

New credit laws put to the test

Broadband areas to be announced

Matthew Drummond

A fresh front has opened in the battle over high-interest, short-term loans: Cash Converters is being sued by one of its former customers for lending him money.

Ronald Hayes, a disability support pensioner, alleged the company failed to comply with new laws that obliged it to ensure its products were suitable for his circumstances.

Over three years Mr Hayes took out a series of 64 loans from Cash Converters, each repayable after 30 days. All up he borrowed \$15,450 and paid \$55407 in fees.

KEY POINTS

- Cash Converters is being sued by one of its customers.
- The case is a test of how consumer credit laws apply to pay-day lenders.
- The Gillard government is seeking to cap the fees such lenders charge.

The case, filed in the Victorian Magistrates Court, is believed to be the first legal test of how new consumer credit laws should apply to pay-day lenders. The laws came into force in mid-2010 and require credit-

providers to ensure they do not provide loans to people who will struggle to pay them back.

"The court is being asked to consider whether the Cash Converters companies made an appropriate assessment of Mr Hayes' ability to repay the loans without hardship," said Tom Wilcox, the acting director of legal practice at the Consumer Action Law Centre, which launched the lawsuit on Mr Hayes' behalf.

Cash Converters spokesman Glenn Donaldson said claims of predatory or unfair conduct would be vigorously defended. The court case comes as the Gil-

lard government seeks to cap the fees pay-day lenders charge.

Legislation introduced in Parliament last month would impose an annual interest rate cap of 48 per cent for loans of more than \$2000 and, for smaller loans, an upfront fee cap of 10 per cent of the loan and 2 per cent interest a month.

The proposed laws would force lending fees down to \$12 for every \$100 borrowed, which is well below the \$35 for every \$100 charged by Cash Converters.

The laws are under review and submissions are due at the end of this week.

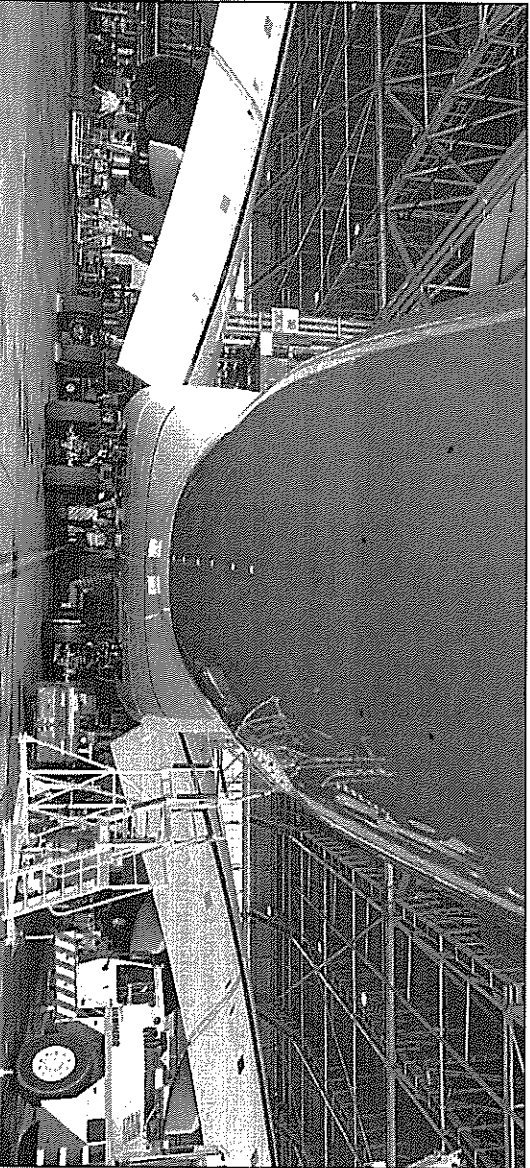
Qantas holds its ground on aircraft

Andrew Cleary

Qantas Airways has denied a claim by the licensed engineers union that it is misleading the public over why five aircraft that are going to be sold off have been grounded.

The federal secretary of the Australian Licensed Aircraft Engineers Association, Steve Purvina, said yesterday the company's claim that the aircraft had been grounded due to a backlog of maintenance work stemming from industrial action was "completely false".

"We have obtained Qantas's own paperwork, which shows that the aircraft they are referring to today were actually slated for disposal back in April and have absolutely nothing to do with our dispute," he said.



Dominic White

Individuals and small businesses will learn today whether their neighbourhood will get high-speed broadband from the government in the next 12 months.

Prime Minister Julia Gillard will unveil details on the areas to be connected to the national network over the coming year. The news will coincide with the biggest annual meeting in Telstra's history, at which investors are set to approve an \$11 billion deal to sell its fixed-line phone monopoly to the federal government's NBN Co.

NBN Co has been charged with connecting 93 per cent of the population to fibre-optic cables within 10 years, offering download speeds up to 50 times faster than today's average.

The government is likely to use the two announcements to claim that its \$35.9 billion scheme is so advanced the opposition would leave Australians who are not already connected at a huge disadvantage if it regained power and scrapped it.

The Coalition, which wants to scrap the NBN, will watch closely for any evidence of preferential dates for marginal or Labor seats.

Ms Gillard will be joined at the University of Wollongong by NBN Co chief executive Mike Quigley. Mr Quigley has spent two years negotiating the deal with Telstra, without which many say the project