



Amanda Rishworth MP

Member for Kingston

Private Members Business – Credit Cards

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I rise tonight to support the essence of the motion proposed by the member for Maranoa. However, I would like to point out that at the moment consumer credit law does lie with the states and territories. This is one of a number of financial consumer issues that the federal government can work with the states to reform. I am pleased to see that the Rudd government is doing just this.

The motion before us tonight brings attention to unscrupulous marketing tactics that encourage people to increase credit limits on their credit cards. More and more Australians are opting to purchase basic goods on credit. This is coupled with an increasing number of outlets providing credit card facilities. For example, you can even use your credit card at McDonald's. With an average of 2.2 credit cards per Australian, providers of credit cards need to behave in an ethical way that does not trap the most vulnerable people into unserviceable debt. Reserve Bank statistics reveal that, over a one-year period, the national credit card debt has blown out, with the average credit card debt being \$3,200 per card. This compares with the average debt of \$2,000 per card less than two years ago. We have seen a significant increase in debt per card. This rise in credit debt is concerning, especially if it translates into more consumers unable to service their debt.

In a survey conducted in 2007 by Veda Advantage, 75 per cent of those surveyed reported that they were worried about their ability to make their debt repayments over the next 12 months. Alarming, over 16 per cent of people in financial difficulty are using large portions of their income to meet debt payments and one per cent are unsure of how they are going to make their next payment. The anxiety of credit stress causes significant suffering and can often lead to mental health issues such as depression, anxiety and insomnia. Not only does financial strain take its toll on individuals, it is also a contributing factor to many family breakdowns. That is why I am pleased that the member for Ryan has been consulting with his wife to make sure that they deal with their financial situation in a responsible manner.

The motion before the chamber today refers specifically to the need to prevent credit card providers from sending unsolicited letters offering an increase in credit. Essentially the practice results in tempting consumers with more credit even if they have not requested it. This practice has been raised by constituents in my electorate of Kingston on numerous occasions. I have

heard many stories of my constituents who have been annoyed, frustrated and at times even caught by this practice.

In particular, it has been brought to my attention that these unsolicited letters offering an increase seem to be sent only when customers pay interest on their credit card debt. One constituent reported to me the following scenario. For many years this constituent always paid in full each month the amount owing on their credit card. During this time they never received a letter offering them a credit increase. These letters only came when my constituent was unable to pay the full amount and was charged interest by the bank on their purchases. This scenario did not occur once but was a regular pattern: a letter offering more credit was sent only when interest was charged and not during the periods of time when full repayments were made. This type of practice is appalling to me. Not only are credit card providers trying to entice people to obtain more credit but it also seems that they encourage this when credit cardholders are unable to pay off their full repayments.

I support the concept in this motion proposed by the member for Maranoa that it should be up to the consumer to initiate a request of a credit card limit to be increased. This would ensure that consumers are in control of their financial destiny. As I highlighted in my opening remarks, the responsibilities for consumer credit law do lie with the states and territories. However, I do recognise that the Rudd Labor government is very keen to work with the states and territories to reform this area of legislation. Therefore, I urge all states and territories to look at this piece of legislation and to act accordingly.