



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

Main Committee

CONSTITUENCY STATEMENTS

Interest Rates

SPEECH

Thursday, 26 February 2009

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

Date Thursday, 26 February 2009	Source House
Page 2042	Proof No
Questioner	Responder
Speaker Robert, Stuart, MP	Question No.

Mr ROBERT (Fadden) (9.36 am)—I rise to raise an issue regarding second-tier lenders and interest rates, and I particularly want to raise the plight of one of my constituents, Eric Charlier, who is a director of a company called ActionCOACH. The issue with second-tier lenders is simply that interest rates go up faster than the Reserve Bank adjustments, and they come down slower. We have seen in the last few months that interest rates at the cash rate have dropped from a high of 7.25 per cent to 3.25 per cent at the cash rate level, which is the lowest in some 40 years.

At the same time, the rates of second-tier lenders have not come down. If I could quote a situation that Eric Charlier is currently facing, his lender, Bluestone, on a number of occasions has raised its interest rates over and above the cash rate that the Reserve Bank raised last year, taking his interest rate to above 13 per cent. Interest rates have, as we know, come down, to the point where a standard variable rate now for a package with National Australia Bank is 5.11 per cent—if you are on their portfolio program—reflecting the cash rate at 3.25 per cent. Yet with second-tier lenders like Bluestone, rates have come down only to 11.39 per cent, with Bluestone informing Mr Charlier on 23 February that it would be dropping rates by only 0.5 per cent rather than passing on the full one per cent cut. Mr Charlier has also indicated that Bluestone has consistently refrained from passing on the full amount of decreases and has, in fact, added other charges to the mortgages as interest rates have decreased. Whilst every second-tier lender has a range of issues and an expense base and it is almost impossible to put them all together into one lump, I would question whether second-tier lenders are actually doing enough to reduce rates in the current climate where their cost of borrowing has so dramatically decreased.

I therefore call on second-tier lenders, like Bluestone, to look at their expense base, to look at the way they work out their loan structures, and to pass on the full rate reductions that the Reserve Bank is passing. If lenders can borrow money at a lower cash rate than those who are the beneficiaries of those funds through loans should benefit from the reduction in those rates. I would call on a full pass-through of rate reduction by all lenders, especially the second tier.