

Credit Act 1985
Declaration

EXPLANATORY STATEMENT

No. 6 of 1992

This Declaration enables Diners Finance Pty Ltd (Diners) to calculate interest charges on a daily basis for its Extra Cash continuing credit facility.

On 17 July 1991 the solicitors acting for Diners advised the Director of Consumer Affairs that Diners intended to introduce a continuing credit facility in the ACT to be known as Diners Finance Extra Cash. This credit facility will require the calculation of interest on a daily basis, a method of calculation prohibited by the *Credit Act 1985* (the Act).

Therefore, Diners is seeking a general exemption from sections 52, 54(2), 55(1), 59(1)(b), 59(1)(f) and clause 1(n) of Schedule 7 of the Act. These provisions of the Act require a credit provider to calculate interest based on the amount owing at the end of each billing cycle. The Act provides that billing cycles shall be based on a period of between 25 and 42 days. Most credit providers adopt 30/31 day billing cycles to coincide with the end of each calendar month.

The proposed credit facility will make funds available to selected customers of Diners via the automatic teller systems of major banks throughout Australia. Interest will be charged at the rate of 48 per cent per annum, the highest rate allowed under the Victorian *Credit Act 1984*. There are no limits on how much interest can be charged in the other uniform credit States, including the ACT. The solicitors acting for Diners have advised that this high rate of interest is necessary to cover fees charged by the banks for use of their facilities.

However, the Director of Consumer Affairs does not object to the granting of this Declaration as the "Extra Cash" facility will be offered as an additional service to selected Diners' customers. Further, other uniform credit states will also grant exemptions similar to those contained in this Declaration.