

Ms Pamela Criddle
National Project Officer
Uniform Consumer Credit Code Management Committee
Department of Consumer and Employment Protection
Locked Bag 14
CLOISTERS SQUARE WA 6850

STREAMLINING PRECONTRACTUAL DISCLOSURE CONSULTATION PACKAGE

Thank you for the opportunity to comment on suggested changes to pre-contractual disclosure and the uniform consumer credit code.

The Small Business Development Corporation's (SBDC's) principal role is to facilitate the establishment and growth of small business in Western Australia. Therefore, the comments provided are from the perspective of small businesses as the purchasers of credit.

Small businesses use credit for a range of reasons, including access to finance for initial start up, capital or stock purchases, expansion and even day to day operating expenses. The cost of banking products and particularly fees and charges have a significant impact on small businesses. The SBDC through its Ready Response Network gauges the views and opinion of small business operators on a variety of topics, including banking. Questions to the Network on various occasions have revealed that bank fees and charges are an important issue and concern for small businesses.

Like other consumers, small businesses often have difficulty in identifying information on fees and charges as it is contained within the credit contract or only available on request. Small businesses would benefit from easier access to information on fees and charges, particularly to identify their cost, frequency and application. Up front disclosure of this information will allow small businesses to make a more informed choice in relation to credit products.

The proposed introduction of the financial summary table which will include information on upfront and ongoing fees and charges and a summary of other information outlining fees that may be imposed under the contract, should improve pre-contractual disclosure. These changes will facilitate greater and more effective disclosure of fees and charges by highlighting key areas common across most credit products. This in turn will assist small businesses compare various credit products on offer and identify what is most suitable for their business needs. Small businesses have regularly indicated to the SBDC that comparison charts and other such tools are very useful supporting documentation.

One of the key issues related to pre-contractual disclosure is the timing of the disclosure. Early disclosure will allow more opportunity for the comparison of credit products. In this respect, it is of concern that no recommendations were made in relation to the timing for pre-contractual disclosure, other than that the disclosure was to occur prior to entering the contract.

The SBDC is of the view that to ensure the proposed changes provide effective and meaningful opportunity for comparison between credit products, there must be sufficient time between the disclosure and entering the contract. Small businesses need to have ample time to digest information and compare credit products prior to making their decision to enter into a contract. Disclosure immediately prior to entering the contract does not provide this opportunity for comparison. A minimum time period for pre-contractual disclosure would ensure that small businesses had sufficient time for comparison.

It is however acknowledged that specifying a minimum time has practical limitations and in some cases may affect the ability of small businesses to obtain credit products efficiently. To address these situations, it is suggested that consumers be provided with an option to waive the minimum time period for disclosure. This option would serve two purposes, firstly to alert consumers' to the opportunity to compare credit products based on disclosed information, but also allow consumers to waive the opportunity, if not required.

The SBDC appreciates the opportunity to comment on this issue. Should you wish to discuss any aspect of this submission, please do not hesitate to contact Ms Kiran Ranbir on 9220 0206.

George Etrelezis
MANAGING DIRECTOR

30 March 2006