



**CHALLINOR**

# Money Matters

## The NCCP and what it means to you

**W**hen we are looking for finance to purchase our dream 4WD, or even to pay for the latest and greatest modifications, there is something we should know – the NCCP.

What is the NCCP? I'll try to answer this question as briefly and as humorously as I can. Reading about finance together with a piece of government legislation is great just before bedtime!

NCCP stands for National Consumer Credit Protection (Act 2009). It is a piece of legislation that governs all forms of consumer credit and is administered by the ASIC (Australian Securities and Investment Commission). It replaced the older UCCC (Uniform Consumer Credit Code) that was introduced back in the early 1990s.

Consumer credit regulations were originally introduced to bring an industry standard that all providers of consumer credit and services were to abide by. Generally speaking, the banking industry as a whole has always performed, acted morally, ethically and in accordance with industry standards such as the Code of Banking Practice. Unfortunately, smaller providers of credit were not subject to any legislation and were charging exorbitant fees, interest rates and were allowed to operate as they saw fit.

I know some of you are going 'bloody banks' (as I do from time to time), but

this article is meant to provide a general overview.

The introduction of the UCCC brought regulation to the industry with the view of stamping out unscrupulous credit providers. Anyone caught not abiding by the act could potentially be hit with large fines and possible jail time. The NCCP is an upgrade of the UCCC with further regulations predominately centred on mandatory licensing for all providers of consumer credit and services.

Ultimately, the legislation has been developed to protect the consumer, ie, you, and to provide you with fully informed information about credit products, their costs,

as details of their business, product offering details, dispute resolution and so on.

When determining if you can afford the loan, you will be asked to provide documentation on your income (payslips, tax returns or similar) and your expenses (what it costs you to live, loan payments, rent etc). If your broker can ascertain you have the capacity to afford your desired loan, then your application can move forward and you should be provided with a 'Statement of Credit Advice' document. This is the broker's recommendation and details costs of the finance product.

If you can't afford the loan, then your application stops!

**“IF YOU CAN'T AFFORD THE LOAN, THEN YOUR APPLICATION STOPS!”**

the pros and cons, and to ensure the product is suitable for your requirements, so you can make a fully informed decision before proceeding (or not) with any loan application.

A key component of the new NCCP legislation is 'Responsible Lending Conduct'. This means your credit service provider (ie, your finance broker) must make 'reasonable enquiries' to ascertain the loan you are seeking is in fact the right product for you, and you can actually afford it. Upon your initial enquiry / loan application, your finance specialist must provide you with the 'Financial Service Credit Guide'. It contains such information

For further information on this legislation, please visit the Australia Government website [www.treasury.gov.au/consumercredit](http://www.treasury.gov.au/consumercredit), the ASIC website [www.asic.gov.au/credit](http://www.asic.gov.au/credit), or give Dave a call.

Looking back at this article, there wasn't much of an opportunity for a humorous side. The NCCP is quite a serious piece of legislation and is there to bring a standard to the credit industry.

Keep hunting for your best finance deal when upgrading your current 4WD, and remember that the NCCP is there to protect you.

**Dave Challinor**