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Consumer groups attack credit reporting campaign

Consumer groups have attacked sections of the finance industry over what they say is an underhand and secretive campaign to widen Australia's credit reporting system without fixing its current problems.

Releasing their response to the proposed changes, the Consumers' Federation of Australia (CFA) and the Australian Consumers' Association (ACA) today called for an end to the cynical lobbying efforts, which are more about pushing more credit than reducing debt defaults.

Australia's current credit reporting system allows lenders to report and access detailed personal information regarding a borrower's personal details, past credit problems and credit applications.

But sectors of the finance industry, particularly the private credit reporting agencies that profit from maintaining these records, are seeking to widen it, in line with overseas models.

"Advocates of full-file credit reporting are twisting the truth, claiming that gathering more personal credit and debt information on Australian consumers will alleviate the credit spiral, but overseas experience suggests the opposite," said CFA Chair, Carolyn Bond.

"The industry's own research shows that full-file credit reporting actually leads to a dramatic penetration of lending, especially into lower socio-economic groups.

"Rather than use the information to lend more prudently, lenders tend to increase lending significantly, and while the default rate might not increase, the number of defaults will.

Consumer groups insist there should be no changes to the current system until the industry shows it can be trusted to lend more responsibly and maintain more accurate reports.

"Problems in Australia's current credit reporting system are exposing potentially millions of Australians to mismatching errors, denial of credit or harassment," said the ACA's Finance Policy Officer, Catherine Wolthuizen.

"At present, many consumers only discover there is a problem when they are denied credit. They may no longer have the required paperwork to successfully challenge a listing, or prove the debt was never owed in the first place.

"Those consumers who do pursue a complaint often face lengthy delays before the regulator is able to address their concern.

Ms Bond concluded: "The current credit reporting system has serious flaws. Changing the laws now to allow industry to keep more of our personal financial information, and to flog more credit would be absurd."

For copies of the CFA and ACA papers, or for comment please contact:

Carolyn Bond, Chair, CFA: **0412 032 987**

Catherine Wolthuizen, Finance Policy Officer, ACA: **0411 670 329**