



Australian Government

National Consumer Credit

Single, standard, national regulation
of consumer credit for Australia



Key points

- > \$71 million in credit reform
- > Two-phase action plan for credit reform for minimal disruption
- > Enhanced credit protection for consumers
- > Nationally consistent consumer credit regulation and enforcement
- > Internationally competitive credit regime
- > Phase one by mid 2009
- > Phase two by mid 2010

Responsible lending and compulsory EDR

Better protection for all consumers

Cutting red tape for Australian business

Message from the Minister

It gives me great pleasure to announce the Rudd Government's \$71 million historic plan for single, standard national regulation of consumer credit.

This plan will significantly boost consumer protection, cut red tape for business and deliver on our commitment to modernise Australia's key financial services with the provision of single national regulation and oversight.

This package of reform is vital for our 21st century national economy, and for continuing consumer confidence in our financial services marketplace. It is reform that has been badly neglected by previous governments but is all the more urgent in the face of turbulence on global financial markets.

The two-phase action plan follows the release of the Government's Financial Services and Credit Reform Green Paper in June and agreement at the March and July COAG meetings to transfer consumer credit regulation to the Commonwealth.

Under the first phase of the action plan, the Commonwealth will assume responsibility for key credit regulation, the Uniform Consumer Credit Code (UCCC), by enacting it as Commonwealth law. At the same time, we'll enhance the UCCC with new measures designed to protect consumers in a fast-changing financial services marketplace.

The Government is moving to give consumers a new level of protection by including, for the first time, a requirement for lenders to lend responsibly, and for finance brokers and lenders to be licensed. All providers and brokers will also have to be members of an external dispute resolution scheme.

The UCCC will be extended to cover mortgages for residential investment properties for the first time and margin lending will be regulated within the Corporations Act.

ASIC will become the sole, national regulator for consumer credit lending and finance broking.

Phase two of the action plan contains other areas identified as potentially requiring Commonwealth regulation including moves to reduce predatory or undesirable lending practices, such as a review of unsolicited credit card limit extension offers, an examination of State and Territory approaches to interest rate caps and possible regulation of reverse mortgages.

The Australian economy and financial system remain robust and resilient even in the face of global economic turmoil and upheaval. Yet all good systems must be updated and enhanced to keep pace with the times.

The Rudd Government looks forward to delivering a financial services regulatory system fit for the 21st century.

Senator Nick Sherry

Minister for Superannuation and Corporate Law

Phase One

Key elements of phase one of the Action Plan include:

- > Enacting the existing State legislation, the Uniform Consumer Credit Code (UCCC), into Commonwealth legislation.
- > Establishing a national licensing regime to require providers of consumer credit and credit-related brokering services and advice to obtain a licence from ASIC.
- > Extending the powers of the Australian Securities and Investment Commission (ASIC) to be the sole regulator of the new national credit framework with enhanced enforcement powers.
- > Requiring licensees to observe a number of general conduct requirements including responsible lending practices.
- > Requiring mandatory membership of an external dispute resolution (EDR) body by all providers of consumer credit and credit-related brokering services and advice.
- > Extending the scope of credit products covered by the UCCC to regulate the provision of consumer mortgages over residential investment properties.
- > Extending the operation of the Corporations Act to regulate margin lending.
- > Regulation of trustee corporations.
- > Phase One legislation in place by mid 2009.

Phase Two

Key elements of phase two of the Action Plan include:

- > Enhancements to specific conduct obligations to stem unfavourable 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 as they arise.
- > Regulation of the provision of credit for small businesses.
- > Regulation of investment loans other than margin loans and mortgages for residential investment properties.
- > Reform of mandatory comparison rates and default notices.
- > Enhancements to the regulation and tailored disclosure of reverse mortgages.
- > Examination of remaining existing State and Territory reform projects.
- > Phase Two legislation in place by mid 2010.

The Government will conduct continued consultation with industry, the community and the States and Territories to inform the implementation of the Action Plan.

