

# MEDIA RELEASE

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## WESTPAC'S DEBT COLLECTION PRACTICES THE LATEST UNDER THE SPOTLIGHT

Consumer Action Law Centre has made a formal complaint to the Australian Securities and Investments Commission about Westpac's debt collection procedures for customers in financial hardship, only a week after revelations emerged of poor treatment by two of the other three major Australian banks.

Nicole Rich, the Centre's Director of Policy and Campaigns, said a letter sent by Westpac's Collections Department to one of the Centre's clients showed the bank may be struggling to comply with its new obligations under the national consumer credit laws.

"Our client, who has a credit card debt of around \$11,000 with the bank, sought assistance from Westpac to manage difficulties paying his account under the law's "hardship" provisions. These allow customers to apply to lenders to vary their repayment arrangements if they are experiencing financial hardship."

"The bank's correspondence in reply explicitly acknowledged that our client was experiencing long term over commitment problems with no foreseeable change in his circumstances, but then flatly rejected any help and told him they would be pursuing the debt and he needed to tell them immediately what his plans to repay were."

"We don't necessarily disagree with a decision not to offer temporary arrangements given our client is in longer-term hardship," Ms Rich said. "However, we complained to the regulator because Westpac threatened enforcement action if he doesn't pay up, despite acknowledging that he is in no position to do so, either now or in the foreseeable future."

"In these cases, what does a bank wanting to collect a debt think is the alternative to working through a customer's financial hardship with them? Unfortunately, it tends to be to chase the customer continuously until they pay up, even if that means they can't pay their basic living expenses."

Ms Rich said another aspect of the complaint related to the fact the bank's letter appeared to be based on a template that Westpac used for all its customers yet contained outdated and incorrect information about the options available to the client.

"It's worrying that Westpac's Collections Department has failed to update the information they provide to debtors since the new national credit laws came into effect on 1 July. Lenders were given many months to get ready for the new laws so it is disappointing to see one of the largest lenders seemingly unable to devote sufficient resources to timely compliance."

Ms Rich said it was disappointing to see yet another big bank failing to act properly in relation to its debt collection practices.

"This matter is signed off by Westpac's hardship team but the letter actually comes from its Collections Department," she said. "This story and the ones that emerged about the ANZ and the NAB last week demonstrate that the big banks have to review the way they operate their debt collection businesses and if they don't then the regulator should step in."

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