



GE Capital

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Mr Tim Bryant
Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600

BY EMAIL – corporations.joint@aph.gov.au

Inquiry into the Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill 2011

GE Capital Finance Australasia Pty Ltd ("**GE Capital**") welcomes the opportunity to make this submission in response to the Parliamentary Joint Committee Inquiry with respect to the *Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill* ("**Bill**").

About GE Capital

GE Capital has several financial services businesses operating in Australia, including the consumer finance business. GE Capital has a significant and distinctive interest in proposed reforms affecting the regulation of financial services, and specifically consumer credit. Although GE Capital conducts a significant financial services business in Australia, we do not take deposits and our perspective on proposed reforms is unlike that of any other financial institution operating in Australia.

GE Capital is a division of the General Electric Company, a company that has provided financial services for 70 years. GE Capital is one of Australia's leading consumer finance companies, offering an extensive range of consumer finance products, including personal loans, credit cards, insurance and promotional retail finance. The consumer finance business of GE Capital has ~3 million customers across Australia and New Zealand and its financial services are distributed through numerous sales channels, including over 12,000 retailers, 1,400 brokers, in excess of 100 branches, a direct sales channel and the internet. GE Capital's Australian operations commenced in 1995 and have since grown rapidly through organic growth and major acquisitions. GE Capital now employs more than 3,500 people in Australia and has established its headquarters in Melbourne.

GE Capital's Comments on the Bill

We have significant concerns with respect to the following provisions of the Bill:

1. Hardship

The proposed amendments to section 72 of the National Credit Code ("**NCC**") result in the loss of 2 key components that are currently in the NCC. They are that:

- the cause of the hardship must be reasonable; and
- if the credit contract were varied (without reducing the amount ultimately payable by the debtor) there is a reasonable expectation that the debtor would then be able to meet his or her obligations under that credit contract

We support flexibility in the types of variations to credit contracts that can be made when a debtor is affected by hardship. Therefore, our view is that the loss of the 1st key component does not make section 72 unworkable. However, we do not believe that variation is warranted if there is no reasonable expectation that the proposed variation to the contract will enable a debtor to meet his or her obligations under the credit contract. This is the key to whether a variation to the credit contract should be made. The loss of this 2nd key component will render section 72 unworkable.

GE Capital's Recommendation

A credit provider must be able to decline to vary a credit contract on hardship grounds where there is no reasonable expectation that the proposed variation to the contract will enable a debtor to meet his or her obligations under the credit contract.

2. 48% cap on annual cost rate

In our view, the proposed amendment to insert section 32B into the NCC requires clarification.

The scope of what is to be included under the proposed sections 32B (3)(4) for the purposes of calculating the 48% cap.

GE Capital's Recommendation

Section 32B should be clarified to remove ambiguity.

If you would like to discuss any of the matters raised in our submission, please do not hesitate to call Debra Kruse in the first instance on (03) 9921 6859.

Sincerely,

Debra Kruse
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GE Capital Australia & New Zealand

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