

## **Consumer Action Law Centre Policy Plan 2008**

Consumer Action Law Centre (**Consumer Action**) is a not-for-profit, independent community organisation, focusing on advancing the interests of consumers, particularly low-income and vulnerable consumers.

- We provide legal advice, information, casework services and court representation to individuals;
- We provide legal advice, information and training for community workers;
- We undertake consumer focused research, policy and advocacy to advance the interests of consumers as a whole.

### **Consumer Action's Policy and Campaign Practice**

In line with Consumer Action's strategic plan, our policy and campaign work falls into two broad categories:

- Fair, efficient and sustainable markets; and
- Consumer protection, regulatory reform.

The policy and campaign practice works in these areas in a number of ways, including:

- Seeking to ensure the consumer interest is recognised and represented in policy debates that impact on the consumer interest;
- Representing an effective and credible voice for consumers, particularly disadvantaged and vulnerable consumers;
- Bringing about change (in laws and regulatory and/or industry practices) in the consumer interest;
- Contributing to the body of knowledge of consumer issues and laws; and
- Building capacity within the consumer movement.

Consumer Action recognises that the policy areas and issues that impact on consumers are numerous, and the capacity of Consumer Action's policy and campaign practice to engage with consumer issues is necessarily limited by constraints on its resources. It is therefore important to prioritise the policy issues that Consumer Action will focus on in order to ensure that our resources are used strategically, efficiently and effectively for the benefit of consumers, particularly low-income and vulnerable consumers.

### **Prioritising Policy Issues**

Our internal review of our 2007 campaigns highlighted the following as instrumental to identifying our key campaigns for 2008. This internal review found that successful campaigns had one or more of the following characteristics:

- Targeted and achievable objectives;
- Actively involving consumers;
- Clear, understandable and accessible issues;

- Involve collaboration with other organisations;
- Responsive to the external environment.

We also consider that policy issues should be prioritised based on the following factors:

- Impact on disadvantaged or vulnerable consumers;
- Impact on consumers as a whole, for example market failures or lack of competition;
- Issues arising out of our casework practice;
- Our ability to effect change, including use of Consumer Action’s skills and strengths;
- Responding to and maximising current opportunities; and
- Efficiency in terms of what we and other organisations are working on, including opportunities for effective collaboration and, conversely, avoiding duplication.

An external stakeholder forum held in February 2008 also emphasised that Consumer Action focus on areas in which we could have the most strategic impact.

During 2008, Consumer Action will pursue a certain number of **priority campaigns** using larger-style campaigns and a variety of actions. Following a recommendation from the external stakeholder forum, this will include facilitating meetings and discussions between regulators and government entities on our priority campaign issues. Secondly, Consumer Action will maintain a watching brief on **key policy issues** and engage in actions relating to those issues from time to time in response to, for example, external reviews. Finally, there are other policy issues that raise consumer issues but that, due to limited resources, Consumer Action has identified but chosen not to prioritise at this time.

In addition, within the general range of consumer policy areas, Consumer Action may identify that a policy area is worthy of further or a specific type of work, but would benefit from separate funding for a project addressing that policy area. This may be particularly important where there is a need to build capacity, expertise or resources in the area. In this case, Consumer Action may seek funding to engage in this work. If funding is obtained, this policy area will form part of Consumer Action’s policy and campaign practice, albeit as a separately funded project (as with, for example, our current National Energy Market Project).

## **Priority campaigns**

### ***Fair, efficient sustainable markets***

#### *Fair fees*

Consumer Action will continue its successful Fair Fees campaign, which it has run jointly with Choice since June 2007. While some banks have changed their fee structures in response to the campaign, many if not all banks and financial institutions still charge excessive penalty fees when consumers commit a “default”. Not only are these fees unlawful because they go well above recovering the cost of the default, they also disproportionately hit low-income consumers, the people least able to afford them. It is time for the Federal Government to intervene.

### *Motor vehicle trading – Motor Finance Wizard*

During 2007, Consumer Action received many complaints about a range of practices engaged in by licensed motor car trader, Motor Finance Wizard. Complaints include inflated cost of vehicles, poor quality of vehicles, excessive fees and charges, potentially unreliable roadworthy certificates and sales targeted towards low-income and vulnerable consumers. While our legal practice has assisted many consumers, and despite us notifying regulators of its practices, there is yet to be any effective systemic response to the numerous complaints about Motor Finance Wizard. This campaign will highlight the poor practices of Motor Finance Wizard and other motor car traders with the aim to get regulators to act.

### *Unit pricing*

Unlike the United States or Europe, Australian supermarkets are not required to display the price of pre-packaged products per unit (ie, kilogram or litre) in addition to the total price of a product. Unit pricing can facilitate price competition, by making it easier for consumers to make price comparisons between products. Research also shows that unit pricing allows consumers can make significant savings on their weekly grocery bill. With the increasing cost of food, there is an urgent need for the Government to facilitate effective competition in the grocery market – legislating for a compulsory, nationally-consistent unit pricing scheme can achieve this goal.

## ***Consumer protection, regulatory reform***

### *High cost of credit*

Victoria's interest rate cap on consumer loans is ineffective, as it does not include fees and charges. This has led to fringe lenders charging excessive fees for small amounts of credit. New South Wales and the Australian Capital Territory have introduced comprehensive interest rate caps, which includes fees and charges. Queensland and South Australia have indicated that they will introduce similar legislation. To date, the Victorian Government's response has been to state that further restrictions on the cost of credit would deny low-income consumers access to credit. This response is inappropriate, considering the high cost and punitive nature of some of the products sold.

### *Smart regulation – linking competition and consumers*

Over recent years, regulation has become a dirty word – governments and industry now seem to view it as “red tape”. However, regulation is needed to ensure competition and markets work for consumers. In markets such as the national energy market, telecommunications and financial services, smarter regulation is needed – that is, regulation that promotes market efficiency and consumer welfare. While competitive markets generally deliver the best price and service outcome for consumers, governments and regulators need to keep a close eye on market conduct to ensure market outcomes are fair for consumers. Consumer Action will more actively participate in regulatory and competition debates – so that the ultimate goal of consumer welfare is not forgotten.

## **Key policy areas**

### *Financial Services and Consumer Credit*

- Reckless lending practices
- Debt collection (including obligations of businesses that sell debts)
- Credit reporting
- Mortgage reduction claims
- Consumer leases
- Brokers
- Financial counselling funding

### *Energy and Water*

- National energy market reform
- Sustainable and affordable water and energy supply
- National Water Initiative (urban water reform)

### *Access to Justice*

- Accessible and affordable dispute resolution including industry-based ADR schemes

### *General*

- High pressure sales
- Privacy and consumer rights
- Practices of real estate agents
- Home building warranty insurance