

MEDIA RELEASE

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“SHONKY” BROKERS STOPPED FROM SLIPPING THROUGH THE CRACKS

Consumer Action has welcomed the efforts of the Coalition and Greens in working with the Victorian Government to make amendments to a Bill to ensure consumers won't fall victim to “shonky” brokers because of a legislative timing error.

Nicole Rich, Consumer Action's Director – Policy & Campaigns, said the Victorian Government had rightly introduced legislation to adopt the new national consumer credit laws and repeal current state laws. However, the original timeframes meant current Victorian protections would have been removed before the new national laws took effect next year – leaving a potentially disastrous six month gap for Victorian borrowers.

“Victoria has important laws to stop predatory practices by dodgy brokers. They require brokers to sign a proper contract with a consumer disclosing important matters like the broker's fees, how long they are appointed for and what sort of loan interest rate the consumer is prepared to pay before the broker can charge any fees for work they do.”

“The new national laws will also require brokers to make important disclosures to borrowers before signing them up, but these obligations won't kick in until 1 January 2011 and the Bill would have removed Victoria's laws on 1 July this year,” said Ms Rich.

“Thousands of borrowers will deal with brokers in the second half of the year. While reputable brokers enter into proper arrangements with their customers, unfortunately plenty of shonky brokers do exist and they would have been able to take full advantage of this gap to rip-off unsuspecting consumers.”

Ms Rich said other aspects of the new Federal *National Consumer Credit Protection Act* would kick in earlier, meaning Victoria's current negative licensing regime for brokers could be repealed on 1 July as proposed in the Bill.

By 1 July, the national laws require brokers to be registered or licensed with ASIC, to have joined an external dispute resolution scheme for customer disputes and be arranging only loans that are not unsuitable for their customers.

The Victorian Credit (Commonwealth Powers) Bill was amended in the upper house of the Victorian Parliament yesterday after concerns were raised by the Coalition and the Greens about the transitional gap in finance broking regulation in Victoria.

Consumers having problems in their dealings with a broker can call Consumer Action's legal advice line for help on 03 9629 6300 or 1300 881 020.

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