Submission

An Inquiry into Consumer Protection in the Banking, Insurance and Financial Sector

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Senate Standing Committees on Economics

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Canberra ACT 2600

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the peak body for financial counsellors
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1 INTRODUCTION

1.1 About Financial Counselling Australia

FCA is the peak body for financial counsellors in Australia. We support financial counsellors and provide a voice on national issues. We advocate on behalf of the clients of financial counsellors for a fairer marketplace that will prevent financial problems in the first place.

1.2 What Financial Counsellors Do

Financial counsellors provide information, support and advocacy to people experiencing financial difficulty. Working in community organisations, their services are free, independent and confidential. Financial counsellors are required to hold, or to obtain, a Diploma in Financial Counselling. They need knowledge of a wide range of areas of law and policy, including consumer credit law, debt enforcement practices, the bankruptcy regime, industry hardship policies and government concession frameworks.

Financial counsellors also document their experiences and highlight issues that have a negative impact on their clients. Either individually, or through FCA, they consult with industry, government and other stakeholders and to encourage practices that prevent financial and consumer problems in the first place.

The main causes of financial difficulty are unemployment, illness and relationship breakdown. Financial counsellors also assist many people trying to make ends meet on very low incomes.

1.3 About This Submission

Financial Counselling Australia is pleased to provide a response to the inquiry into the regulatory framework for the protection of consumers, including small businesses, in the banking, insurance and financial services sector. Our submission is based on the casework of financial counsellors and focuses on the impact on consumers where there are gaps.

2 GAPS AND FAILURES

Terms of Reference

a. any failures that are evident in the:
   i. current laws and regulatory framework, and
   ii. enforcement of the current laws and regulatory framework, including those arising from resourcing and administration;

2.1 Gambling

Appendix 1 includes six case studies illustrating the issues seen by financial counsellors in assisting people affected by gambling.

2.1.1 Prohibiting the Use of Credit for Gambling Purposes

Consumers struggling with gambling addiction present a unique and important test of whether consumer protections in the finance industry are adequate. People with problem gambling addictions can be industrious about the means they use to access money. Adequate consumer protection is essential to protect problem gamblers from being exploited as they try to access as much money as possible.

Financial counsellors see three categories of credit-related gambling harm:

1. credit provided by gambling companies,
2. credit provided by payday lenders, and
3. credit provided by licenced financial service providers.

The first two categories have already been addressed in the Federal Government's Response to the Review of Illegal Offshore Wagering—we welcome the commitment to banning lines of credit provided by gambling services and discouraging links between payday lenders and gambling companies.[1] However, credit provided by banks and financial service providers for gambling purposes continues to be a large, and so far unaddressed, cause of harm for Australians struggling with problem gambling.

Financial counsellors report that most problem gamblers presenting to their services have several credit cards - it is not unusual for clients to have amassed tens

[1] *Government Response to the 2015 Review of the Impact of Illegal Offshore Wagering*, April 2016, p 5, https://www.dss.gov.au/sites/default/files/documents/04_2016/government_response_review_illegal_offshore_wagering.docx, accessed March 9, 2017

of thousands of dollars' worth of credit card debt spent largely on gambling. As there is no limit to the amount of money someone can spend on their credit card in one gambling session (subject to the credit limit on their card), money can be lost very quickly. Credit cards can also be acquired relatively easily. As a credit card applicant must only show capacity to pay the 2% monthly repayment, in a short period of time, a consumer can end up with a 'lifelong debt sentence'[2] from one gambling binge.

With the proposed ban on gambling companies providing lines of credit there may be increased reliance on credit cards as a means of fuelling gambling addictions.

As all forms of credit for gambling cause harm, we recommend a legislative prohibition on all forms of credit for gambling purposes—including credit provided by licenced financial service providers.

Technically, it is not difficult to prevent credit cards being used for gambling as Visa and Mastercard already code every merchant, and they have an existing gambling merchant code. Some banks, including Citibank, already prohibit gambling transactions on their credit cards.[3] Using this merchant code, most banks already process gambling transactions as 'cash advances' not purchases, the former being subject to higher interest rates and with interest levied from day one, so that there is no interest-free period.

Ian Narev, the CEO of the Commonwealth Bank, told the most recent hearing into the banks,[4] that they are actively considering whether to restrict credit cards being used for online gambling[5]. Westpac CEO, Brian Hartzer replied to a similar question in the same round of hearings:

> *What I can certainly assure you of is: we are not supporters of the idea of customers using credit cards to gamble. The fundamental premise of your question, I suppose, is: do we want our customers to use their money irresponsibly to gamble? No, of course we do not. To the extent that we can play an appropriate role in making sure that that does not happen, we are open to that. But we will just point out that there may be limits in terms of what we are allowed to do under various rules that operate on us.*[6]

2 *Stop lifelong debt sentences – Consumer Action responds to Credit Card Inquiry*, Media Release, Dec 16, 2015, http://consumeraction.org.au/stop-lifelong-debt-sentences-consumer-action-responds-to-credit-card-inquiry/, accessed Mar 9, 2017

3 *Fees for using credit card for gambling*, Finder.com.au, Bradney-George, A., March 9, 2017, https://www.finder.com.au/gambling-transactions-using-your-credit-card-are-they-allowed, accessed March 9, 2017

4 House of Representatives Standing Committee on Economics.

5 *Review of the four major banks*, *transcript of the Standing Committee on Economics*, House of Representatives, Mar 7, 2017, http://parlinfo.aph.gov.au/parlInfo/download/committees/commrep/25c45154-53de-4c1b-956a-8142c25709b4/toc_pdf/Standing%20Committee%20on%20Economics_2017_03_07_4821.pdf, accessed Mar 9, 2017

6 8th March, 2017.

It is heartening that at least two of the big four banks are considering putting in place processes to stop credit cards being used for online gambling. It would be preferable however for legislation to clearly prohibit this use of credit cards so that all financial institutions were included. A blanket prohibition, would prevent the space being filled by less ethical credit card providers.

2.1.2 Debit cards need a default maximum daily transfer limit

Where a person bets with their own money using a debit card, there is no limit to how much money they can transfer to their gambling account. If a credit card limit is $5,000 a person can only spend $5,000. But if you have $170,000 in your bank account you can transfer that entire amount in one hit without any checks.

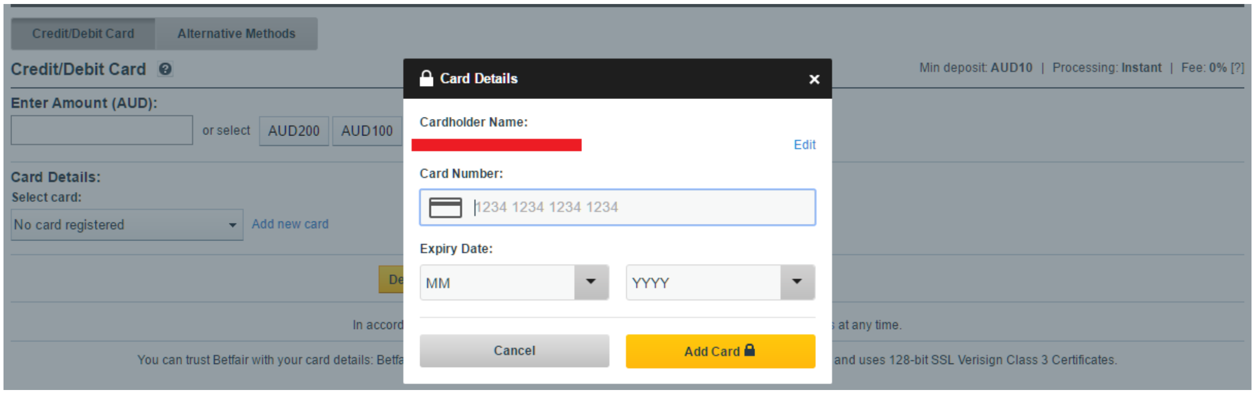
Banks and credit card providers automatically set a limit for how much their customers can spend in a variety of ways—limits on BPay payments, funds transfers, cash withdrawals, etc. You cannot withdraw huge amounts of money in one day via these methods. As the table below shows, this limit is typically a default of $1,000 which can be raised or lowered by speaking with the bank or online.

	Account Type	**Debit Function $**	**Credit Function**	**Source**
ANZ	ANZ Progress Saver	1,000	No Limit	Product Terms & Conditions
WESTPAC	Westpac Choice	1,000	No Limit	Product Terms & Conditions
NAB	NAB Classic Banking	1,000	No Limit	Product Terms & Conditions
CBA	CBA Smart Access	1,000	No Limit	Product terms & Conditions

Daily limits on typical debit cards with Mastercard/Visa Merchant functionality

Someone using a debit card in a store has the option of choosing the 'savings' button, and there is a ceiling for the amount that can be spent. However, if a person puts their debit card (with the visa/mastercard symbol on it) into the gambling sites payment page there is no option of choosing 'savings' - see screen shot below.

This means that rather than being protected by maximum daily limits offered by banks for other forms of payment transfers, customers can transfer their entire account balance. We see ordinary people who have literally transferred everything they own in one swoop, to come out at the other end with huge regret that they had self-harmed so quickly, and with such ease. This loophole could be fixed by the banks putting in place the same protection as given to non-debit card transfers.



Screenshot from a funds deposit page on an online sports betting website, showing no capacity to choose 'savings'. [7]

CASE STUDY: LIAM
Liam is a man with clinically diagnosed depression who was prescribed sleeping medication to assist him manage severe insomnia. He recently received a large redundancy payment.   One evening, he'd had a drink and later took his sleeping tablet. The following morning, he woke up to discover he had transferred $60,000 into his online gambling account and lost it all in a single night—with no recollection of doing so. Absolutely desperate to recover the money, over the next 6 weeks he spent a further $120,000 'chasing his losses', transferring thousands of dollars each day via his debit card.   Despite being lump sum transfers, these payments were registered as 'purchases' by his bank. This meant that they were not subject to the bank's daily limits which would have offered him some protection from his addiction.

Standardising protection in the form of default limits across the merchant payment system also has the potential to protect other users from accidentally overspending or having their funds overspent where they have high limits or high balances in their accounts.

7 Screenshot from Betfair's deposit page, https://myaccount.betfair.com.au/payments/deposit, accessed Mar 9, 2017

2.2 For Profit Financial Difficulty Firms Need Regulation

In January last year, ASIC released a report into the operation of debt management firms.[8] Financial counsellors have long been raising the alarm about these companies: they target vulnerable and financially desperate consumers with high, front-loaded and opaque fees and promise a lot more than they can deliver. Furthermore, EDR schemes report being flooded with complaints about default listings by credit repair agencies, so much so that the Credit and Investments Ombudsman has a special warning about these firms on its website and calls for further regulation of the industry.[9]

Of primary concern is that often debt management firms do not adequately disclose the nature of the service they are offering and do not explain or provide alternatives to their products.

CASE STUDY: SARAH

Sarah is a pregnant woman in her 20s who presented to financial counselling with a series of debts she was unable to pay. After some consideration of the options provided to her by the financial counsellor, she elected to declare herself bankrupt so she could focus on her new family and worry less about debt.

After she had submitted the documents, the Australian Financial Securities Authority returned her paperwork and advised her she could not declare herself bankrupt as she had a current debt agreement that had not yet lapsed. When the financial counsellor questioned her about this, she remembered that a few months ago, she'd sought what she thought was 'advice' from a debt management firm and 'signed a few things', but then had not continued with the service because the payments were too high.

The gravity of a debt agreement has not been explained to Sarah. She had also never been told than a debt agreement was an act of bankruptcy.

8 *Paying to get out of debt or clear your record: the promise of debt management firms*, 16-011MR, ASIC, http://download.asic.gov.au/media/3515432/rep465-published-21-january-2016.pdf, accessed March 9, 2013
9 *Information about Credit Repair Agencies*, http://www.cio.org.au/news-and-events/information-about-credit-repair-agencies.html, accessed March 9, 2017

CASE STUDY: KUMAR

Kumar is a man in his 40s who presented to financial counselling with credit card debts of over $100,000 due to a failed small business. Prior to seeking financial counselling, he'd spoken to a number of small debt management firms but confessed he thought their offers sounded 'suspicious'.

He showed the financial counsellor a flier from one of these firms: a firm who had told him to declare himself bankrupt, and then they would annul his bankruptcy by composition for a fraction of the full value of the debts. This service, they told Kumar, would cost him $25,000. Kumar told the financial counsellor that this firm had given him no indication that the annulment might fail or what would happen if it did. Payment for the service was required up front.

The ASIC report describes the concerning practices of the four types of for-profit debt management firms: credit repairers, debt negotiators, Part IX Debt Agreement brokers and budgeting services, identifying the key issues with each.

Credit repairer businesses promise to 'clean' a consumer's credit file—usually for a fee which can start at around $1,000 per default. For many consumers this is a false promise as they have correct defaults and therefore the listing cannot be removed. Credit repair agencies 'game the system' and clog up EDR schemes with spurious complaints – the tactic is to force the creditor to remove the listing because of the cost of the ongoing dispute.

Debt negotiators claim to help consumers by trying to negotiate with creditors to 'write off' all or part of their debts. They typically employ high-risk strategies (such as advising consumers to simply stop paying the debt to manufacture pressure in the negotiations), and the risk of doing this is typically not properly explained to consumers. Hefty fees are often payable, even if the service is not successful.

Part IX Debt Agreement brokers sometimes give the impression through their marketing that they are 'government backed' services. They typically do not inform consumers that a debt agreement is an act of bankruptcy or that there may be better options, such as direct negotiations with creditors for hardship arrangements. As noted in ASIC's report, the standard of their advice is usually poor.

Budgeting services offer an attractive solution to consumers who believe the reason they are unable to afford their debts is due to a personal inability to budget.

Typically, this is not the case—there is often not enough money coming in to afford the bills. Budgeting firms exacerbate this issue by charging high up front set up fees and then weekly maintenance fees for their services. They operate by having the consumer pay all of their income to the budgeting service, negotiating to pay bills with creditors, and paying consumers the remainder of their money as a 'living expense' into their personal bank account. Budgeting services may not pass the money on to creditors in a timely fashion, exposing clients to credit listings or legal action, the arrangements may not be affordable or sustainable, and the clients may not understand the nature of the service they are agreeing to.

What all of these services have in common is an opaque fee structure which makes it difficult for customers to determine how much will be charged for a service, and they often rely on high-pressure sales tactics or the 'sunk cost bias' to secure and retain customers.

We are very keen to protect vulnerable service users from for-profit debt management services. This is a quickly growing industry and it requires the urgent attention of legislators to provide appropriate regulation and protections to consumers before already apparent exploitations become more entrenched and widespread.

2.3 Payday Lenders Continue to Exploit Consumers

Despite payday loans being identified by the Commonwealth Government as holding specific risks of financial detriment[10] and further protections being legislated in 2013, the payday lending industry continues to feature in the casework of financial counsellors. Common complaints include inadequate assessment of the affordability of credit,[11] high 'brokerage' fees in an attempt to avoid the 20% application fee limit,[12] and that multiple payday loans are freely given, despite the presumption that receiving two or more loans in 90 days is an indication that the loan is unsuitable and should not be provided.[13] These issues are ongoing despite ASIC taking action against some of the culprits.

10 *Revised Explanatory Memorandum to the Consumer Credit Legislation Amendment (Enhancements) Bill 2012* (Revised Explanatory Memorandum), paragraph 11.89

11 *Cash Converters to pay over $12M following ASIC probe*, 16-380MR, ASIC Media Release, Nov 9, 2016, http://www.asic.gov.au/about-asic/media-centre/find-a-media-release/2016-releases/16-380mr-cash-converters-to-pay-over-12m-following-asic-probe/%20, accessed March 8, 2017

12 *ASIC crackdown stops another payday lender from overcharging consumers*, 14-328MR, ASIC Media Release, Dec 9, 2016, http://asic.gov.au/about-asic/media-centre/find-a-media-release/2014-releases/14-328mr-asic-crackdown-stops-another-payday-lender-from-overcharging-consumers/, accessed Mar 8, 2017

13 National Consumer Credit Protection Act (2009), SECT 131(3A)(b).

CASE STUDY: MICHAEL

Michael is a young returned serviceman with profound PTSD, and he also suffers from gambling addiction which he is working hard to manage. He works full-time and has a good salary, but unfortunately needs to take many sick days due to his illness and has run out of sick-leave. When he relapses, he has gambling binges and uses payday credit to fuel these.

He presented to a financial counsellor looking for help with his debts. Investigation showed that he had received 11 payday loans in a 90-day period, placing him in severe financial hardship.

Despite a good number of these applications displaying on his credit history and many of the loans being provided by the same lender, the lenders failed to identify his financial hardship and continued to provide him with further credit. At the time he presented to the financial counsellor, Michael had four active payday loans. He advised the financial counsellor he'd tried to tell the payday lenders he couldn't afford the repayments, but he said they wouldn't listen.

When the financial counsellor spoke to the payday lenders on his behalf and pointed out his financial hardship, reminding them of the presumption that more than two payday loans in a 90-day period was an indicator that further credit shouldn't be provided, two of the lenders insisted they had done a thorough financial assessment and that the presumption of hardship did not apply in his situation.

The financial counsellor was able to clearly demonstrate this was not the case, and that Michael had been placed into financial hardship by the provision of excess credit.

The matters were settled individually with each lender.

In Michael's case he was able to see a financial counsellor who could advocate on his behalf and settle the matter, but many other Australians are not able to access financial counsellors. Irresponsible lending, flouting of elements in the law, continues to be an issue in the payday lending industry. Widespread over-lending is also evident in a 2015 report that found 20% of people with current payday loans holders were in arrears or in default.[14]

[14] *The Stressed Finance Landscape Data Analysis*, Digital Finance Analytics & Monash University Centre for Commercial Law and Regulatory Studies, October 2015, http://consumeraction.org.au/wp-content/uploads/2015/10/The-Stressed-Financial-Landscape-Data-Analysis-DFA1.pdf, accessed Mar 8, 2017

CASE STUDY 2: BELINDA

Belinda is a woman in her 40s who suffers from bipolar disorder and works casually. In 2015, she obtained more than $40,000 credit from a major bank within a three month period while she was in a manic phase. She could not afford the repayments on this credit.

Despite already being unable to afford her repayments, she obtained multiple payday loans to cover both her repayments on the existing credit and to pay her essential living expenses while she was struggling, further exacerbating her financial hardship.

When Belinda presented to a financial counsellor, the amount of unsecured credit she was holding was nearly equivalent to her annual income.

As Belinda was unwell and couldn't cope with the stress of so much debt, she elected to declare herself bankrupt rather than challenge all of the debts individually.

The financial counsellor complained to the Banking Code Compliance Monitoring Committee and ASIC, but has not heard at date what action they may be considering.

CASE STUDY 3: PAUL

Paul is a Disability Support Pension recipient in his 60s. He presented to a financial counselling agency asking for food vouchers.

When the financial counsellor enquired into his financial situation, it became clear that Paul had sought a payday loan for some unexpected veterinary bills. The payday loan that had been provided had repayments so high that Paul could not afford food or petrol while he was repaying the loan.

He was embarrassed and tearful about his situation, and said he'd worked all his life prior to falling ill and he felt like a failure for needing emergency relief vouchers.

A review of the current payday lending laws by an independent review panel made a number of recommendations to the Federal Government to tighten regulation of the payday lending industry.[15] Most of these regulations will be adopted by the Government in part or full. In relation to affordability, payday lenders will only be able to take 10% of a person's income in loan repayments. There are also anti-avoidance measures in the legislation.

It is important that the Government moves ahead and introduces the necessary legislation to rein in this industry as soon as possible.

There is a broader question however about the legitimacy of this industry full stop. The payday lending industry as a whole continues to avoid whatever laws are in place - this has been a continuing pattern since they first began in Australia in 1998. While ASIC can take enforcement action – and does – in the meantime many people are harmed because the industry ignores laws designed to make them lend responsibly. If the industry continues to avoid the laws of the land they should lose the right to operate. Payday lending does not have to be accepted as a legitimate form of credit.

2.4 Other Exploitative Businesses

There are sadly many other business models that exploit consumers.

- The Aboriginal Community Benefit Fund, is a company selling funeral "insurance" to Indigenous people. The organisation is not controlled by Indigenous people and signs up children and babies – in 2015, 50% of its customers were aged under 20 and 33% were under 15.[16] The product seems designed to fail – miss four payments and the coverage is cancelled.

- Consumer lease providers of the "rent now, buy later" variety are a major cause of financial harm for people on low incomes. ASIC found one provider charging an effective interest rate of 884%, and people on low incomes are commonly paying two to three times the cost of goods – a $650 fridge might cost $1800.[17] Lease providers are also not required to advertise the total rental amount or retail price or an effective interest rate. Lease contracts

15 Review of the Small Amount Credit Contract Laws, Final Report, March 2016, http://www.treasury.gov.au/~/media/Treasury/Consultations%20and%20Reviews/Consultations/2016/SACC%20Final%20Report/Key%20Documents/PDF/SACC-Final-Report.ashx
16 ASIC report 454 Funeral Insurance: A Snapshot, 2015, p
17 http://asic.gov.au/about-asic/media-centre/find-a-media-release/2015-releases/15-249mr-asic-finds-the-cost-of-consumer-leases-can-be-as-high-as-884/

were also included in the review of payday lending laws mentioned above. Again, it is important that the Government move to implement proposed reforms including capping the cost of goods included in a lease and imposing a cap of 10% on the amount of income a person can pay for a lease.

- Certegy Ezi-Pay, part of listed company FlexiGroup, offers zero-interest finance on products that are harder to value, such as solar roof panels or diamond rings. This tactic takes these contracts outside the reach of the National Credit Code. There are no capacity-to-pay assessments, no right to a legal hardship variation and no access to an external dispute resolution scheme, such as the Financial Ombudsman Service.

- Car dealers and to some extent the banks, also sell what can only be described as poor value, junk insurance. For example, gap insurance covers the difference between the amount left to pay on a loan in the event a car is written off. Some people don't know that this insurance has been added to their loan or think that it is mandatory. Over 2013-15, $602 million was paid in commissions to dealers—more than four times the amount paid in claims—and commissions were as high as 79%. Consumer credit insurance covers loan repayments if you lose your job or die. There are examples of this insurance being sold to people who could never claim, for example, because they were unemployed. The claim ratio for this form of insurance is just 9%. People widely misunderstand how these insurances operate and they are very poor value for money.

3 FUNDING FINANCIAL COUNSELLING IS ESSENTIAL FOR APPROPRIATE CONSUMER PROTECTION

Terms of Reference

e. the availability and adequacy of:

i. redress and compensation to victims of misconduct, including options for a retrospective compensation scheme of last resort, and
ii. legal advice and **representation for consumers and victims of misconduct**, including their standing in the conduct of bankruptcy and insolvency processes; *(our emphasis)*

3.1 How financial counsellors help redress consumer protection failures

Sometimes described as 'the canary in the coalmine' about emerging financial issues, financial counsellors speak with thousands of Australians in financial hardship every day. As such, they are well-placed to comment on the causes of financial hardship and offer suggestions about how these issues may be remedied.

Not only do financial counsellors work with consumers individually on their personal financial issues, their experience provides a cross-industry snap-shot of a plethora of financial issues, from credit card debt, to rent-to-buy exploitation, to utility company practices. In short, financial counsellors work one-on-one to solve people's financial issues, but the sum of their face-to-face casework is a database of information about the impact of practices in the finance industry.

3.2 Financial counsellors need sustainable funding

At present, funding for financial counselling is through the normal budget appropriation processes and then a grant-making function to community agencies. An alternative and viable funding mechanism would be through a levy on the industries that benefit when financial counsellors assist their customers to overcome financial difficulty: financial services providers, telecommunications companies, utility companies, insurance companies and the debt collection industry.

The model for such an approach is the United Kingdom (UK), where financial counselling and financial literacy initiatives[18] are funded through a levy on financial services providers. The levy is collected by the Financial Conduct Authority (the equivalent of ASIC) and also funds that organisation. The levy funding debt advice is administered by the Money Advice Service. In 2013-14, MAS allocated more than £30 million pounds to community-based debt advice services.[19]

The benefits of a model such as this are the direct link between the funding source (the financial services industry) and the use of the funding (customers of that industry in financial difficulty). The gap in the UK model however is that funding is only provided by financial services providers, and not other industries (such as utilities and telecommunications) that also have customers in financial hardship, that would benefit from debt advice. Another clear benefit of this funding model is that it would also provide a more consistent and reliable funding source for financial counselling.

The final report of the Financial Systems Inquiry recommended an industry-funding model for the Australian Securities and Investments Commission[20] and this is now in the process of implementation. It would make sense to extend this system to also fund financial counselling in Australia. The precedent in the UK provides a sensible and straightforward approach to funding a key community service.

We note again that the UK levy funds not just regulatory activity, but also debt advice and financial literacy – a powerful combination. The UK model also supports struggling small business owners with debt advice.

We recommend that the Federal Government introduce an industry levy to provide additional funding for financial counselling. The levy would be paid by those industries that benefit from financial counselling – banks, credit unions, telcos, utilities, insurance companies and debt collectors.

18 The more common terms in the UK are "debt advice and financial capability" rather than "financial counselling and financial literacy" but they essentially mean the same thing.

19 Money Advice Service, 'Annual Review, Directors Report and Financial Statements for the year ended 31 March 2014' , page 37.

20 Financial System Inquiry, Final Report, November 2014, Recommendation 29, p 250.

APPENDIX ONE: GAMBLING CASE STUDIES

Rick's story - from working in the online gambling industry to gambling addiction to credit card debt

Rick worked in the online gambling industry for four years, developed a gambling problem and consequently lost his job.

He stopped gambling for a while, but relapsed early in 2016 and amassed a large amount of credit card debt with ANZ and Macquarie. His salary was over $130,000 and he had $30,000 in credit card debt with two banks. In order to better manage his debt, he approached St. George's Bank which was offering a 'zero percentage card balance' transfer and accepted the maximum amount offered. He activated it that very same day, meaning to transfer the money from his existing high interest cards to the new zero percentage card. But on that day, he had the urge to gamble and in what he describes as "a moment of weakness" he used the entire $9,000 available credit on online gambling. He did not receive any calls from the bank checking whether the thousands of dollars of gambling transactions in a few hours were legitimate. The bank did call the next morning to tell him that he was over his limit and would have to pay immediately. He is being charged cash advance fees and the very high interest rate.

To make matters worse, most of the bets were with Betfair. Three years ago he had permanently excluded himself from Betfair via the 'self-exclusion' scheme, so as to not be allowed to gamble there. Despite this, Betfair allowed him to open a new account. He used his credit or debit cards to pay for the gambling. He said "they [Betfair] clearly did notice however that my betting had become significantly larger than usual as they suddenly started calling and emailing, offering me promotional deals … after I had lost large amounts.

<u>Ron's story</u> - using a credit card is just money you don't have. I juggled 5 different cards

"I pretty much had it fairly under control until it became online. My father introduced me to Betfair and it escalated from there. Why? It is all just numbers. It is like a game and there is no tangible effect because you're not parting with your cash. One day, I placed 1,900 bets (yes) in a day because of the ease of doing it. With online betting you are not separating with your hard earned cash, because you're not seeing it go out of your pocket. It is like playing space invaders.

Obviously being able to link credit cards, all you do is top up, top up, top up. I'd just attach my credit card to the account. I think that there should be a monitor - a means test. You put in your income - find what's a reasonable amount of money to lose. Might say it is a nanny state, but it is a health problem.

Using a credit card is just money that you don't have. I've never failed to pay my bill - paid at least the minimum amounts. I juggled between 5 different cards, I just maxed them all out. I had $150,000 on them. I stopped three years ago, but the debts are still there. I'm meeting the obligations each month and a bit more.

When I started, the advertising wasn't as great as it is now. Now the marketing is 10 times as great as when I was doing it. Subconsciously it was all rubbing away at you.

I wouldn't have a clue how much I spent each year. I'd say $20-$30k a year. Betfair would offer you a spreadsheet/activity statement but it only worked for a 3-month period.

If you register for a self-exclusion, it should stop the user ... They can't just bleed this person dry. Not fair that the astute punter gets his account cut off, but the dumb ass like myself is allowed to continue without limits. I think that is only fair. That is a responsible measure.

What sort of impact did it have on your family? I nearly lost my wife. It nearly cost me my family. Luckily I have a good wife. [When she found out] she asked why I was lying to her. She then asked to check all the records of the Betfair account. That's how I know that I placed 1,900 debts in one day - she found out what I was doing on the kid's birthday (when I wasn't home). She kicked me out for a few days ... I rang gamblers help."

John story - I want you to tell my story if I suicide

FCA's report 'Duds, Mugs and the A-List: the impact of uncontrolled online sports betting', documents a whistleblower's insider information and case studies from financial counsellors' clients. FCA receives calls regularly from people who have found this report on the internet, who call to say 'yes, what you wrote happened to me too', and they want help.

John had been a Sportsbet customer for about 7 months. He said he had a friend in racing who gave him tips so was winning much of the time. One day a box popped up saying 'press to confirm $200 credit' (unsolicited credit). He thought it was a good idea because it would save him $3-$4 cash advance fees every time he used his credit card. He bet and lost, and knowing that the terms were 7 days, he was worried about not being able to afford the repayment. Chasing his losses to repay that credit he spent $22,000 on his credit cards on one weekend. He said he had been bored and depressed. Another race came up, and I decided it would come in, and it didn't. As you get desperate you chase the losses … I kept having to deposit money in Sportsbet as its credit has to be settled in 7 days"

He was on a low income, but had significant credit card debt. John said "I log onto the Commonwealth Bank and they have a pop-up 'would you like to increase your amount?'. You click, and your limit is increased.

FCA sent John to see a financial counsellor who established that he had $35,000 in credit card gambling debt (and a similar amount in a personal loan with the same bank) - he was also on a low income of about $35,000. The Bank refused to budge on the debt and the case went from collections to internal dispute resolution which also stood firm. The dispute was referred to FOS.

Some weeks later we received a call late on Friday from John saying "I'm calling to tell you that I've given permission to the financial counsellor to tell you everything if I'm not around. I want you to tell my story if something happens." He was going to suicide if his FOS complaint didn't help him.

With FCA's intervention, the bank which had previously been inflexible, reviewed his case and found that they could do something after all. The hardship manager made some calls to collections and waived some of the debt.

His response to the financial counsellor was 'Thank you. You literally saved my life.'

Why was he given credit to gamble? Why was his debt disproportionate to his income? Why was it increased without proper assessment? What happens to those that don't have the good fortune to have a contact to make phone-calls or a financial counsellor with perseverance? The answer to that question is below.

<u>Suicide over a Credit Card Debt</u>

A man in his 20s suicided over the shame of a credit card debt to a major bank. His mother spoke about how there were no big warning signs. He was a seemingly normal, well-adjusted and well-liked person with great friends and a job in a management role in a supermarket chain. A few years before he started gambling on the pokies. He also had online gambling apps on his phone.

He had a credit card and got into debt, and at one stage the family tried to help him, and cut up the card, and helped support him to start afresh. When he re-lapsed he got another credit card and his mother said that it was easy for him to just keep lifting his credit limit.

He had a supportive, loving family who had suspected that he must have started gambling again as he was borrowing small amounts from others.

His mother said “I think it was the debt, and being best man he had to book and pay for things in advance. The Monday before he died he decided to move out. I said we’d buy him a fridge but he’d have to come up with the bond. On the Wednesday he gambled everything and he passed away on the Thursday. “

“There is some responsibility for the bank, some duty of care for someone like [our son] who only ever paid the minimum.”

In his note he wrote “I couldn’t help myself, please forgive me’.

His mother said “I am a nurse but I never realised that gambling would cause suicide. It just wasn’t on my radar. There is ignorance."