



## **MEDIA RELEASE**

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### **Credit Ombudsman gets tough on responsible lending**

The Credit Ombudsman Service Limited ('COSL') has issued a position statement providing guidance on how it will deal with allegations of irresponsible lending that may be made against its members. Almost all non-bank lenders, pay day lenders, finance brokers and securitisation trustees and funders are members of COSL.

The position statement was prompted by recently enacted national credit laws which aimed to stamp out predatory lending practices and dodgy operators by requiring persons engaged in credit activities to be licensed.

According to Mr Raj Venga, Credit Ombudsman, "Under the national laws, a lender cannot provide a loan, and a broker cannot arrange a loan, without first asking the consumer about their needs, enquiring about and verifying their financial situation and assessing the suitability of the proposed loan."

"A loan will be regarded as unsuitable if it does not meet the consumer's needs or the consumer is unlikely to be able to meet the loan repayments without substantial hardship", added Mr Venga.

Mr Venga continued: "It is no longer possible to have a 'self certified' loan where the consumer is not asked to provide the lender with any financial information. Those days are over. We certainly don't want to see a lender requiring a borrower to certify that the loan is suitable or that they can afford the loan repayments. We would take a dim view of a loan being approved where expenses were understated when assessed against basic living costs, where the income was overstated when assessed against other verified information, or where a default occurred on the first or second loan repayment."

"Our position statement is the most comprehensive statement on responsible lending issued by a non-government body. It will assist lenders and brokers with their new obligations and provide them with some practical guidance as to how they will need to conduct themselves when providing or arranging loans under the new laws. It will also provide consumers and their advocates with a useful understanding of how we will deal with a claim of irresponsible lending", said Mr Venga.

"A consumer who has suffered loss because of irresponsible lending can seek redress through us. Our services are free to consumers and we are completely impartial in our investigations" concluded Mr Venga.

*Editors note:*

*The position statement can be found at [www.cosl.com.au](http://www.cosl.com.au).*

*The responsible lending obligations for finance brokers and some lenders commenced on 1 July 2010. For banks, building societies and credit unions, the obligations commenced on 1 January 2011.*

*COSL is an external dispute resolution scheme approved by the Australian Securities and Investments Commission to provide consumers with an alternative to legal proceedings for resolving credit-related and other complaints about members of COSL.*