

MEDIA RELEASE

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Credit limit regulations so soft they're almost redundant

The Consumer Action Law Centre has lamented that federal regulations designed to limit the harm caused by unsolicited credit limit increase offers have been watered down to the point where they are all but redundant.

Unsolicited credit limit increase offers are sent by credit card providers inviting their customers to increase their credit card limit, often by thousands of dollars, when the customer hasn't requested an increase.

Carolyn Bond, co-CEO of Consumer Action, said these offers, which are designed to get people to impulsively accept a credit limit increase, regularly lead Australians into dangerous levels of debt and have been a major source of concern for financial counsellors and consumer advocates.

'It's not uncommon for financial counsellors at our MoneyHelp service to hear from people on very low incomes who have credit card limits of well over \$20,000 because they've accepted a series of gradual credit limit increase offers over the years. Often, these people haven't set out to take out this debt, but by accepting the offers sent to them they've found themselves in deep trouble.

'We were pleased the Government recognised that this was a problem and announced that it would implement new regulations to ban unsolicited credit limit increases offers. Under the proposal, consumers could provide their "express consent" to receiving this type of marketing—this still could have made a real difference, but the methods credit providers can now use to get "express consent" are so lax, it undermines the meaning of the term,' said Ms Bond.

Credit providers will now be able to ask for a customer's express consent by getting them to tick a box, and there is nothing to stop this request being camouflaged among other offers or requests.

Ms Bond said ticking a box or giving consent on a page full of other information was unlikely to represent a considered decision, 'how many of us have accepted agreements online because it is just easier to click accept than study what we're signing up for? The same thing will happen here—banks will use clever marketing to make giving consent the default response.

'The reason why credit providers have peppered customers with credit limit increase offers in the past is because it makes them money—the extent to which they've bombarded households with letters to gain consent in recent months only serves to underscore this fact. We're concerned many consumers have already ticked a box agreeing to continue receiving limit increase offers. If they've done so without fully considering it, the intent of the so-called ban has been undermined,' said Ms Bond.

Consumer Action maintains that it would be more effective for the regulations to prescribe a particular form on which consent must be provided. That way, credit card providers couldn't hide a request for consent in another document.

'We don't want to stop people getting a credit increase if they request one and can afford it, but we're keen to see an end to irresponsible marketing of credit,' said Ms Bond.

END

Background:

In its "Fairer, Simpler Banking" policy before the 2010 election, the Government promised:

Unsolicited credit limit extension offers will not be allowed

While credit card limit increases can only occur at the request of the consumer, credit providers are allowed to make unsolicited credit limit extension offers.

Preventing these offers, unless the consumer gives permission, will mean consumers can choose not to be enticed to increase their debt levels.

In its December 2010 Competitive and Sustainable banking package following the election, the Government re-stated its commitment to:

Ban unsolicited credit limit extension offers unless pre-agreed to by the consumer.

In regulations enacted in November 2011, the Government imposed requirements as to how consent was to be provided by consumers. This required lenders to not hide consent within another marketing document, or a document seeking consent to a limit increase offer. The regulation provided that

*the written communication [seeking consent] must seek the consumer's consent **only** in relation to whether or not to receive credit limit increase invitations.*

In regulations enacted in June 2012, the Government removed the word "only" from the above provision and clarified that:

the written communication [seeking consent] may seek the consumer's consent to one or more other matters, but only in the form of a separate consent from the consumer to each matter.

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