

STANDING COMMITTEE OF OFFICIALS OF CONSUMER AFFAIRS

CONSUMER CREDIT CODE

STATEMENT OF ENFORCEMENT POLICY

STATEMENT IN COMPARISON RATE SCHEDULES OF THE REPAYMENT FREQUENCY USED TO CALCULATE A COMPARISON RATE

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.

The Act also sets out a number of other items of information that must be included in a comparison rate schedule and section 146P(3) provides that a comparison rate schedule is not contain any information other than that required or permitted by or under the Consumer Credit Code.

The *Consumer Credit Amendment Regulation (No.1) 2003* sets out the formula to be used to calculate comparison rates. The formula provides that the calculation is to be based on the repayment frequency which is required by the relevant credit contract.

If the credit contract does not require a particular repayment frequency, the credit provider may choose a repayment frequency for use in calculating comparison rates.

Increasing the repayment frequency can produce a lower comparison rate. Therefore, for two identical loans, the credit provider who uses a weekly repayment interval will produce a slightly lower comparison rate than the credit provider who uses a fortnightly repayment interval. The consumer would, however, be unaware that the difference was caused by a different repayment frequency, and the latter credit provider may be at a competitive disadvantage.

In order to address this issue, the Standing Committee of Officials of Consumer Affairs (SCOCA) has agreed that the *Consumer Credit Regulation 1995* should be amended to allow a comparison rate schedule to state the repayment frequency which has been used as the basis for a comparison rate calculation.

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

A comparison rate schedule may contain information about the repayment frequency which has been used to calculate a comparison rate or rates contained in the schedule.