



Hon Kerry Shine MP
Member for Toowoomba North



**Queensland
Government**

In reply please quote: TR07/01778, 2007/08253, J/07/07410
TR07/01797, 2007/08131, J/07/07438
TR07/01798, 2007/08110, J/07/07283

**Attorney-General and Minister for Justice
and Minister Assisting the Premier
in Western Queensland**

20 DEC 2007

Mr Neil Laurie
The Clerk of the Parliament
Queensland Parliamentary Service
Parliament House
George Street
BRISBANE QLD 4000

Dear Mr Laurie

I refer to your correspondence dated 11 and 24 October 2007 addressed to the Honourable Andrew Fraser MP and your letter dated 1 November 2007 to me about petitions received by the House on 9, 17, 18 and 31 October 2007, numbered 907, 925, 927 and 935-07 about the capping of interest rates.

Recent figures released by the Reserve Bank of Australia show Australian households are holding historically high levels of debt. At the same time, the costs of many living expenses, such as rent and petrol, are also increasing. Against this background, many Queensland households are at risk of financial stress. Often those most at risk resort to high cost loans because they are unable to obtain credit from mainstream lenders such as banks and credit unions.

The Queensland Government has adopted a three-stage process to help low-income and vulnerable consumers with short term, high cost loans. Stage 1 involved closing a loophole which allowed payday lenders to operate in an unregulated environment by bringing them under the uniform *Consumer Credit Code* (the Code).

As part of stage 2, the Government, along with all other States and Territories, is considering further changes to the Code to prevent abuse of exemptions, such as Business Purpose Declarations and provide better protection for consumers. A draft Bill and Regulation which incorporate these amendments was recently released for national consultation. As part of this package, an exemption from coverage by the Code for bill facilities that was exploited as a 'loophole' by fringe credit providers was closed on 30 November 2007.

Stage 3 involves deciding whether an interest rate cap should be introduced in Queensland.

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The Government is determined to reduce the stress on consumers by removing excessive rates for interest, fees and charges through a rate cap. However, the concerns expressed by consumers who have signed the petitions have not been dismissed. Careful consideration of the issues they raise about the availability of short-term credit is warranted.

I am committed to delivering reforms so that Queensland consumers can still access the credit they need but at a fair and reasonable price. An interest rate cap including interest, fees and charges will help prevent potentially exploitive lending practices. An exposure draft of the Consumer Credit (Queensland) Amendment Bill 2008 and the Consumer Credit (Queensland) Special Provisions Regulation 2008 which will implement an interest rate cap of 48% including interest, fees and charges has been released for public comment.

The purpose of releasing the draft Bill and Regulation is to provide stakeholders with an opportunity to comment on whether it adequately achieves the policy objective to introduce a cap of 48% for interest, fees and charges.

The draft legislation can be viewed or downloaded from either www.fairtrading.qld.gov.au or www.justice.qld.gov.au.

The closing date for submissions is **Friday, 15 February 2008**. Submissions can be sent by email to consumercredit@dtftwid.qld.gov.au or by post to:

Cost of Consumer Credit Project
Fair Trading Policy Branch
Office of Fair Trading
GPO Box 3111
BRISBANE QLD 4001

Thank you for bringing this matter to my attention.

Yours sincerely

Hon Kerry Shine MP
**Attorney-General and Minister for Justice
and Minister Assisting the Premier in Western Queensland**