

MEDIA RELEASE

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NEW CREDIT REPORTING - SILVER LINING MASKS BIG GREY CLOUD

Consumer Action Law Centre has welcomed aspects of the Government's proposed reforms to credit reporting in Australia. However we question whether the steps forward for consumers on complaint handling are worth the price of some of the other reforms.

Consumer Action's, co-CEO Carolyn Bond says there are aspects of the Government's announcement on credit reporting reforms that are very positive for individual consumers, including:

- The Government says it will fix the problem of the consumer "merry-go-round", where consumers disputing a listing get referred between the listing lender, the credit reporting agency and the Privacy Commissioner, by placing the onus to resolve a dispute on whichever business the consumer first complains to
- Only credit providers who are members of a recognised external dispute resolution (EDR) scheme will be able to list information, so consumers will have guaranteed access to an EDR scheme to dispute a wrong listing
- The onus will be on the credit provider to substantiate a disputed listing otherwise they will have to refer the dispute to the EDR scheme
- Debts under \$100 won't be allowed to be listed, meaning cowboys such as unscrupulous doctors, dentists and video stores won't be able simply to list small debts, especially if they are not prepared to join an EDR scheme
- Statute-barred debts and information about minors will not be allowed to be listed

However, Ms Bond is deeply concerned by the Government's decision to allow individual repayment histories to appear on credit reports.

"This information can be used to lend more responsibly or simply to lend more, and lenders can choose which of these purposes they use the information for in practice. Given credit marketing and selling practices, it is likely this information will lead to an increase in overall lending, which by its nature means an increase in the number of people falling into credit difficulties. In the US where lenders have had access to much more information on people's credit reports for many years, it is pretty clear that lending practices have been far more reckless than in Australia."

Ms Bond is also concerned that the Government has chosen to reject the ALRC's recommendation to ban pre-screening of direct marketing lists. This means lenders will be able to use information in credit reports for marketing rather than credit assessment purposes.

"Pre-screening allows a credit marketing campaign to be filtered through credit reports first to make unsolicited credit offers more attractive, not more responsible. It also makes unsolicited credit marketing offer campaigns more profitable for lenders."

"This action by the Government seems, at a minimum, premature. In our view, given recent economic turbulence, the prudent course would be to wait until responsible lending obligations are in place and then consider the need for further reform - particularly one that may lead to more lending."

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