chance of them getting the loan.

That is the situation that we have had across Australia, where financial institutions and brokers, for a quick commission, have really put these people into situations where they can least afford the repayments. I feel sorry for them because they are wanting to live the Australian dream and buy and own their own house, yet they are being schemed and scammed by people who are trying to make a buck out of commissions. I saw countless situations of this sort of documentation, which fortunately, for the most part, was not signed so we could amend the documentation or give the best advice we could in those situations.

I am pleased to see that ASIC will be given more powers to police this code and hold to account those institutions which are trying to take advantage of these consumers, as I have detailed. The national consumer credit protection scheme, as proposed at COAG, will commence in two phases. Phase one includes five main components: an Australian credit licence regime to be administered by ASIC for those engaging in credit activities; industry-wide responsible lending conduct requirements for licensees; improved sanctions and enhanced enforcement powers for the regulator; enhanced dispute resolution mechanisms, court arrangements and remedies for consumer protection; and an expanded scope for the national credit code to include credit provided to purchase, renovate, improve or refinance a residential investment property.

Phase 2, which commences on 1 July 2011, includes provisions to stem unfavourable lending practices, such as a review of credit card limit extension offers, an examination of state approaches to interest rate caps and regulation of the provision of credit for small businesses. While a transition process ensures that these licensing requirements will not cause an immediate spike in compliance costs for business, the government needs to ensure that in the interim consumer protection is considered of great importance.

I concur with the shadow minister's concerns regarding the Australian credit licensing scheme and subsequent costs involved to business in complying with the regulations with these licences. Ultimately, these costs will be passed on to consumers and there needs to be some safeguards in place to ensure that licensing compliance costs are monitored, otherwise this regulation adds to inflationary pressures in the economy.

In conclusion, I would like to reiterate my determination for credit provision to remain available to all Queenslanders. Whilst we as legislators need to ensure that the dodgy operators are prosecuted, at the same time governments must ensure that the provision of credit is affordable and achievable for all Queenslanders to aspire to if they can afford the overall cost to purchase and live the Australian dream of owning their own home. I commend the bill to the House.