



NOTE

The law requires credit providers to give you information that is clear and easy to understand, so that you can make a decision on whether credit is right for you.



IMPORTANT

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

Credit is a promise to repay, with interest, money borrowed from another. It commits future income, sometimes making tight budgets even less flexible. Credit is obtainable in many forms and from a variety of places including retail stores, banks and other financial institutions.

Using credit will cost you more in the end, after interest and charges are added. You need to be aware of the repercussions of using credit and be mindful of your ability to repay the loan.

The Consumer Credit Code

Finance that is provided by lenders for mostly personal, domestic or household purposes is regulated by the *Consumer Credit Code*. It applies:

- when you buy goods or services or borrow money on credit cards such as Visa, Mastercard and store cards
- when you borrow money from a lending body such as a bank for a fixed term (eg. a personal loan)
- when you have a mortgage to buy a home
- when you have a consumer lease.

Before you sign a credit contract, the lender must give you, in writing, certain information that includes:

- 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
- credit fees and charges to be paid or how they will be calculated
- how you are to be informed of changes affecting interest and credit fees or charges.

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

Declaration

If the credit provided is wholly or predominantly (over 50%) for business or investment purposes, the *Consumer Credit Code* may not cover you. Credit providers or finance brokers can ask you to sign a declaration to this effect. By signing such a declaration you may lose your protection under the *Consumer Credit Code*.

Budgeting and getting help

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. If you need help with budgeting or calculating your repayment ability, you can get help from a financial counsellor. Free financial counselling is available through Credit Helpline, some neighbourhood centres, some community legal centres, charitable organisations and church groups. If an interpreter is needed, the Telephone Interpreter Service or the Community Relations Commission can assist.

Going guarantor

Have you been asked to be a guarantor or a co-borrower for a relative, friend or partner? If you have, then you should think about it in the same way you would if you borrowed the money. A guarantor is legally bound to pay back the borrower's loan if the borrower can't or won't.

Before you sign as a guarantor you must be given a copy of the loan contract and a document explaining your rights and liabilities. If the borrower fails or falls behind with repayments, the credit provider will forward a written notice to the borrower and guarantor requesting that the account be brought up to date within 30 days from receipt of the notice. If the borrower fails to comply with the notice the credit provider can take legal action against the borrower.



IMPORTANT

Being a guarantor means the lender sees the borrower as a risk and they want you to be a safety net.

The credit provider must first take action against the borrower and can usually only take action against the guarantor after all avenues to pursue the borrower have been exhausted. However, if the borrower cannot be found, is bankrupt, or a court has given the credit provider permission, legal action can be taken directly against the guarantor.

Co-borrowers

It is common for a lender providing a loan to a person to try to get that person's spouse or partner to also sign the contract. If you open a loan account in joint names with your partner, it means you have become a co-borrower. Co-borrowers are both liable for the debt from the beginning. If the payments stop, the lender can choose who to sue for the whole debt. This may be decided on:

- who has the highest income
- who can be found at the time.

If you or your partner 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 the money comes through or 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 or the Precontractual Statement.

Credit insurance

Consumer credit insurance covers 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's 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 (eg. comprehensive insurance on a motor vehicle). The insurance doesn't have to be arranged through the lender as this can prove to be more expensive.

Mortgaged property

A mortgage is taken over property such as a house or car as security for the credit provider in 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 that you don't have a clear title to the

property and cannot sell it without the credit provider's consent.

Experiencing problems?

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. If you can't reach an agreement contact the Office of Fair Trading.

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 you previously have had problems repaying a loan.

To get a free copy of your individual credit file, write to Baycorp Advantage Ltd and give them:

- your full name
- your current residential address (if you have changed address in the last five years, you need to include your previous address)
- your date of birth
- your driver's licence number.

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 you want are filled out in the finance broking contract and signed by you. You do not have to pay any commission until the broker gets you a loan that matches your needs.

Where to get more information Fair Trading Centres

Tel. 13 32 20

TTY Tel. 9338 4943

Telephone service for hearing impaired.

Language Assistance Tel. 13 14 50
Ask for an interpreter in your language

www.fairtrading.nsw.gov.au

Credit Helpline

Tel. 1800 808 488

Baycorp Advantage Ltd

Public Access

PO Box 964, North Sydney NSW 2059

Community Relations Commission

Tel. 8255 6767

This fact sheet must not be relied on as legal advice. For more information about this topic, please refer to the appropriate legislation.

Other fair trading information

- Business names
- Running a business
- Co-operatives
- Tenancy
- Property management
- Selling your home
- Conveyancing
- Strata schemes
- Home building
- Product safety
- Buying a car or boat
- Credit
- Shopping
- Retirement villages
- Residential parks
- Other fair trading issues

 **13 32 20**
business hours