

# Key Issue Brief

## What new data will be made available?

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Under the proposed reforms to credit reporting arrangements, additional information will be added to the current credit reporting system.

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- If regulated properly and implemented effectively, comprehensive credit reporting (CCR) will deliver wide ranging benefits to both industry and consumers.
- According to research, only 8% of customers disclose their existing debts fully
- ARCA supports reforms that will include the introduction of five new data sets which allow for comprehensive credit reporting
- ARCA also supports the general improvements to the existing credit reporting framework

Reforms to credit reporting will see the following additional information added to the current credit reporting system:

- The type of each active credit account
- The date of the opening of each credit account
- The date of the closing of each credit account
- The credit limit of each individual account
- Credit repayment history (available only to licensed Credit Providers)

Proposed reforms will allow additional information to be reported and shared, enabling Credit Providers to make more informed risk assessments.

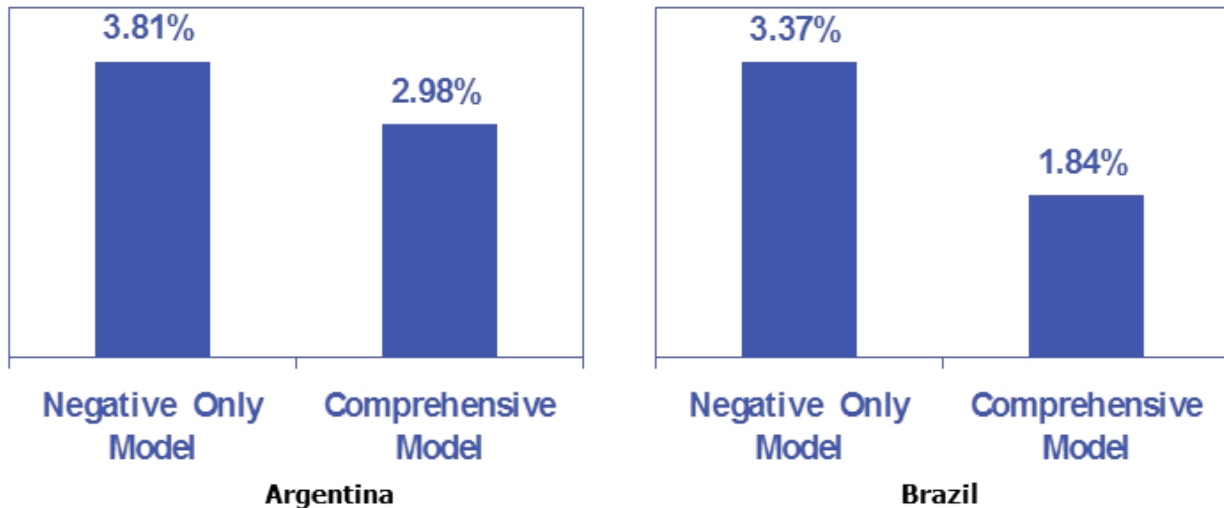
### Background

According to research conducted by Citibank of bankrupt accounts:

- Only 8% of customers disclose their existing debts fully;
- Undisclosed debts ranged from \$3,000 to \$120,000; and
- In more than 75% of cases, if debts had been fully disclosed it most likely would have changed the decision to lend.

Non-disclosure poses a serious challenge to more responsible lending. Experience in other markets suggests that including more information in the credit reporting system in fact does deliver more responsible lending outcomes. It should also be noted that in these markets there are fewer legal obligations to deliver responsible lending than in Australia.

**Difference in default rates based on the credit reporting model:**



Estimates are based on information on large loans from public credit registries in Argentina and Brazil. Graph represents predicted default rates at 60% approval rate.

Source: Majnoni, Miller, Mylenko, and Powell (2003) "Public Credit Information Systems: Evaluating Available Information", World Bank

## **About ARCA**

*ARCA brings together the talent, energy and perspectives of its members and staff to bring about positive change.*

*Combining experience and insights, expertise and passion with industry collaboration, ARCA promotes the effective use of consumer analytics and data sharing to improve responsible lending practices and promote better lending decisions.*

*Access to responsible credit is a fundamental part of today's modern economy.*