

Your Ref:
Our Ref: LK:
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Pamela Criddle
National Projects Officer
Uniform Consumer Credit Code Management Committee
Department of Consumer and Employment Protection
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PERTH WA 6850

Dear Madam

Submission on the pre Contractual Disclosure and the Uniform Consumer Credit code Consultation Package

We welcome the opportunity to comment on the above document.

The Civil Justice Team (Consumer Protection Unit) at Legal Aid Queensland specialises in consumer issues including disputes with financial services providers , telecommunication providers and insurers. The Unit provides advice and represents Queenslanders affected by unfair consumer transactions.

It is important that consumers understand the contracts they are entering. The proposed changes appear to make it easier for potential borrowers to understand their contracts by providing simplified documentation and to that extent we support the recommendations. It is important that the proposed amendments are enacted given the amount of time that has passed since the Post Implementation Review was undertaken.

In our view, the amendments are likely to assist middle class borrowers in making more informed decisions as they will receive the documentation before they enter into a contract.

However the timing of the provision of this information is crucial. There is nothing in the amendments to prohibit this information being provided immediately before entering into the contract. Our concern is that if the information is provided immediately before entry into the contract, there is no opportunity for the consumer to read the information and understand it.

In a University of Queensland study conducted in 2004 the results of which were published in "Consumer Credit Code Disclosure: Does It Work?"¹, *Journal of Banking and Finance Law Practice*, 200 university students were given a typical set of documents consumers receive when purchasing a car on finance and asked to answer nine important questions, the answers for which were contained in the documents. Most of the participants were only able to answer 6 out of the 9 important questions despite the fact that they were obviously better educated than the average consumer and fell into the top 27% of their graduating high school year.

The best disclosure regime will not assist a consumer in understanding the contract if they do not have sufficient opportunity to read the information or the information is lost in a bundle of documents presented to them.

In our view the amendments will not assist the most vulnerable consumers as they:

- will still find it difficult to understand the information in any form presented, and
- may not have any real ability to choose between lenders.

The amendments fail to address the unjust characteristics of contracts such as:

- high interest rates;
- capacity to pay;
- exorbitant fees;
- insurance forcing and/or
- high pressure selling.

Conclusion

While Legal Aid Queensland supports the introduction of the proposed amendments, we hold the above reservations about their overall effectiveness.

Please contact Loretta Kreet on 07 3238 3015 if you wish to discuss this further.

Yours sincerely,

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Legal Aid Queensland

Loretta Kreet
Solicitor

¹ P.O' Shea and Dr C. Finn' Consumer Credit Code Disclosure: Does It Work?'¹, *Journal of Banking and Finance Law Practice* 5, vol. 16, March 2005