

**CHRIS BOWEN MP
MINISTER FOR HUMAN SERVICES
MINISTER FOR FINANCIAL SERVICES, SUPERANNUATION & CORPORATE
LAW**

MEDIA RELEASE

7 July 2010

**RELEASE OF GREEN PAPER ON PHASE TWO OF THE COAG
NATIONAL CREDIT REFORMS**

The Minister for Financial Services, Superannuation and Corporate Law, Chris Bowen MP, today announced the release of the Consumer Credit Reform Green Paper, *National Credit Reform - Enhancing confidence and fairness in Australia's credit law*, for public comment.

The release of the Phase Two Green Paper builds upon the completion of Phase One, the commencement of the new National Consumer Credit Code on 1 July 2010.

"The Government has delivered Phase One of the consumer credit reforms by bringing together the different state and territory legislation on financial services into a single, standard, National Consumer Credit Law," Mr. Bowen said.

"This Green Paper outlines the options for enhancing the new National Consumer Credit Law in particular areas such as credit cards, small business credit, reverse mortgages, and fringe or payday lending.

"While Phase One of the COAG Credit Reform agenda has been delivered successfully, the Gillard Government is not complacent; we know there's more work to do to strengthen credit protections for Australian consumers."

The Green Paper initiates the next stage in an important consultation process on the National Credit Reforms, and presents a coherent and comprehensive package of issues and reform proposals that are being considered as part of Phase Two of the Council of Australian Government (COAG) Credit Reform agenda.

The Green Paper has been developed following targeted consultation with interested industry and consumer groups, and will be available for public comment for a further four week consultation period.

"The Government looks forward to engaging the community, industry, and the state and territory governments in the development of the Phase Two reform agenda," Mr. Bowen said.

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Phase Two of the COAG Credit Reform Agenda

Phase Two will consider whether further reforms in the area of investment and small business lending are merited. The reforms may include possible further measures to stem predatory lending practices, such as a review of credit card limit extension offers, an examination of state approaches to interest rate caps and other fringe lending issues. The Government will also consider regulatory issues specific to reverse mortgages to protect older Australians considering using the equity in their homes to gain access to credit.

Consultation on Phase Two, which commenced in December 2009 and will continue throughout Phase Two, will be undertaken through two main groups:

- (i) The peak industry and consumer consultative group (which assisted in the development of Phase One of the credit reform); and
- (ii) The Financial Services and Credit Reform Implementation Taskforce (FSCRIT) comprising state and territory government officials.

Special working groups on Phase Two issues will be convened where needed, to allow targeted industry input into those areas. To date, two such working groups have been established: the *Equity Release* working group and the *Retail Point of Sale* working group.

The Government welcomes comments from any interested persons on the Green Paper and asks that these comments be emailed to consumercreditgreenpaper@treasury.gov.au by **Friday, 6 August 2010**.

Further information on the new consumer credit regime can be obtained from the Australian Securities Investments Commission (ASIC) website or from www.treasury.gov.au/consumercredit. Lenders and affected persons can subscribe to receive email updates through the ASIC website at www.asic.gov.au/credit.

Timeframe

The deferred commencement of Phase One of the Consumer Credit Reform package to 1 July 2010 has meant that some adjustment to the COAG endorsed timeframe for Phase Two is desirable.

Given the broad spectrum of issues to be considered in Phase Two, further regulatory reforms foreshadowed as part of the Phase Two Reform package will be delivered in two tranches.

Legislation giving effect to regulation is proposed to be in place for some projects by mid-2011, and those requiring more consultation to be in place by mid-2012. The revised proposed timeframe for Phase Two has been agreed by states and territories and has been endorsed by COAG.

Details of Phase Two of the National Consumer Credit Protection Reform Package

Part One

The Government will consider:

- Enhancements to the regulation and tailored disclosure for reverse mortgages;
- Extension of the National Credit Code to include disclosure requirements for consumer leases and linked credit providers;
- Regulation of credit for personal use and peer to peer lending;
- Regulation of various aspects of credit card lending;
- Possible extension of unjust conduct provisions to credit service providers; and
- Further enhancements to the National Credit Code.

Part Two

The Government will consider projects requiring more in-depth industry consultation, including:

- Regulation of the provision of credit to small business;
- Regulation of credit for investment loans other than margin loans;
- Examination of mechanisms, including state approaches to interest rate caps, to address predatory or fringe lending;
- An examination of the need for any enhancements to responsible lending provisions for post-entry conduct;
- A review of the regulation of credit advertising directed at vulnerable consumers;
- Reform of mandatory comparison rates; and
- A possible review of credit licensing requirements for debt collectors.