

Thursday 8th September, 2011

The General Manager
Retail Investor Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: creditenhancementsbill@treasury.gov.au

Dear General Manager

**Re: Exposure Draft - National Consumer Credit Protection
Amendment (Enhancements) Bill 2011 - Draft Credit Card Regulations**

Financial Counselling Australia (FCA) is the peak body for financial counsellors in Australia. Financial counsellors provide free, independent and confidential information, support and advocacy to Australians in financial hardship.

Credit card debt is a frequent reason for consumers to seek assistance from a financial counsellor. Cost of living pressures for low-income consumers are acute and it is increasingly common for consumers to pay essential household bills using credit cards. Consumers who are unable to repay more than the minimum monthly repayment often end up in a spiral of debt that can be difficult to escape. Any changes to current legislation that will assist consumers to seek assistance early are welcomed by the financial counselling sector.

Our comments on the Bill are restricted to Section 79B which requires a minimum payment warning on credit card bills. In relation to other aspects of the Bill, we support the submission made by the Consumer Action Law Centre on 17th August, 2011.

79B Minimum Payment Warning

FCA has been intimately involved in the establishment of the Australia-wide phone number to contact a phone financial counselling service, (the 1800 007 007 phone number). There are eight separate phone financial counselling services, one in each State and Territory, and the number operates on a switch through facility.

We are presently working to further enhance the 1800 service offering by developing a brand for the number (so that consumers can be advised to ring the xxx hotline) and are developing a supporting website.



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The proposal for the minimum repayment warning to include a specific reference to financial counselling, viz

Financial Counselling Assistance: If you have difficulty in meeting your repayment obligations and would like to talk to a free and independent financial counsellor, call [financial counselling phone].

has the support of FCA and of the phone financial counselling services around Australia.

We note however that consumers may also benefit from speaking to their financial institution about any payment difficulties, so it may be helpful to also include that advice.

The customised data and minimum repayment warning will assist consumers to understand the actual cost of credit when making minimum monthly payments on their credit cards.

We are also in favour of lenders providing the penalty APR interest rate. All the information in the 79B is extremely important, particularly for consumers who have multiple sources of debt and need to make an informed decision on prioritising their debt repayments.

The reference to financial counselling assistance will be another way that consumers can gain independent, free and confidential assistance in a timely manner. Financial counsellors can provide consumers with information on options available to them to resolve their financial difficulties as well as referrals to other services such as free legal centres, where appropriate.

Whilst the financial counselling sector is supportive of the inclusion of the hotline number on credit card statements, we are also mindful of the sector's current resource capacity. We will have to monitor our ability to meet any ongoing demand, particularly should this rise significantly.

When the 1800 007 007 helpline service's official name is registered, we would request that this detail is also included - 79B(7) currently states that 'financial counselling phone' means the National Financial Counselling Hotline number. The brand name for the phone service will soon be widely known and advertised and it makes sense to refer to this in the warning.

Please contact Lauren Levin on 03-9663 2000 if you have any queries relating to this submission.

Yours sincerely



Lauren Levin
Manager, Policy and Strategic Projects