



Speech by

**Mark Ryan**

**MEMBER FOR MORAYFIELD**

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## **CREDIT (COMMONWEALTH POWERS) BILL**

**Mr RYAN** (Morayfield—ALP) (4.59 pm): I rise to make a contribution to the debate on the Credit (Commonwealth Powers) Bill. This bill continues the COAG reforms agreed upon in 2008. This bill and those reforms are about enhancing Queensland's and Australia's productivity and international competitiveness. This bill will contribute to delivering an efficient, cost-effective and more consumer friendly national credit law framework. I note that the bill will achieve these goals through a referral and adoption process. These reforms are a positive step for Queenslanders and will provide convenience, consistency and cost savings for Queensland businesses and consumers. A national regime for credit laws will benefit all Queenslanders.

Whilst national credit law reform may sound a dry topic to some, this particular legislation is not only good legislation but also good Labor legislation not just because of what it includes but because of what it does not include. This bill does not include any reduction in the protections that this Labor state government provided to vulnerable consumers in respect of interest rate caps. This bill clearly maintains the important interest rate cap of 48 per cent on consumer credit contracts established in 2008.

I would like to spend some time discussing the rationale behind the decision of this Labor state government in maintaining the interest rate cap. The interest rate cap is the maximum annual percentage rate that can be charged on a consumer credit contract entered into in Queensland. It is set at 48 per cent and includes fees and charges. The interest rate cap was introduced in Queensland to protect vulnerable consumers from unscrupulous lending practices.

Since its introduction the cap has proved to be an effective way of protecting Queensland consumers from paying too much in interest and getting themselves into financial adversity. A cap on the cost of consumer credit is an essential consumer protection tool to ensure all consumers are protected, particularly vulnerable consumers and marginalised consumers without the capacity or financial means to legally challenge a loan. It is about providing a safety net for those vulnerable and marginalised people in our communities. It is about being a compassionate government. I am very proud that this Labor state government is delivering on that commitment.

Borrowers who resort to high-cost loans are often unable to obtain credit from mainstream lenders such as banks and credit unions. Those borrowers are predominantly low-income, disadvantaged or vulnerable consumers. Many have poor credit histories, are already in financial difficulty and have been excluded from the mainstream market. Such consumers often seek credit in urgent or desperate circumstances, in some cases to meet basic living expenses or to pay an urgent bill, when they are most vulnerable to exploitation.

The consumer detriment flowing from high-cost loans can be serious. These problems include: serious financial hardship, including an inability to meet other bills and household expenses; the forced sale of assets; a depleted capacity to save; debt spirals or debt traps; an increased likelihood of default on loan repayments; bankruptcy; stress; and other health and social costs, including family breakdown caused by financial stress.

Borrowers of high-cost credit are likely to roll over their loan rather than pay it back, forming a dependency on repeatedly obtaining credit to live from month to month, payday to payday. Consumer advocacy groups support the continuation of the interest rate cap and inserting it into the national credit regime. From 28 July 2008 Queensland's interest rate cap has facilitated the repayment of more than one \$1.3 million as a result of breaches of the interest rate cap.

As the administration of credit is being transferred from the states and territories to the Commonwealth, the state government is committed to continuing the interest rate cap until it is included in the national credit laws. The interest rate cap has significant advantages, in particular providing protection to vulnerable consumers. This has been clearly demonstrated in Queensland. All Australian consumers should be afforded this protection from excessive interest, fees and charges that can be imposed by credit providers.

This is a good bill which delivers for all Queenslanders. I acknowledge the hard work of the minister, his staff, the department and the Parliamentary Counsel in bringing this bill before the House. I commend the bill to the House as a positive step forward for Queensland businesses and consumers.