



Borrowing Money

You may wish to go on a holiday or buy a new car but don't have the cash. One way to get the things you want now is with credit. Credit is the promise to repay, with interest, money borrowed from another. Credit providers such as banks, finance companies and credit unions lend money for fixed terms. Personal loans, housing loans and consumer leases are types of fixed term lending.

Credit cards are generally known as continuing credit. The term of a credit card is open ended and the amount of debt you have varies depending upon how much you use your card. See our Facts and Information sheet Credit Cards, Store Cards and Debit Cards.

Consumer credit code

The Uniform Consumer Credit Code regulates finance provided mainly for personal, domestic or household purposes. There are provisions in the Code to ensure the credit provider gives you information on:

- The credit provider's name.
- The amount of credit that is to be provided.
- The annual percentage rate or rates.
- How the interest is calculated and when it is charged.
- The total amount of interest if the contract is to be paid within 7 years.
- Any enforcement expenses that may become payable.
- The credit fees and charges to be paid.
- How you are to be informed about changes to the contract.

- Any default rate of interest and how it is calculated.
- The frequency of account statements.
- Relevant commission charges.
- Whether a mortgage or guarantee applies.
- Any related insurance financed under the contract.
- Any commission to be paid by or to the credit provider.

This information must be presented in a Precontractual Statement prior to you entering into the contract. You must also be provided with an Information Statement which outlines your rights and obligations.

Consumer leases

The Consumer Credit Code also covers leases for goods that are predominantly for personal, domestic or household purposes, and where the lease period is fixed for more than four months but not an indefinite or ongoing period.

The lease agreement must include:

- A description of the goods hired under the lease.
- The amount of any deposit or any other thing of value needed before the goods are hired.
- The amount of any stamp duty or other government charge payable.
- The amount and description of any other charge not included in the lease payments.
- The amount of each lease payment.

- The date of the first lease payment.
- The dates when subsequent payments are due or the interval between payments.
- The number of lease payments and the total amount payable.
- A statement of the conditions on which the lease may be terminated.
- A statement of any liabilities if the lease is terminated.

Consumer leases are often provided in the form of 'balloon loans'. With this type of loan you pay reduced monthly instalments throughout the term with one large final payment. There are usually a number of options available in dealing with the final balloon payment. These include paying the full amount, re-financing or rolling over into another credit product.

Some companies, such as car dealerships, offer a guarantee buy back on the vehicle. These arrangements are usually dependent upon the condition of the vehicle and the kilometres travelled.

Ending a credit contract

You can end a credit contract before the money comes though by giving your notice in writing. Guarantors can withdraw before the credit is given or at any time if the credit contract differs materially from the proposed credit contract.

Credit insurance

Consumer credit insurance protects you in case you can't make repayments because of unforeseen circumstances such as unemployment, sickness or injury. It is offered by insurance companies, and the benefits and costs vary so it is a good idea to shop around. Credit providers can't force you to take out this insurance. However, they can insist that you insure mortgaged goods against loss or damage.

It is usually a good idea to compare prices for credit insurance. The insurance offered by the lender may not be the cheapest.

Changing the contract

Your credit provider can only change the contract if there is specific provision in the contract for changes. Interest rate changes may be published in the newspaper no later than the day on which the change is to take effect and only requires one day's notice. If the interest rate changes affect your liabilities such as increased repayments, twenty days notification must be given. Twenty days notification must also be given for changes to credit fees and changes.

Mortgaged property

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

The credit provider will lodge an interest in the property e.g. a mortgage on a house will be lodged with the Land Titles Office. This means you don't have clear title to the property and cannot sell it without the credit provider's consent.

Experiencing problems?

If you cannot meet your repayment obligations due to unemployment, sickness or other reasonable cause, you should apply to the credit provider for a variation of the payments.

Further information

Information on the following topics is available at www.consumer.tas.gov.au

- Shopping Tips
- Refunds
- Credit Cards, Store Cards and Debit Cards
- Lay by
- Christmas Spending

Or visit the Consumer Credit Code website at www.creditcode.gov.au

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