Speech by

Jann Stuckey

MEMBER FOR CURRUMBIN

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CONSUMER CREDIT (QUEENSLAND) AND OTHER ACTS AMENDMENT BILL

Mrs STUCKEY (Currumbin—Lib) (4.52 pm): I rise in this House to speak to the Consumer Credit (Queensland) and Other Acts Amendment Bill. This bill was introduced into this place by the Attorney-General as one of a couple of recent amendments to the Consumer Credit (Queensland) Act 1994. This bill surprisingly services two other unrelated pieces of legislation—the Security Providers Act 1993 and the Legal Profession Act 2007. It is the consumer credit bill to which I will address my comments.

As members heard from the shadow Attorney, the honourable member for Caloundra, the opposition supports this bill, although certain aspects of it do cause a degree of unease. Presently in Queensland, as in other states and territories, the Consumer Credit Code regulates the provision of payday loans for fringe lenders. Undoubtedly, some fringe or payday lenders engage in practices that cause their customers added financial hardship through elevated fees and less than proprietous conduct.

The Queensland government is thus legislating, in the vein of recent amendments by other states, to provide better protection for consumers. This is achieved through the provision of an introduced ceiling on the amount of interest, fees and charges that can be imposed on a payday loan. Through the Consumer Credit (Queensland) Special Provisions Regulation 2008, which is proposed to be brought into effect later this year, the government plans to put that cap at 48 per cent, inclusive of all interest, fees and charges.

As members have heard in the House, New South Wales, the Australian Capital Territory and Victoria have imposed a ceiling or cap on the interest of payday loans at 48 per cent per annum—evidently, a sheer diminution in what may have been an exorbitant practice. In New South Wales and the ACT, the cap applies to all fees and charges not just the interest rate charge. These same provisions are to be introduced by this bill, I understand. In Victoria, the ceiling applies only to the interest component of the loan. In South Australia, a proposal will shortly come before the House akin to the New South Wales and ACT approach. Western Australia, Tasmania and the Northern Territory have at present not imposed a cap. Whilst the idea behind introducing a cap is a gallant one, it is being installed within a regulation. Not having it entrenched within this legislation is an unusual step which is not easily explained. This leaves the vulnerable who engage these loans resting on the whim of the government which may at any stage have the interest rates changed.

Common features of payday loans are that they are available for a variety of purposes, particularly to meet emergency household expenses, medical costs or bills. These loans are short term and can range anywhere from one week to six months and they are targeted towards low-income and higher risk consumers. Payday lenders such as AMX Money, MONEY3, Aussie Payday Loans and Cash Converters were virtually nonexistent 10 to 15 years ago, although the need for these lenders to give ready access to capital for the vulnerable and destitute, as well as the strugglers, has escalated. Payday lending operations have expanded in most Australian states and territories during this decade, where along with the aforementioned institutions we now have a horde of payday lenders online. All of these lenders exist purely to service what has become a growing need of instances where householders are feeling the overwhelming credit crunch.

As this House has heard from my colleagues, a sad picture is sometimes painted about the profile of those who engage in these loans, with many said to be on welfare benefits, uneducated and single parents. This, however, is not necessarily the case. With the state of our economy, with rising interest rates and the cost of basic living expenses, the need for payday loans is ever increasing. I doubt any member in the House would not agree that many families who would not be considered destitute or struggling are now facing much tighter finances and budgeting.

Payday loans are put to good use in the present competitive rental market. A couple of thousand dollars for a bond is not necessarily on hand for every person, irrespective of their socioeconomic status. I am not for a moment condoning the unscrupulous practices undertaken by greedy loan sharks who prey on those who are struggling to make ends meet or who have gambling or other addictions. Rather I am highlighting the fact that the demand for smallish loans—between a couple of hundred dollars to a thousand dollars—is on the rise. Default rates on these types of loans is reported to be relatively low. This is perhaps attributable to the fact that people prioritise the need to repay the loan as well as the intention to honour a loan provided to them by a microlender whereas any other lender overlooked them.

A danger in practice is that a number of fringe lenders issue back-to-back loans, where borrowers request another loan straight after having repaid the initial loan. This process is accelerated and is fairly easy when the borrower is already an established customer. Of more concern is where lenders allow loans to be rolled over for a further period when the initial loan could not be repaid in time. They thus form a dependency on these loans, becoming trapped in the cycle and simply lend in perpetuity with one loan being to cover the previous. This again could speak volumes.

To illustrate yet more undesirable practices in the issue of these loans, we see that simple internet searches for ‘payday advances’, ‘cash advances’ and ‘fast cash’ reveal a plethora of web sites all dedicated to offering instant money to the desperate. Phrases such as ‘$100 to $600 in under 60 minutes’, ‘$1,000 wired to your bank in one hour’, ‘no credit check’, ‘deposited next day’, ‘easy application’ and ‘fast approval’ all feature in the absence of facts, fees and interest rates in many cases. Images of $50 and $100 notes flash rapidly, as if to induce an uncontrollable payday lending frenzy. These hooks are designed to prey on the vulnerable and desperate with the promise of a quick and easy solution to their problems.

It is exactly these sorts of practices that the government should be legislating against, rather than the regulation of the free market where legitimate people carry out their businesses, many of which are small, family owned businesses. Granted, many are not, and larger companies like Cash Converters provide a very much needed service to countless Queenslanders who are not necessarily caught in the debt spiral I have mentioned.

As I understand it, Cash Converters’ payday loan product is called Cash Advance. Cash Advance has 220,000 users nationally and 46,000 current users here in Queensland. Far removed from the undesirable practices the government would have us believe, their loans are not rolled over and there is no compounding of fees and charges. They are once-off, short-term, set period loans averaging $250. They incur a fixed charge of $35 per $100 agreed by the borrower and that charge does not increase should the borrower fail to repay within the agreed period. Interestingly, of these loans 97 per cent are paid in full, despite these loans not requiring any security by their consumers. This is a big risk for a company, particularly where a borrower cannot access mainstream capital due to poor credit history.

Importantly, Cash Converters do not allow customers to loan beyond their means. Their capacity to repay the loan is paramount in the business, and customers’ loans may therefore not exceed a maximum of 15 per cent of their net monthly income. Why am I mentioning Cash Converters? Simply because I feel obliged to put forward the views of people in my electorate from Coolangatta to Palm Beach—hundreds of them who have sent in petitions who are happy borrowers. They ask, ‘Where will they now go for a loan?’ They are genuinely worried about what they will do for the future when hard times pinch.

The government must be cognisant of the fact that this legislation may also have an impact on the employees of these large companies in these industries, with the potential to cost them their jobs as a result of this legislation. The introduction of this bill is envisaged to protect customers who are currently feeling the rises in interest rates, basic expenses, food and petrol where it hurts—in the hip pocket. Rather than present something of great value to the consumer, the government is cutting a practice used in an increasingly struggling collective. What instead, I ask the Attorney, of the government delivering on his proposed altruistic loan scheme through Good Shepherd Youth and Family Service? There are 70,000 estimated current users of payday lending in Queensland who may well be interested in his answer.