

MEDIA RELEASE

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Bring on national regulation of consumer credit

The Productivity Commission (PC) has today handed the new Federal Government and the States a welcome reform blueprint for consumer protection.

Abacus – Australian Mutuals has backed the PC's call for a significant overhaul of Australia's consumer policy framework, including the transfer of credit regulation to the Commonwealth.

Abacus is the industry body for Australia's 146 mutual Authorised Deposit-taking Institutions (ADIs) – credit unions and mutual building societies.

"National regulation of consumer credit and finance broking activity is needed because it will capture those brokers and fringe credit providers that have been able to operate outside robust and sensible consumer protection measures," said Abacus CEO Adrian Lovney.

"The strong recommendation for national regulation of credit provides the Rudd Government with an early opportunity to demonstrate its commitment to deregulation and reducing red tape.

"The current State-based consumer credit regulatory model has failed to keep pace with the rapidly evolving credit marketplace. This has exposed consumers to rapacious fringe and predatory lenders," Mr Lovney said.

The PC made the following observations about the current regulation of credit:

According to the Victorian Government, agreed changes to the Uniform Consumer Credit Code typically take between 3 and 5 years to implement.

Since 2003, credit providers have been required to display a 'comparison rate' for fixed term loans. A recent study found that only 28 per cent of borrowers knew the purpose of the comparison rate and only 16 per cent understood what was included in the rate. Yet despite this, the requirement has recently been renewed.

More stringent requirements in the ACT for increases in credit card limits do not appear to have materially affected the number of borrowers in arrears, but caused delays for those seeking advances on their credit cards in the aftermath of the 2003 bushfires.

"Abacus and its members will carefully consider the detail of the PC's proposals, including those on unfair contracts and consolidation of dispute resolution schemes, and provide a response in due course," Mr Lovney said.

Mutual ADIs:

- are prudent and responsible lenders, with total assets of \$65 billion and 4.6 million customers;
- collectively, are the second largest force after CBA in the household deposits market; and
- strongly outperform the major banks in customer satisfaction.

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For a full list of Abacus members around Australia go to www.abacus.org.au