Submission: National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020

Have those that seek to legislate this Bill forgotten the stories of unaffordable loans which came out in the Banking Royal Commission? Banks giving unaffordable loans to pensioners with little care for their vulnerability, or aggressively increasing the credit card limits of people struggling with gambling addiction. These stories were just the tip of an iceberg.

I am a retired financial administrator, parent and grand-parent, not aligned to any political party, with an interest in protecting the next generations from bad laws. My submission is against the Bill for the following reasons:-

1. The proposed repeal of responsible lending obligations will abolish the role of the Australian Securities and Investment Commission (ASIC) in overseeing responsible lending and enforcement action, under the ruse of "Supporting Economic Recovery".

2. Whilst the Australian Prudential and Regulatory Authority (APRA) would maintain oversight, it is their role to maintain financial stability of the Banks, it does not have a consumer protection mandate and does not protect individual consumers. A bank that engages in lending practices that maximise its profits is more likely to be looked upon in a favourable light by APRA than have its lending practices investigated.

3. The Explanatory Memorandum published with the Bill opens the door for credit providers to establish their own risk appetite and internal policies. This may not necessarily meet a responsible lending standard nor protect the consumer from unaffordable loans.

4. The Bill dramatically reduces the legal rights of consumers and removes a person's legal case to take court action for compensation for a breach of responsible lending standards.

5. The powers of the independent dispute resolution body, the Australian Financial Complaints Authority (AFCA), will be neutered. AFCA's rules limit its ability to consider complaints about credit risk, and removing responsible lending laws will make it harder to do its job.

6. The proposal removes many criminal and civil penalties, particularly for banks. Removing this regulatory tool which disincentives bad behaviour, makes it unlikely that banks will have to face public court and penalties for a breach in lending standards.

7. Abolishing the responsible lending law for large loans will weaken credit assessment processes. Banks were already approving unaffordable loans under the existing laws. Repealing them, together with enforcement and penalties, is the go-ahead for a whole new state of unaffordable loans accruing interest and fees, household debt and asset stripping.

8. The Bill goes against Commissioner Hayne's Banking Royal Commission recommendation to not amend the National Consumer Protection Act to alter the obligation to assess unsuitability. Given the bad lending behaviour of banks under the existing laws, his additional recommendation was that enforcement of laws, like responsible lending, be improved.

9. The idea that Banks will act in the best interests of their customer's without regulatory controls is a smokescreen. Over the past year they have been applauded for assisting customer's during the Covid pandemic, when in fact they have taken advantage of increasing profits through moratoriums on repayments, extending loan terms and refinancing options - all accruing additional interest and/or fees for the bank.

Thank you for the opportunity to make this submission.