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The Australasian Retail Credit Association (ARCA) welcomes the opportunity to comment on the Ministerial Council on Consumer Affairs' Responsible Lending Practices in Relation to Consumer Credit Cards Consultation Regulatory Impact Statement.

The Australasian Retail Credit Association is a forum for senior credit executives from lending organisations and credit reporting agencies in Australia and New Zealand to discuss and examine retail credit issues. Its aim is to develop and promote policies for the betterment of the retail credit industry. It works to ensure that the retail credit industry's views are put forward when governments determine policy or legislation that impacts the retail credit system. Its aim is also to promote responsible lending and best practice in consumer credit management where it relates to reciprocal sharing and use of credit information.

The primary objective of ARCA is to develop industry codes and standards in relation to the use of information across the retail credit industry. ARCA actively seeks to work with other stakeholders in the retail credit industry including industry associations, governments, consumer advocates and privacy groups.

ARCA agrees that there are a number of consumers who are burdened with unmanageable credit card debt. The cause of this problem is multifaceted and needs to be considered in conjunction with a range of legislative and structural changes currently being proposed including recommendations by the Australian Law Reform Commission in relation to credit information sharing.

ARCA believes that credit reporting reform should be given high priority alongside other credit reforms because it can deliver tangible benefits to borrowers and lenders facing challenging credit conditions. Credit reporting should be considered as part of the package of credit law measures currently under consideration by the Australian Law Reform Commission's Report on Privacy, the Productivity Commission Report on National Consumer Protection, the Treasury Green Paper on Financial /Services and Credit Reform as well as the Ministerial Council on Consumer Affairs' review of responsible lending practices in relation to consumer credit cards.

Credit reporting lies at the heart of the national consumer credit market - the consequences of credit reporting activity are experienced by consumers as they participate in credit markets – either facilitating or impeding their access by influencing lending behaviour and lending decisions.

The present credit reporting regime in Australia has contributed to high levels of consumer indebtedness, particularly among those Australians who are financially vulnerable. Credit providers make lending decisions based in assessing the information readily available to them. Much of this information is provided by the borrower and verified by the lender where possible. Unfortunately, some borrowers do not disclose all of their existing debts to the lending leading to instances of over-commitment.

Access to shared information from all credit providers will allow lenders to make better informed credit decisions. Reforms leading to comprehensive information on credit files should identify people who are potentially over-committed and whom should not be extended additional credit.

Australia already has a high level of consumer indebtedness and tightening economic conditions are likely to cause financial stress. ARCA encourages consumer financial education to improve consumer awareness of the dangers of financial stress. Access to a wider range of credit information will allow lenders to make better credit decisions and be more accountable for responsible lending practices.

ARCA has been working with industry stakeholders including consumer advocates, privacy groups and industry associations. Stakeholder positions are more aligned now than they have been for more than two decades, meaning that the prospects for clear, swift discussion to progress reforms are good. Strong microeconomic reform that will benefit both borrowers and lenders is within the reach of the government.

ARCA have provided submissions to the Australian Law Reform Commission, Treasury and the Productivity Commission with options for implementation of a robust credit reporting framework that consists of:

- General privacy principles
- Credit Reporting Regulations
- A binding industry Credit Reporting Code of Conduct

ARCA accept and support the Australian Law Reform's recommendation for inclusion of four additional categories of personal information in credit reporting. ARCA also encourage the government to move forward simultaneously on inclusion of the fifth data element (ie repayment history) recommended by the ALRC.

The anticipated benefits of improved credit reporting have been estimated through a number of different studies. The most recent study was conducted by Access Economics titled "The Benefits of Broadening Access to Credit via Comprehensive Credit Reporting" is enclosed.

The government has a rare opportunity to implement one of the most substantial credit reforms for many years. ARCA is seeking the government to seize the opportunity to implement reform to credit reporting within this current term of parliament. ARCA has urged the government to begin the legislative reform process immediately with a target of implementing legislative changes by December 2009. The industry is aligned through ARCA and will provide support to the government to help implement this important aspect of credit reform. ARCA is demonstrating that the industry is capable of self regulation.

ARCA urges Ministerial Council on Consumer Affairs to ensure that reform of credit reporting is considered within each of the policy options presented.

ARCA is willing to provide additional information if credit reporting is considered within the scope of the review. For further information, please contact Stephen Johnson on 0419-368-326 or sjohnson@arca.net.au.