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## **Bid to curb consumers' card debt**

By ARI SHARP CANBERRA

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Australians owe \$47bn on credit

CREDIT card companies would be required to assess the amount of credit customers were able to repay and be banned from enforcing debts beyond that amount, under a crackdown the federal government is considering.

With Australians owing \$47.1 billion on credit cards — three times the amount a decade ago — the government is considering measures to better protect consumers from runaway debt.

The proposals have been put up for discussion in a government green paper on credit reform, which also considers payday lenders, reverse mortgages and margin lending for investors.

Among the credit card changes under consideration are:

- Requiring credit providers to allow consumers to nominate the amount of credit sought.
- Prohibiting the card issuer from providing more credit than the consumer can repay in a reasonable period, making the debt unenforceable beyond that amount.
- Requiring card issuers to include a "health warning" on monthly statements, alerting consumers to the effects of making only minimum repayments.

The proposed crackdown on credit cards was welcomed by the Consumer Action Law Centre, which said they were the source of concerning levels of debt for many consumers.

Chief executive Catriona Lowe said changes in particular were required to the rules on unsolicited offers of credit cards and extensions of credit limits, which were often used to restrict consumers' ability to look out for their own best interests.

"There are a whole lot of things about the way offers are designed that discourage a consumer from turning on that bit of their brain that engages with financial matters and rationally," she said.

Payment systems consultant Mike Epstein was sceptical of the need for change, arguing that while increased transparency should be lauded, the changes ran the risk of harming more consumers than they helped.

"The danger always with these types of regulatory moves is that in seeking to protect the vulnerable, we make life too difficult for the great majority," said Mr Epstein, director of MWE Consulting.

"By and large, Australian cardholders have shown that they're sophisticated and prudent.

"The major indicators, like the balance-to-limit ratio and the repayment ratio, have not shown any marked deterioration."

In issuing the green paper yesterday, Consumer Affairs Minister Chris Bowen said the government was keen to continue changes in the area.

"The Gillard government is not complacent; we know there's more work to do to strengthen credit protection for Australian consumers," he said.

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