

STANDING COMMITTEE OF OFFICIALS OF CONSUMER AFFAIRS

CONSUMER CREDIT CODE

STATEMENT OF ENFORCEMENT POLICY

STATEMENTS IN COMPARISON RATE SCHEDULES REGARDING SECURED AND UNSECURED LOANS

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(4) of the Act provides that, where a comparison rate is calculated for certain prescribed amounts of credit, the comparison rate schedule must clearly state whether the comparison rate has been calculated for a secured or unsecured loan.

Section 33E of the *Consumer Credit Amendment Regulation (No. 1) 2003* prescribes amounts between \$10,000 and \$30,000 inclusive as amounts for which a statement regarding whether the comparison rate is for a secured or unsecured loan must be made.

The rationale for this requirement is that there can be a significant difference in the comparison rate for a secured loan and an unsecured loan of the same value, due to the higher interest rate for unsecured loans and the higher up-front fees for secured loans.

It has been pointed out that allowing comparison rate schedules to indicate whether a comparison rate is for a secured or unsecured loan for amounts other than those between \$10,000 and \$30,000 would be useful to consumers. However there are doubts about whether comparison rate schedules are permitted to contain this information, as section 146P(3) of the Act provides that a comparison rate schedule is not to contain any information other than that required or permitted by or under the Consumer Credit Code.

The Standing Committee of Officials of Consumer Affairs (SCOCA) has agreed that the *Consumer Credit Regulation 1995* should be amended to allow comparison rate schedules to indicate whether comparison rates are for secured or unsecured loans for all loan amounts in the schedule.

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

Comparison rate schedules are permitted to indicate whether comparison rates are for secured or unsecured loans for loan amounts other than the

amounts which are prescribed by section 33E of the *Consumer Credit Amendment Regulation (No. 1) 2003*.