

## CONSUMER AFFAIRS

### Borrowing Money

***Credit is a promise to repay money borrowed from another, normally with an interest cost. It commits the borrower to repay against future income, enabling you to purchase goods now and pay over time.***

***Using credit will usually cost you more in the end, after interest and charges are added, so you should be aware of your ability to make the payments required over the term of the loan.***

#### **THE CONSUMER CREDIT CODE**

Finance that is provided by lenders or credit providers such as banks, credit unions, pay day lenders and finance companies for mostly personal, domestic or household purposes is regulated by the Consumer Credit Code. It applies:

- Whenever you use a credit or store card to purchase goods or services or borrow money;
- When you borrow money from a lender or credit provider for a fixed term (eg a personal loan);
- When you have a mortgage to buy a home;
- When you have a consumer lease (such as a rental agreement for a TV or other household electronic goods).

Before you sign a credit contract, the credit provider must tell you what your rights and obligations are. *This information must be clear and easy to understand so that you can make a decision that is right for you;* a disclosure statement must be provided, which can be the contract, detailing,

- The amount of credit being provided or the credit limit;
- The annual percentage interest rate;
- How the interest is calculated and when it is charged;
- Total credit fees and charges to be paid or how they will be calculated; and
- How you are to be informed of changes affecting interest and credit fees and charges.

***Always read a credit contract before you sign it. Take the contract or a copy away and get legal advice if you are unsure of any of the terms and conditions. Remember you are not obliged to sign anything on the spot.***

The credit provider must also give you a statement which informs you of your rights and obligations.

## **BUDGETING**

To find out what you can afford, work out your finances before you go shopping for credit. If you intend to use a finance or mortgage broker you will need this information before the broker can negotiate on your behalf, but even a bank or building society will require evidence that you can afford repayments before extending you a loan.

## **GOING GUARANTOR**

Think carefully before agreeing to be a guarantor for a friend or relative's loan. A guarantor is legally bound to pay back the borrower's loan if the borrower can't or won't. Ensure you seek independent legal advice before signing anything.

## **CO-BORROWERS**

If you obtain a loan in joint names with your partner, or any one else, it means that you have become a co-borrower, and you are both liable for the full amount of the debt. If the payments stop, the lender can choose who to pursue for the whole debt. This may be decided on who has the highest income or who can be found at the time.

*If you or your partner individually apply for a loan, there is no legal requirement that you must both sign a loan contract as co-borrowers.*

## **GETTING OUT OF A CREDIT CONTRACT**

You can end a credit contract before you receive the money or goods by giving your lender notice in writing. Guarantors can also withdraw their guarantee before the credit is given.

## **CREDIT INSURANCE**

Consumer credit insurance covers you in case you can't make repayments because of unforeseen circumstances such as unemployment, sickness or injury. Credit providers can't force you to take out insurance, but they can insist that you insure mortgaged goods against loss or damage (eg comprehensive insurance on a motor car). It's a good idea to shop around for insurance as rates can vary greatly.

## **MORTGAGED PROPERTY**

A mortgage is taken over property such as a house or a car as security for the credit provider in case the borrower cannot meet repayments.

The credit provider will lodge an interest in the property with the appropriate authority.

In the case of a house mortgage this will be the Land Titles Office. This means that you don't have a clear title to the property and you cannot sell it without the credit provider's consent.

For a motor vehicle the interest is lodged with the Register of Encumbered Vehicles (REVS). You can check to see if a vehicle is encumbered by calling 1800 424 988.

## **EXPERIENCING PROBLEMS IN MAKING REPAYMENTS?**

If you can't meet your repayment obligations due to unemployment, sickness or other reasonable cause, you should apply to the credit provider for a variation of payments under the hardship provisions of the Credit Code. If you can't reach agreement you may be able to get help from a financial counsellor or Consumer Affairs.

## **CREDIT RATINGS**

Baycorp Advantage Ltd is the largest credit reporting agency in Australia. It has over 4,000 subscribers who can check your credit worthiness and be provided with information on whether a record is held detailing that you previously have had problems repaying a loan.

You can order a free copy of your individual credit file by phoning Baycorp Advantage on 02-99517880 or writing to them at PO Box 964 North Sydney NSW 2059, details can also be found on their internet site [baycorpadvantage.com](http://baycorpadvantage.com) or [mycreditfile.com.au](http://mycreditfile.com.au).

## **FINANCE AND MORTGAGE BROKERS**

You may choose to go to a broker to help you find a loan. If you do, make sure that the details of the loan are filled out in the finance broking contract and signed by you. Ensure you are aware of brokerage fees or commissions prior to agreeing to use their services. You do not have to pay any commission until the broker gets you a loan that matches your needs.

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### **For further information contact Consumer Affairs**

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