MEDIA RELEASE

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Government warned that new credit card regulation may require running repairs

The Consumer Action Law Centre has welcomed the Federal Government's ban on credit providers making unsolicited credit card limit increase offers to customers, but believes that ambiguity in the regulations governing the ban will see credit providers attempt to evade and undermine it. The Centre has also warned that the Government will need to respond quickly to any such attempt if it wants to maintain the integrity and effectiveness of the ban.

Unsolicited credit limit increase invitations are offers 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.

The new regulations ban credit limit increases being offered to customers unless they've given their 'express consent' to receiving them – but what constitutes express consent is unclear and people may find themselves consenting to receiving credit increase offers without realising or giving it due consideration.

Catriona Lowe, co-CEO of Consumer Action, said her organisation was happy that the regulations wouldn't allow lenders to bury the consent request in a contract's fine print, but was concerned that lenders may be able to disguise their consent requests.

'Lenders could potentially request customers' consent as part of a general marketing offer or even a competition – we're concerned that this wouldn't be proper express consent, but may still be okay under the ambiguous regulations' *

'We would have preferred a system that comprehensively banned these offers. Uninvited credit limit increases are a dangerous marketing tool designed to get customers to impulsively sign up to credit they don't need, don't want or can't afford.

Consumer Action believes that if regulations are to allow consumers to consent to receiving this kind of marketing, 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.

Ms Lowe said research undertaken by Deakin University had shown credit card companies used sophisticated psychological techniques to encourage people to agree to limit increases on impulse and without thinking about whether or not they're in a financially sound position to be doing so.

'When you're dealing with credit, any decision made on impulse is dangerous, plain and simple. We're not talking about buying a two dollar chocolate bar on impulse; we're talking about thousands of dollars at interest rates of up to 20 per cent – and more.

'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.'

Ms Lowe said Consumer Action would monitor the implementation of the ban closely and was hoping it would be successful, but that the law may require running repairs and she hope the Government would be ready to act.

END

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Notes

**The relevant regulation (regulation 28LI of the National Consumer Credit Protection Regulations 2010) states that*

> *if consent to a credit provider making credit limit increase invitations is to be provided in response to a written communication from the credit provider, the written communication must seek the consumer's consent only in relation to whether or not to receive credit limit increase invitations.*

It is not clear from this regulation that lenders cannot use requests for consent which include other marketing material, such as promotions or prizes. Regulation 28LI appears to ban communications which request the consumer's consent to send out credit limit increase offers and also request consent for something else. A communication offering a chance to win a prize is not seeking consent, and so would apparently be allowed.

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