

Consumer Credit Legal Centre (NSW) Inc.

Submission in response to Pre-contractual Disclosure & The Uniform Consumer Credit Code Consultation Package

March 2006

About CCLC

The Consumer Credit Legal Centre (NSW) Inc (“CCLC”) is an independent community legal centre providing information, legal advice, legal representation, and education to NSW consumers in relation to credit, debt and banking matters. We provide legal advice and assistance to over one thousand clients each year, and represent over one hundred clients in disputes with credit providers and debt collectors, including matters in courts, tribunals and alternative dispute resolution schemes.

CCLC also operates the Credit and Debt Hotline, a financial counselling information and referral service, which is the first port of call for many troubled debtors in NSW. This service took 7869 calls in its first 12 months of operation at CCLC to 31 August 2005. As part of this service, CCLC’s financial counsellors and solicitors visit various rural and regional areas all over NSW to offer our support and assistance to financial counsellors, as well as to conduct workshops for members of the public and other community workers.

Introduction

Seven years after recommendations were made in the Post Implementation Review of the Consumer Credit Code, the renewed momentum to implement the proposals is appreciated. While such efforts should be applauded, there remain high priority issues which equally require prompt attention – chiefly the use of Bills of Exchange and Business Purpose Declarations as a means to circumvent the consumer credit code.

One aspect we note about these proposed changes is a lack of research into the efficacy of disclosure as a means of consumer protection (studies by Paul O'Shea are particularly pertinent), but further delaying the proposed changes merely due to this factor is not recommended.

Submissions

We propose the following changes in relation to the contents of the Schumer Box table of essential financial information:

1. The name and address of the person or entity of the actual credit provider should be made explicit. This would prevent common consumer mistakes such as identifying brokers or other agents as the credit provider.
2. Clarification is required as to where deferred establishment fees should fit on the table.
3. The interest free period should be displayed as a range of days. For instance periods of 'up to 55 days' should be altered to '35-55 days'.
4. For the category 'minimum repayments of \$285 on fully drawn credit limit', the percentage repayment this amount represents needs to be disclosed, along with how long it would take to repay the full amount of the credit at that minimum rate of repayment.
5. The category 'Repayments' is the most important payment to be made by the consumer. Its position on the table should be moved up and placed ahead of both fees and charges, and the annual percentage rate.

Conclusion

Despite extensive delays, this initiative is commendable in its endeavour to assist the consumer to make more informed decisions about credit transactions. Our recommendations call for changes in order to further these goals and fine-tune the proposals presented.