



MEDIA RELEASE

Monday, 6 October 2008

Time for Governments to close reckless lending loophole

Consumer Action Law Centre has today issued legal proceedings against a fringe lender that exploits loopholes in the law to take advantage of vulnerable consumers.

Consumer Action is acting on behalf of Mr Owen Hendricks of Carrum Downs in Victoria, who purchased a loan from a lender called Car and Home Finance after seeing their advertisement in the Herald-Sun newspaper.

"The law gives Australians some protections if they take out a loan. But you don't get these protections if the loan is for business or investment purposes," said solicitor Jill Williams.

"This lender took advantage of a legal loophole by having Mr Hendricks sign a declaration that his loan was for 'business purposes', even though it was clearly a personal loan."

Ms Williams said that Car and Home Finance had clearly exploited the loophole to sell an expensive loan.

"The lender did not ask Mr Hendricks what the loan was for, and just had him sign a business purpose declaration among a raft of other documents without explaining what he was signing," said Ms Williams.

"The loan is very uncompetitive and unfair. It has an interest rate of 60% per annum, a set up fee of \$990 and default interest of an additional 4% per month, or 108% per annum."

"The loan term was only 4 months, so our client would have to pay back \$5,338 on a loan of just \$3,500".

In Victoria there is an interest rate cap of 48% for consumer loans, but if the loan is for 'business purposes' then the state credit laws which cap interest rates do not apply.

Consumer Action is alleging that the lender knew the business purpose declaration was false and, as such, the consumer credit laws apply.

Consumer Action and other consumer groups are also lobbying the state and federal governments to close off this and other loopholes in consumer credit laws.

"All Australian Governments have known about this 'business purpose' loophole for years and they've said they are going to shut it down, but we're still waiting," said Ms Williams.

**Media Contact: Gerard Brody, Deputy Director–Policy & Campaigns
03 9670 5088 or 0415 223 211**

Consumer Action Law Centre
Level 7, 459 Little Collins Street
Melbourne Victoria 3000

Telephone 03 9670 5088
Facsimile 03 9629 6898

info@consumeraction.org.au
www.consumeraction.org.au