



City Finance
Franchising Pty Ltd

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The Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Sir

**INQUIRY INTO THE NATIONAL CONSUMER CREDIT PROTECTION BILL
2009 AND RELATED BILLS**

City Finance Franchising Pty Ltd is the franchisor of the City Finance franchise system and provides, *inter alia*, legal support for its franchisees. City Finance franchisees operate approximately 140 franchises around the country providing short term loans for clients who generally are unable to access funds from the mainstream lenders.

City Finance franchisees provide between 35,000 and 40,000 loans per year. The average loan is about \$1,400 and is repaid over an average of 7 months.

City Finance has been operating in this area of the market since the mid 1990's and has played an active role in the development of the market and the legislative oversight. It has contributed widely to many and varied forums on this type of lending.

I am employed by City Finance Franchising Pty Ltd heading its compliance section. I have been a lawyer for some 30 years. For the past dozen years or so I have worked almost exclusively in the area of credit. I have made submissions widely over that time and have been actively involved in industry groups. I was the representative of the NFSF on the industry consultative group which was called together to advise on the transfer of the credit legislation from the States to the Commonwealth.

I was the author of the submission made to this inquiry on behalf of the National Financial Services Federation. As a result, there has been no time to prepare a separate submission on behalf of City Finance Franchising Pty Ltd. However, in general terms this company agrees with the thrust of the NFSF submission. City Finance does not want there to be the impression given that because of the failure to deliver a detailed submission, the company has no issues with the legislative package.

City Finance is one of the lender groups referred to in the NFSF submission as lending in multiple jurisdictions. City Finance has franchisees operating in all States. Whilst it has franchises in the ACT, it does not operate there because due to the state of the applicable laws, it cannot make a profit as every loan offered would have a net loss in the order of \$300.00 even if the loan is paid in full, on time and without any default.

Because City Finance operates in more than one jurisdiction it has in the past been required to comply with a myriad of legislative systems. The suggestion by the former Minister, Senator Sherry, after the July 2008 COAG meeting that there would be one national credit regime, was greeted with enthusiasm by City Finance. Compliance costs would decrease, and it may have been possible to pass the savings on to the users of the services provided.

The discovery that there would be the retention of the interest rate cap system in NSW, Queensland, the ACT and possibly Victoria (although Victoria has adopted a much more workable system) after considerable other concessions had been given, was a significant disappointment. City Finance now faces the dual cost of the not insignificant additional costs of the responsible lending conduct regime, and the need to ensure that compliance with the old interest rate cap scheme is maintained. This adds cost and red tape; does not take it away, as was promised.

City Finance is also concerned at other matters referred to in the NFSF submission:-

1. The requirement for lenders to have PI insurance to cover the damage suffered to consumers if the lender breached credit law. For small amount lenders without security, for example, it is difficult to see that there could be any such damage. The Federation believes that such insurance is simply not available.
2. The need for, effect of, the timing of and the content of Credit Guides.
3. The prohibition in the National Credit Code of taking security over some items by some lenders, but not others (section 46)
4. The need for, the timing of and the effect of the Direct Debit default notice (section 87 of the Code).
5. The additional information required in the default notice brought in by the changes to section 88 of the Code.

As advised, City Finance supports the NFSF submission. City Finance would be pleased to provide further details on any matter raised here on request.

Yours faithfully

A handwritten signature in black ink, appearing to read "John Brady". The signature is written in a cursive, flowing style with a large initial 'J' and 'B'.

John Brady
Compliance Manager