

MEDIA RELEASE

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Credit unions and building societies support Parliamentary Committee calls to “stamp out” predatory lending

Abacus – Australian Mutuals, the industry body for credit unions and mutual building societies, has welcomed today’s call by the House of Representatives Economics Committee for changes to credit regulation and reforms to “stamp out” predatory lending practices¹.

“Credit unions and mutual building societies are responsible lenders, consistent with the mutual values of member-benefit and responsibility,” said Abacus Head of Public Affairs, Louise Petschler. “As APRA regulated Approved Deposit-taking Institutions (ADIs), we welcome the Committee’s recognition that ADIs are not involved in inappropriate lending practices.”²

“The Committee’s call for non-ADI lenders and brokers to be subject to greater regulatory oversight and dispute resolution schemes is strongly supported by the mutual banking sector.”

Abacus also voiced support for regulation of mortgage brokers and improved oversight of non-ADI lenders at the Committee’s roundtable hearing in August.

The House Standing Committee on Economics, Finance and Public Administration has made recommendations for improved data collection on home repossessions, Commonwealth regulation of credit and increased monetary limits for existing External Dispute Resolution schemes. Abacus and its members will consider the findings in the report, and have welcomed the opportunity to participate in the roundtable and Committee Inquiry.

Credit unions and building societies also backed the Committee’s finding that “first and foremost, credit regulation should protect borrowers from predatory lending practices”³.

“Abacus believes that the current regulatory framework does not adequately meet the aim of discouraging predatory lending in the market,” said Ms Petschler.

Abacus has joined a coalition of consumer groups and financial industry bodies aiming to respond to concerns about predatory lending. Abacus argues that responses to predatory lending practices should target those particular market practices and providers.

“We support targeted reforms that recognise the role of responsible lenders in the market. Unfortunately, to date reform options proposed by the State Governments adopt a broad-brush response, rather than targeted and effective reforms.” said Ms Petschler.

“Responses to aggressive or predatory lending should target the offenders in the market, and not add further costs to responsible lenders,” said Ms Petschler.

Abacus - Australian Mutuals is the industry body for credit unions and mutual building societies. We work with our 150 member institutions to promote the role of mutuals - building societies and credit unions that are owned by, and operated for, the benefit of their members. Our industry offers a different kind of banking: one that puts members first. More than four and a half million Australians are members of credit unions and building societies. For a full list of Abacus members go to www.abacus.org.au

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¹ Committee report available at www.aph.gov.au/house/committee/efpa/banklending/report.htm

² Committee Report Chapter 4, paragraph 4.3

³ Committee Report Chapter 5, paragraph 5.1