

Credit Ombudsman Service

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1. The Credit Ombudsman has welcomed new Commonwealth consumer credit legislation which commences on 1 July 2010.
2. The new laws are aimed at stamping out predatory lending practices and unethical operators in the credit market.
3. COSL has strict reporting obligations to ASIC and is obliged to report conduct that may be in breach of licence conditions.

COSL Welcomes New Credit Legislation



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Media Release Issue 13 – New Credit Legislation

The Credit Ombudsman, Mr Raj Venga, has welcomed new Commonwealth consumer credit legislation which commences on 1 July 2010. The law introduces national licensing for persons engaged in credit activities, such as lenders and finance brokers.

External dispute resolution schemes, such as the Credit Ombudsman Service, are given special recognition under the laws.

"A consumer who has suffered loss because of the misconduct of a licensee or credit representative can seek redress through us. Our services are free to consumers and we are completely impartial in our investigations" said Mr Venga.

"The new credit laws are aimed at, among other things, stamping out predatory lending practices and dodgy operators. The laws require all lenders to lend responsibly by assessing and verifying a borrower's capacity to repay a loan. It will be illegal for a lender to extend credit, or brokers to suggest credit, to a consumer which is unsuitable for the consumer in view of their needs and financial capacity", explained Mr Venga.

"Significantly, the legislation also increases the dollar threshold under which consumers can request a change to their loan contract on the grounds of financial hardship, or a postponement of enforcement proceedings", Mr Venga added. "The new threshold will enable a significantly greater number of struggling Australian families to benefit from consumer credit legislation where they can show that a payment variation will enable them to meet their loan commitments."

The Credit Ombudsman Service has for some time now been considering complaints about financial hardship, even where legal proceedings against a borrower have commenced. One out of every three complaints it receives involves some aspect of financial hardship.

Mr Venga anticipates working even closer with the new credit regulator, the Australian Securities and Investments Commission (ASIC). "ASIC has been given enhanced enforcement powers. It will be able to cancel or suspend a licence or ban a person from engaging in credit activities. This is likely to keep shonky operators out of the industry."

"As a dispute resolution scheme approved by ASIC, we have strict reporting obligations to ASIC and are obliged to report conduct that may be in breach of licence conditions", Mr Venga said.

Given that credit now falls within the exclusive jurisdiction of the Commonwealth, Mr Venga expressed his strong view that State-based community legal centres, consumer credit legal centres, legal aid agencies and financial counselling bodies receive appropriate funding to continue their valuable work in the area of credit, particularly in relation to the more vulnerable members of the community.