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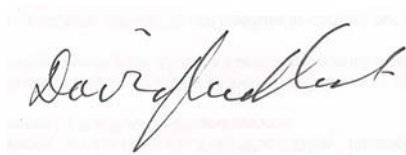
Fringe Credit Project
Fair Trading Policy Branch, Policy Division
Department of Tourism, Fair Trading and Wine Industry Development
GPO Box 3111
Brisbane, Queensland. 4001

Email: consumercredit@dtftwid.qld.gov.au

Dear Sir/Madam,

Please find attached our comments on the proposed amendments to the *Consumer Credit Code Amendment Bill 2007* and *Consumer Credit Amendment Regulation 2007*.

Yours faithfully



David Hudleston
Chief Executive Officer
Abcash Limited

Introduction

The term “fringe credit provider” used to define non-bank lenders has a negative connotation. “Non-deposit taking lenders” would be better description for lenders such as us who are not payday lenders but provide short (between 10 weeks and two years) term loans. Payday lenders are a separate category and should not be lumped in with the “Non-deposit taking lenders”.

Section 7

Clause 4

Most “non-deposit taking lenders” do disclose fees and charges in their contracts and in the main do not charge fees that are not disclosed in the contracts. Any third party fees should be disclosed in the financial summary of the loan contract.

Clause 5

In our opinion the purpose of whether a loan is for business, personal or domestic purposes is disclosed at the time the applicant applies for the loan. We do not have a problem with this provision.

Clause 6

The findings in the *Director of Consumer Affairs Victoria v City Finance Loans and Cash Solutions* clearly provided a distinction between what are charges and what is interest. It also made quite clear whether charges are conscionable or are unconscionable they are charges and not disguised interest. In view of the above we do not accept the purpose of the amendment.

Clause 7

The clients that we lend to are unsophisticated in terms of their financial ability and have great difficulty budgeting despite the fact that we align their repayments with their receipt of income.

For this reason we believe security is necessary to restrict bad debts and allow us to remain viable.

Clauses 9, 10, 11

If these amendments remove the “seedy” lenders from the market, we have no problems with them. As a responsible lender, we don’t charge high fees.

Summary

It must be appreciated that clients of “non-deposit taking lenders” are usually unsophisticated borrowers who have difficulty budgeting.

Our industry is labour intensive requiring high interest and charges over a short term to ensure a reasonable return. (For example a \$600 loan over 26 weeks returns us \$4.57 a week in interest and it costs the same for us to establish a loan as mainstream financial institutions.)

It should also be appreciated that “non-deposit taking lenders” are not deposit taking institutions and have to pay normal capital costs to raise capital to lend. These are at least 5% above the cost to the deposit taking lenders.

Amendments to the code in NSW in 2005, made lending under the code unviable for operators in that state. This caused NSW lenders to look for ways to operate outside the code through the use of bills of exchange.

The draconian changes made in NSW did not stop or curtail the “non-deposit taking lenders”, nor did they change their fees and charges. The only result the legislation had was to force these lenders outside the code thus removing the protection the code offered borrowers.

The end result as that by making “non-deposit taking lenders” unviable and forcing them outside the code the borrowers lost the protection that the changes to the code were supposed to give them.

Providing Queensland and the other states don’t take the stance NSW took there should be no necessity for “non-deposit taking lenders” to seek ways to operate outside the code.

We have followed in detail the Hansard reports on the debates in relation to the NSW changes and it is very clear that members of parliament have little understanding of interest rates e.g. when 48% was mentioned some members stated that to make \$480 on a \$1000 loan was unfair. In fact 48% in the context of the code equates to approximately \$230 per annum on a \$1000 loan.

Approximately 2 million Australians are in a position where they are unable to borrow from deposit taking institutions and rely on us to improve their quality of life by being able to borrow money. To deprive them of our services by making it unviable for us to operate or force us to lend outside the code could hardly be seen as acting in these consumer’s best interests.