

PAYDAY LENDING
24 July 2008

The Hon. R.L. BROKENSHIRE: On 21 October 2007, in a press release entitled 'Days are numbered for payday lending rogues', the former minister announced:

'The state government this week decided to develop legislation designed to crack down on unscrupulous operators in the payday lending industry.'

The release goes on:

'Minister for Consumer Affairs, the Hon. Jennifer Rankine, said the intention of the new laws was to provide a range of protection for vulnerable people seeking short-term credit, including improving a maximum interest rate cap that encompasses fees and charges.'

One month later, on 20 November 2007, the member for Mawson in another place tabled a petition signed by 4,562 residents of South Australia 'requesting the house to urge the government to abandon the proposal to cap interest rates, inclusive of fees and charges, so South Australians can continue to have choice in the marketplace for financial solutions'. No further action up to this month had occurred, despite the former minister advising parliament in October 2006 that there was a problem and circulating a discussion paper and the opposition introducing a private member's bill in 2006 for a 48 per cent cap on interest rates. A week later, in November, the former minister set up a working party and in February 2007 advised that a report was due to be handed up. One year later, in February 2008, the member for West Torrens, as Chair of the Economic and Finance Committee, said in the other place:

The slow pace at which urgent reform is conducted on this process means that in many cases individuals are suffering significant loss right now, while the laws that may assist them are still being negotiated in other places.

At the last COAG meeting in Sydney on 3 July, COAG resolved that it would 'develop a plan to present to COAG before the end of 2008 on how this major agreement will be implemented'. To me, that is political spin for doing little. My questions to the minister are:

1. Is it Labor policy to cap interest rates, as the former minister previously stated in October 2007?
2. Is the member for Mawson out of step with Labor Party policy?
3. What confidence does the minister have that COAG will achieve an urgent reform in payday lending, as called for by the member for West Torrens five months ago?

The Hon. G.E. GAGO (Minister for State/Local Government Relations, Minister for the Status of Women, Minister for Consumer Affairs, Minister for Government Enterprises, Minister Assisting the Minister for Transport, Infrastructure and Energy): I thank the honourable member for his important question and congratulate him on his first question in this place.

The Hon. D.W. Ridgway interjecting:

The Hon. G.E. GAGO: Just relax, it's coming; sit back. Cabinet has approved three consumer credit reforms, including the licensing of credit providers, changes to the jurisdictions of the courts, and a cap on interest rates. Since cabinet approved these reforms I have been advised that there has been a push for the commonwealth government to take over responsibility for the regulation of consumer credit. Obviously I have not had the opportunity to participate in those commonwealth forums as yet, but I certainly look forward to that.

Members interjecting:

The PRESIDENT: Order!

The Hon. G.E. GAGO: Indeed, I do look forward to the new and exciting challenges before me. I have been informed that this matter is now under review, and I have also been advised that the most recent commonwealth developments on this front are:

- the Productivity Commission has recommended that the commonwealth government take over the regulation of consumer credit;
- the Council of Australian Governments is looking at ways to give effect to the recommendations of the Productivity Commission;
- the Ministerial Council on Consumer Affairs has given in-principle support to a commonwealth takeover;
- the commonwealth government has released a green paper that looks at who should be responsible for the regulation of credit; and
- the implementation task force, made up of working-level officials from the Australian government and the states and territories, has been set up to discuss a way forward.

In terms of the licensing of credit providers, I have been advised that it is likely that the commonwealth government will bring credit providers within the existing financial services framework. As to the interest rate cap, I have been advised that it is not clear whether the commonwealth government would cap interest rates if it took over responsibility for the regulation of credit. I understand that an interim interest rate cap would provide some protection for vulnerable consumers.

The released commonwealth green paper about regulation of consumer credit is, as members know, about the push for the commonwealth government to take over responsibility for the regulation of consumer credit, and I have outlined each of those factors. I believe I have answered all those questions, but if I have not, on reflection, I am happy to take those parts of the question for which I have not provided detail on notice and bring back a response.