

NOTE FOR FILE

23 December, 2009

File: TBA

DISCUSSION WITH FSCRIT - INTEREST RATE CAPS

FSCRIT Participants:

(Qld)
(ACT)
(NSW)
(Victoria),

Objective:

- Discussion of the request for information on interest rate caps, sent by Treasury to representatives of states with interest rate caps.
- Treasury outlined the proposed approach to the issue of interest rate caps in Phase 2, explaining that we are in the information gathering phase and that the purpose of the initial phone conversation is to get an idea of what sort of information may be available from other jurisdictions, before setting up a working group and preparing a draft paper for circulation.

Outcomes:

- A number of participants said that they would not be able to provide information requested in the letter.
- Treasury stressed our interest in any information that would help us to understand the policy reasons for imposing a cap on interest rates for short term, small amount loans.
- NSW advised that the government made its decisions about regulatory options for small amount lending before the Code was in place, and therefore does not have a RIS or equivalent document containing details of the other regulatory options pursued.
 - NSW mentioned NILS, bank assistance through (for example) Step Up Loans and financial counselling as parts of a global approach to the demand for short term and small amount loans.
 - NSW is currently considering solutions to loopholes in the law that are being used by unscrupulous lenders.
- [Vic – Small amount lending survey information to be provided?]
- ACT advised that the ACT provisions were put in place following the experience of NSW with its regime - to prevent the problems that had been experienced in NSW (including avoidance of ST lending regulatory provisions).
- States noted the trend for lenders to migrate between states to avoid regulation.
- Victoria advised that they would send Treasury information on regulation of unfair contract terms.

DRAFT

Consumer Credit Unit