

# Redfern Legal Centre

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20 November 2020

Manager  
Banking and Access to Finance Unit  
Treasury

By email: [REDACTED]

Dear Madam / Sir,

**RE: Consumer Credit Reforms**

Thank you for the opportunity to respond to the proposed suite of changes to Australia's consumer credit framework contained in the *National Consumer Credit Protection Act 2009* (Cth).

**About Redfern Legal Centre**

Redfern Legal Centre (RLC) is an independent community legal centre providing access to justice for disadvantaged individuals in the Redfern area and across NSW. RLC has a particular focus on human rights and social justice, with specialised practices in credit and debt, financial abuse, tenancy, employment, discrimination and complaints about police and other governmental agencies.

By working collaboratively with key partners, RLC specialist lawyers and advocates provide free advice, conduct case work, deliver community legal education, prepare publications and submissions and advocate for law reform. RLC works towards reforming our legal system for the benefit of the community.

**RLC's work in consumer credit**

Since 1977, RLC has provided specialist assistance to people who have credit, debt and consumer law problems. In addition to RLC's Credit and Debt practice which services the local community, we provide consumer credit advice and representation through our state-wide Financial Abuse Service NSW, our state-wide International Student Legal Service NSW, and our Health Justice Partnership where we have lawyers based at Royal Prince Alfred Hospital and Sydney Dental Hospital.

In addition to being a member of various community, industry and regulator consumer advocacy groups, Redfern Legal Centre coordinates the Economic Abuse Reference Group NSW which is an informal group of community organisations which work collectively to influence government and industry responses to reduce the financial impact of family violence. Members include Domestic and Family Violence services, community legal services and financial counselling services.

## **RLC's views**

Redfern Legal Centre endorses in full the joint submission by Financial Rights Legal Centre and Consumer Action Law Centre, as well as the submission of the Economic Abuse Reference Group to which RLC's Financial Abuse Service NSW contributed expertise.

Redfern Legal Centre has strong reservations about the proposed reforms and the rollback of a responsible lending framework that has proven effective and accessible. We have examined the exposure draft in detail and are concerned that the reforms are a significant step backwards in progressive responsible lending laws and stand in direct contrast with the recent recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

We expect that the proposed reforms, as currently drafted, will create significant adverse impacts for our clients. We have included below two client stories which highlight the importance of responsible lending laws being applied correctly and enforced.

### **Jessica's Story**

*When Jessica (name changed) met her partner, she had long term employment, a stable rental and significant savings. After they moved in together, Jessica's partner became increasingly reliant on her to pay for the rent, bills and groceries. Slowly, the controlling behaviour escalated and he manipulated her into gaining access to her online banking, which he used to get approval for a credit card in Jessica's name without her knowledge. The bank did not make any enquires with Jessica directly, even though the application included a secondary card for her partner's use.*

*Jessica was also coerced into buying her partner an expensive luxury car under a loan for which she was the principal borrower and he contributed nothing. Jessica was only on a provisional license and couldn't even drive the car. The financial institution did not assess Jessica's requirements, objectives and financial situation when approving this loan.*

*Within only weeks of approval, Jessica was struggling to afford the repayments across the loan and credit card. Her partner refused to contribute. When Jessica confronted him about money, he assaulted her. Shortly after Jessica obtained an Apprehended Domestic Violence Order, her partner fled Australia and left Jessica with all the debt.*

*For years, Jessica was chased by debt collectors, yet credit providers were continuing to lend to her causing her to fall deeper into a debt spiral. She had debt recovery proceedings against her and she was on the verge of homelessness when she sought help from Redfern Legal Centre. RLC represented Jessica in complaints to the credit providers on the basis that they did not comply with their responsible lending obligations. As a result, Jessica was compensated \$25,000 and had a total of \$80,000 debt waived which finally gave her financial independence and hope for the future.*

### **Amir's Story**

*Amir (name changed) and his young family of four lived in low-income rental housing, where Amir was the sole breadwinner. Amir and his wife were on temporary visas, with limited English language/communication skills, and a poor understanding of financial products.*

*Amir had limited and unstable income due to casual shift work. As such, Amir supplemented his income with debt derived from a multitude of credit cards and payday loans. Each loan was approved with limited effort*

*via on-line application with no face to face or verbal interaction despite Amir's insufficient income to service the accumulating levels of debt.*

*Amir had been further impacted and disadvantaged by COVID-19, which made his efforts to maintain and secure additional work unsuccessful. He was making the difficult choice between paying for food and rent or servicing his spiraling debt obligations for 13 loans to major banks, financial institutions and payday lenders. The family faced homelessness as they were not eligible for government support.*

*RLC submitted multiple complaints for non-compliance with responsible lending laws to release Amir and his family from overwhelming debt.*

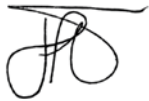
These stories exemplify the importance of the responsible lending obligations to both prevent and remedy unsuitable lending in Australia.

Thank you for the opportunity to be heard on these reforms.

We welcome the opportunity to discuss our submission further.

Yours sincerely

**REDFERN LEGAL CENTRE**

A handwritten signature in black ink, appearing to be 'JS', with a horizontal line above it.

Joanna Shulman  
CEO