

# STANDING COMMITTEE OF OFFICIALS OF CONSUMER AFFAIRS

## CONSUMER CREDIT CODE

### STATEMENT OF ENFORCEMENT POLICY

#### COMPARISON RATES FOR CONSUMER CREDIT PRODUCTS WHICH ARE PRICED FOR RISK

The *Consumer Credit (Queensland) Amendment Act 2002* inserts into the Consumer Credit Code a new Part 9A, which provides for the mandatory disclosure of comparison rates:

- in advertisements for fixed term credit which feature an annual percentage rate, and
- in comparison rate schedules which are to be made available to consumers.

Section 146M of the Act provides that comparison rate schedules are required to list comparison rates for the consumer credit product concerned, calculated for each of the amounts of credit and terms prescribed for the purposes of that section.

Section 33F of the *Consumer Credit Amendment Regulation (No. 1) 2003* set out the formula which is to be used for calculating comparison rates. One of the variables which must be included in this formula is the interest for the consumer credit product concerned.

If a credit product does not have a set interest rate, but a rate which varies according to the risk profile of individual consumers, the Regulation provides no guidance on which interest rate should be used to calculate comparison rates for that product.

SCOCA has agreed that the *Consumer Credit Regulation 1995* should be amended to provide that comparison rate schedules for consumer credit products which are priced for risk should, for each of relevant prescribed amounts and terms, provide five comparison rates. These should be calculated on the basis of the average annual percentage rate which is charged by the credit provider, rounded to the nearest whole number, and for two whole number rates above and below the average rate.

Until this amendment is made, SCOCA has endorsed the following enforcement approach by government consumer agencies in relation to this issue:

**Comparison rate schedules for consumer credit products which are priced for risk should, for each of relevant prescribed amounts and terms, provide five comparison rates. These should be calculated on the basis of the average annual percentage rate which is charged by the credit provider, rounded to the nearest whole number, and for two whole number rates above and below the average rate. The schedules should clearly indicate the annual percentage rate, amount and term which correspond to each comparison rate.**

