



NO.133Media Release of 21/09/2011

NEW CONSUMER CREDIT PROTECTIONS INTRODUCED INTO PARLIAMENT

Better protections for senior Australians taking out reverse mortgages and vulnerable people who use payday loans are a step closer following the introduction of the *Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill 2011 in the House of Representatives*.

In introducing the legislation, Assistant Treasurer Bill Shorten said "The Gillard Government is determined to protect vulnerable consumers from the potential dangers of accessing credit with hidden risks or excessive interest rates."

The Bill will introduce significant new protections for senior Australians and other consumers who are vulnerable to inappropriate lending practices, through reforms in four main categories: short-term loans, reverse mortgages, consumer leases and other enhancements to the operation of the *National Consumer Credit Protection Act 2009*.

For short-term loans, the Bill includes:

- A national cap on the reasonable costs that can be charged for small amount loans
- Ensuring loans can't be refinanced so that low-income consumers don't end up sinking further into debt
- Mandatory disclosure of the availability of other options, including Centrelink advances and no or low interest loans through community organisations.

For reverse mortgages, the Bill includes:

- A no-negative-equity guarantee for reverse mortgages, so seniors can't end up owing more to the lender than their home is worth
- Other protections and disclosure requirements to ensure consumers can use reverse mortgages with confidence.

"Development of the reverse mortgage reforms has been assisted by the mature and constructive approach taken by the reverse mortgage industry and its peak body, SEQUAL," Mr Shorten said.

"The reverse mortgage industry anticipated the need for consumer protections and acted by introducing a robust industry code – some aspects of which are reflected in our legislation."

For consumer leases, the Bill extends the operation of the National Credit Code to provide greater regulatory consistency between consumer leases and credit contracts, while the enhancements to the code include reforms that will make it easier for borrowers in financial difficulty to seek a hardship variation.

"This legislation continues the Government's delivery of the National Credit Reforms, and our commitment to protect and improve the position of vulnerable consumers," Mr Shorten said.

The Bill will be examined by the Joint Committee on Corporations and Financial Services.

"The Committee process reflects the Government's commitment to transparency and will allow for additional Parliamentary scrutiny of these important reforms," Mr Shorten said.

21 September 2011