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21 April 2008

Dear Sir/Madam,

**Letter in support of the submission from the Consumer Action Law Centre and CHOICE to the Senate Economics Committee Inquiry into the Australian Securities and Investment Commission (Fair Bank & Credit Card Fees) Amendment Bill 2008**

We have read the joint submission of Consumer Action, a specialist community legal centre, and CHOICE, to the Senate Economics Committee on the *Australian Securities and Investment Commission (Fair Bank & Credit Card Fees) Amendment Bill 2008* (the Bill) and we are writing to indicate our agreement and support for the views and conclusion expressed in that submission. Both these not-for-profit non-government organisations are leaders in the field of consumer protection and have expertise in the area of consumer rights and financial services regulation. We join them in urging the Committee to recommend the adoption of the Bill subject to the minor outlined amendments.

**National Association of Community Legal Centres (NACLC)**

NACLC is the peak national body of the state and territory associations of community legal centres. There are around 207 community legal centres located around Australia in urban, regional and remote areas. They offer free legal advice, information and some representation to over 250,000 people per year. Their clients are the disadvantaged and include the most marginalised people in the community. Often these people have no other sources of legal assistance available to them. CLCs also contribute to their communities by conducting community legal education, and law and policy reform work. Their work is both responsive and preventative.

## **Default 'fees' and the people most affected**

The joint submission of Consumer Action and CHOICE (the submission) argues that the 'fees' imposed for defaults on transaction and credit card accounts are not regular banking transaction fees but in substance are or serve as fines or penalties for contraventions of a condition of the contract, and that the amounts are mostly significantly in excess of the costs incurred by the banks, arguably the only allowable amount recoverable for such a breach.

The submission comments on the alarming rise in the amount of penalty fees in recent years. Many of the people most affected by the current fee charging practices of financial service providers are the same people that CLCs assist: people already suffering significant disadvantage, often long term and arising from an interconnected range of social inequity and situational factors. It is essential that the rights of these most vulnerable members of the community be protected. They are the people who are most likely to be unaware of their rights or options to obtain recourse and who are least likely to be able to assert or protect their own position. These people need the protection of more stringent legislation and, ideally, an independent regulator.

There is no benefit to the market or the health of the financial services industry in further disadvantaging people unable to pay.

For these reasons, we urge the Committee to recommend the proposed Bill, subject to the minor amendments suggested in the joint submission of Consumer Action and CHOICE.

Yours sincerely,



(signed by Julia Hall, Executive Director, NACLC, on behalf of)

**Liz O'Brien**

**National Convenor**

**National Association of Community Legal Centres (NACLC)**