

2008 – a year of credit wonders

**Analysing the credit reporting
recommendations**

**Chris Gration
Head of External Relations
Veda Advantage**

1 October, 2008

1. Introduction

2008 is shaping to be a year of wonders for credit.

For we who have gathered at credit law conferences for 20 years debating and urging reform, it's a year replete with opportunity – and warning.

This is a once in a life-time opportunity to get credit laws right. Industry and consumer stakeholders seem ready to make an agreement on important changes, including on better credit reporting information and responsible lending obligations.

But reform is not enough – the right reform is what matters.

Last month saw the biggest financial rescue package ever launched emerge in nearly broken US credit markets. \$700 billion US dollars or almost 85 per cent of the Australian economy. Rescue measures over the last 12 months exceed the size of our economy at well over \$1 trillion US dollars.

This follows a thirty year period when, in most western economies, credit has outstripped GDP growth by about one third. In Australia, the last 150 years has shown two previous peaks in credit growth – both preceded by significant market corrections in the 1890s and again in the 1920s.

We have some very clear signals that credit – even consumer credit - is important and needs the very best regulation.

So when in 2008 the Federal government announces it will deliver two major credit law reforms, we should sit up and pay attention.

The reform of credit reporting laws, and the transfer of the UCCC are both sensible reforms we've sought for almost two decades.

But now we are on the cusp of drafting new laws, we would do well to scrutinise them closely to make sure they measure up.

We should reflect on our own history and why it has led to laws that are so long in coming, and so cumbersome and resistant to reform when they do arrive.

And why is it that the laws we draw up are complex and unwieldy, lacking the muscular clarity the times seem to demand?

The case for reform

In the case of credit reporting, evidence for change has been mounting. This year Australia will have a bankruptcy rate higher than during the 1990s recession¹. We know

¹ In 2008, the bankruptcy rate (number of bankruptcies/population) is 0.16 compared to a rate of 0.13 in 1992.

that in 57% of cases, a bankrupt has no default in the previous two years on their credit report – so a credit provider gets no warning of bankruptcy. And we know that in 95% of bankruptcies, consumers will apply for further credit after the point at which they knew they were unable to meet their debts.

Since positive credit reporting was prohibited in 1990, countries around the world have adopted the reform. In the last five years, these countries have included Belgium, Greece, India, Brazil, Hong Kong, South Africa and Spain. Australia is no

Learning the reform lessons of the past

The experience of the last 20 years is that we need simple, muscular laws that focus on outcomes and not process. Which set clear standards for market conduct, but do not prescribe in suffocating detail how participants should meet those requirements. That are responsive to market conditions, and do not punish the many with the sins of the few.

If we haven't got it from our own experience, the shocks reverberating first through mortgage credit markets and then more widely around the globe reinforce the message: clear, direct, forceful laws are needed now.

2. A plea to Parliament and governments

Our Ministers, officials, parliamentary draftsmen and parliaments need to take this opportunity to get the reform of credit laws right.

Industry and consumers are certainly pressing urgency on government – after all, we've waited for two decades for change.

But pressing deadlines should not be allowed to get in the way of much better laws for credit reporting – and the ALRC report only does some of the job that is required.

Similarly for the UCCC, once transferred, there will be an opportunity for review and for FSR laws too, and we should get them right.

Here's some suggestions for the drafting approach to the ALRC Recommendations on Credit Reporting (and though not the subject of this paper, any later reform of UCCC):

1. Eschew prescription
2. Focus on outcomes not process
3. Provide flexibility to respond to changing market circumstances
4. Simplicity, clarity and brevity of drafting

Stakeholders will be asked to make compromises on the big issues that are on the table – comprehensive credit reporting and responsible lending come to mind.

These compromises are important. But they should not be bought at the cost of the equally important goal of simpler, more effective legislation.

3. *International lessons*

There are some international examples that have guided the ALRC in making recommendations for credit reporting. Some of the most important should be borne in mind as we make new laws.

- **Positive credit data helps reduce bankruptcy and severity of over-commitment**

In Hong Kong in 2002, a negative credit reporting regime failed to prevent a huge surge in consumer bankruptcies in 2002, with bankruptcies peaking at 25,328². Positive data sharing was introduced in stages from 2003 and by 2004 the number of bankruptcies dropped by 45 per cent³.

“...financial institutions are in a better position to avoid lending to borrowers on the verge of bankruptcy.”

Hong Kong Money Authority following the introduction of positive credit reporting

Average indebtedness of bankrupts also declined from over 35 times a bankrupt’s monthly income to 25 times – described by the Hong Kong Money Authority (HKMA) in a 2006 review of comprehensive reporting as a “conspicuous improvement in the problem of over-indebtedness”⁴.

Hong Kong is not Australia, but in the current climate, with Australian bankruptcies at peak levels, it’s a lesson worth considering.

- **More credit information and more shared data reduces over-commitment.** There are countless studies around the world that prove this proposition. But don’t just believe the industry. Look at the United Kingdom’s *Griffith Commission into Personal Debt* which found that mandatory data sharing of positive credit information reduces over-commitment and improves competition.⁵ Or the similar conclusions of the UK House of Commons Treasury Committee which agreed that encouragement of data sharing produced benefits.⁶

² Official Receivers Office, Hong Kong Compulsory Winding Up and Bankruptcy Statistics

³ Ibid

⁴ Hong Kong Money Authority Quarterly Bulletin March 2006.

⁵ <http://www.niace.org.uk/news/Docs/Griffiths-report-on-personal-debt.pdf>

⁶ House of Commons Select Committee on the Treasury, 12th Report 2006

Our current inquiry has demonstrated both the importance of effective data-sharing in enhancing access to affordable credit and the potential benefits of data-sharing beyond the traditional lending industries. We are disappointed that there is insufficient evidence as yet of concrete progress arising out of the proposals of our predecessors for increased data-sharing. We further recommend that the DTI actively promote measures involving lenders and non-financial services organisations such as housing associations and local authorities to ensure the development of more comprehensive

The lesson for lawmakers is that the benefits of more data shared more widely should be considered before each drafting decision is made to restrict data.

- **Positive credit information is necessary but not sufficient**
The US sub-prime collapse proves that where there is lax regulation, unethical or fraudulent marketing, sales and origination of credit and wilful policy support for irresponsible lending, no amount of credit information will help.

In a prescient comment made in 1999, authors from the Federal Reserve of San Francisco commented:

Active solicitation of applicants by subprime lenders is applauded by some observers, who see it helping make mortgage credit and homeownership more widely available. Other observers disapprove of these solicitation practices, believing that they encourage some mortgage borrowers to apply for too much credit at too high an interest rate.⁷

Positive data is a necessary but insufficient condition for responsible lending.

4. Legal architecture for credit reporting

The ALRC's credit reporting recommendation provide for:

- Repeal of Part IIIA of the Privacy Act and application of the new Uniform Privacy Principles and Privacy (Credit Reporting Information) Regulations to credit reporting (Rec 54-1)
- Adoption of a new credit reporting code to deal with operational matters (Rec 54-9)

These arrangements replace the current stand alone credit reporting provisions with what the industry association ARCA (the Australasian Retail Credit Association) calls a three tier structure. This legal architecture has widespread support among industry and consumer advocates.

Similar arrangements will apply to health information.

data-sharing..

⁷ *The Role of Specialized Lenders in Extending Mortgages to Lower-Income and Minority Homebuyers US Federal Reserve of San Francisco 1999*

Care will need to be taken implementing the new 3 tier structure, if the industry's stated objective of avoiding "rigid and prescriptive rules that rapidly date and impede innovation"⁸ is to be met.

While apparently simpler, the proposed architecture has real potential for adding to complexity.

- **Prescription** – the ALRC notes the almost universal view that Part IIIA is overly complex, and itself concludes that "Such is the complexity of the provisions, and the definitions in particular, that there would be good reason for redrafting them, even if the substance of regulation were to remain largely unchanged."⁹

This sentiment is contradicted by the plan to use "the existing provisions of Part IIIA of the *Privacy Act [as]* an appropriate starting point."¹⁰

There is a real risk that the objective of simpler drafting and the avoidance of unnecessary prescription will be lost without a commitment to simpler, brief drafting by the government.

- **Code or regulations** – there will be disagreement between industry and consumer advocates about how much should be included in regulations, and how much in a Code of Conduct. This is complicated by the fact that the regulation is found in privacy law, while the primary benefit achieved by regulation is economic (greater flow of credit risk information – see below *11 Some final observations for law makers*).

We all assume that regulations are more flexible than statute ie that they can change more readily, and Codes more so than regulations. But regulations have significant inertia from the effort that must be made to achieve consensus among stakeholders and Senate to make them. As they can't be amended, but must be re-made in their entirety, there is a reluctance to make changes.

But the Code is likely to be similarly difficult to alter because of its complex governance arrangements among regulators and stakeholders.

Industry has asked that as much as possible be included in the operational Code to preserve flexibility in response to market conditions. In ARCA's submission the regulations provide broad limits on what data may be collected and how it may be used, but the detail of regulation is left for the Code.¹¹

⁸ ARCA Submission to ALRC on DP 72 page 7 November, 2007

⁹ *For your information* ALRC Report 108 August 2008 p 1761

¹⁰ ALRC p 1761

¹¹ ARCA Submission to ALRC on DP 72 page 7 November, 2007

The ALRC has argued that the regulations should include only those matters that add to or vary UPPs, while other experts have specified this should include matters affecting consumer rights.¹²

Whatever the outcome of this location argument, the inertia of Code and Regulations, and our previous experience with a Credit Reporting Code of Conduct, mean that brevity and simplicity of drafting will be important.

- **Status of the Code** has not been resolved finally in the ALRC recommendations. The current industry proposal is for a Code that is:
 - made under the Privacy Act
 - made binding by contract with credit reporting agencies
 - authorised by the ACCC.
 - Governed by the industry and consumer stakeholders.

This is a legally cumbersome process that will be difficult to align with the making of UPPs and regulations, and with the parallel discussions on responsible lending.

The only advantage to having a Code made under the Privacy Act is if it can carry much of the detail that would otherwise be in regulations.

If the government cannot agree to streamlined, simple, brief regulations, then there is little benefit in the complexity of making the operating code under the Privacy Act.

- **Regulators** – the scheme as supported by industry and stakeholders is very complex. As currently proposed there will be 3 regulators with a direct interest in the Code of Conduct – the Privacy Commissioner, the ACCC (authorising the Code for Part IV issues) and ASIC (for credit issues).

As well, EDR schemes such as the BFSO and the TIO will continue to have a strong interest in the provisions and governance of the Code.

This seems undesirable, and if the opportunity to simplify regulator arrangements arises, government and stakeholders should seize it.

5. *Major recommendations*

The major recommendations that affect credit providers are:

¹² **ALRC Recommendation 54–2** The new *Privacy (Credit Reporting Information) Regulations* should be drafted to contain only those requirements that are different or more specific than provided for in the model Unified Privacy Principles.

- those recommending more data (see below 6 *Comprehensive data – credit reporting and responsible lending*)
- access to the data (the definition of credit provider, which while simpler will preserve existing access Recommendation 54-4)
- tighter notice provisions, especially when listing a default (Recommendation 56-11)
- permitted uses of that data (Recommendations 57-1,2,3)
- data quality obligations which impose obligations on credit reporting agencies to monitor compliance with expanded data quality agreements Recommendation 58-4)

Of these, the recommendations that most affect a credit providers' business case are the use recommendations in Chapter 57.

The ALRC has recommended that the uses permitted by Part IIIA continue. More importantly the ALRC recommends a simplified list. The value of credit risk information to credit providers will depend on the outcome of drafting of these provisions.

ARCA has recommended that use provisions be in line with its general principle for credit reporting:

“Credit reporting data is shared only for the prevention of over-commitment, bad debt, fraud and to support debt recovery and debtor tracing and other uses in accordance with the law, with the aim of promoting responsible credit provision.

Credit reporting data is not shared for direct marketing purposes”.¹³

The most important features to watch for are:

- *simplicity* with detail left to the Code to permit flexibility in response to market changes
- *existing customers* - wide scope to use credit reporting information to manage credit relationships, including credit fraud, with existing customers should be permitted, and not merely rely on applications for credit
- *model building* – wide ability to use data to build credit risk models
- *secondary use* – industry argued for secondary use provisions so that future uses, not considered at the time of legislation should be able to be approved. This provision introduces necessary flexibility into the law

6. *Comprehensive data – credit reporting and responsible lending*

The single biggest opportunity in this reform is to permit positive reporting in Australia, and to support more responsible lending outcomes. Without these two, it is doubtful that the reform would deliver net benefits. Although the ALRC has sought simplification, the recommended structure still has high potential for costly complexity.

¹³ ARCA submission on DP 72 November, 2007 page 5

So comprehensive data, and responsible lending is the key to the reform.

The industry asked for, and the ALRC recommended, 5 additional elements of positive credit information:

- Open and closed credit accounts (and dates)
- Credit type
- Credit limits
- Repayment history (including payment status, and if in arrears, the number of cycles in arrears on a rolling 24 months basis.

The industry supported, but has not pressed, the argument for outstanding balance.

The reasons for more positive credit information are clear.

In a hypothetical score card that perfectly predicts risk of default, the currently permitted negative credit reporting information currently only contributes ten per cent of the prediction power.

The four data elements constituting 'fair reporting' only contribute another 22 per cent, because they contain no real behavioural information.

The fifth data element, repayment history, contributes more than the other two combined, at 44 per cent, because it contributes behavioural information.

For this reason, the industry has pressed the government to consider both data elements simultaneously.

The industry body ARCA accepts that credit information is a necessary but not sufficient condition for responsible lending. The ALRC has made the fifth data element conditional on government being satisfied that there is a responsible lending framework.

7. Responsible lending

The industry through ARCA has put responsible lending at the centre of its arguments:

The guiding principle of the ARCA response is the continued improvement of responsible credit provision.¹⁴

In response, the ALRC has accepted the link between the two, but recommended that the government:

Recommendation 55–3

¹⁴ ARCA p 6

The Australian Government should implement Recommendation 55–2 only after it is satisfied that there is an adequate framework imposing responsible lending obligations in Commonwealth, state and territory legislation.¹⁵

This recommendation represents an historically significant opportunity for both industry and consumer advocates.

There is no doubt both parties share a commitment to more responsible lending outcomes.

In practice, the mechanics of the ALRC’s recommendation will be difficult to implement in that way.

The industry cannot accept separating implementation of the data elements in two phases for several reasons. There is a real fear that this moment of opportunity, with stakeholders and law reform processes aligned, will not repeat itself. Any deferred data element will not be considered by this government, and is unlikely to reappear on the political agenda soon.

Second, delaying the most valuable data element would either increase implementation compliance costs for those few credit providers that do move to comprehensive reporting, or discourage them from making the move, meaning the reforms would be stillborn.

The government should make the assessment of adequacy within this term of Parliament, in time for all five data elements to be considered simultaneously.

Assessing adequacy of responsible lending provisions

The ALRC has said that the framework must be a statutory framework. It is not clear that will be necessary.

Already, discussions are underway in the industry codes of conduct to include responsible lending provisions, including for credit unions, banks and all credit providers under the ARCA Code.

If these provisions are adequate it is not clear what a statutory provision would add other than complexity.

As well, comprehensive data will render the existing statutory provisions more effective. Under comprehensive reporting, credit providers will have the operational means to make more responsible decisions. And consumers, advocates and courts will have an evidentiary base for proceedings under s 70 of the UCCC.

Whatever the outcome of discussions on adequacy, stronger responsible lending provisions must have the following features to win the support of a wide range of industry and consumer stakeholders:

¹⁵ ALRC p 1846

- **Simple** the provisions should be simply drafted, focussing on outcome, with means for credit providers to show they meet the requirements
- **Flexible** – provisions should be flexible enough to allow different approaches in different circumstances
- **Competitively neutral** – should not require higher standards of any one part of industry
- **Effective coverage** – should cover the field of formal credit providers as much as possible
- **Ease of enforcement, including by a regulator** – should be easy and cheap for consumers to enforce, and should permit enforcement by a regulator or ombudsman on their own motion

It may be that provisions in codes of conduct will be more, or as, effective in meeting these tests as statutory or licence based provisions.

For example, the ARCA Code will have very wide application to all users of credit reporting information (about 3-5,000 credit providers).

It would also be good to avoid overlapping or conflicting provisions.

Reaching agreement on this issue is possible. Government should establish a mechanism led jointly by Prime Minister and Cabinet and the Treasury, and should aim to assess adequacy by mid 2009.

Pre screening

As a foot note, it is bizarre that in this drive for responsible lending, the ALRC has opted to recommend a prohibition on pre-screening, a practice that promotes responsible lending. Pre-screening removes poor credit risks from receiving direct marketing offers of credit.

Their reasons are based less in responsible lending outcomes, and more in the accident that has seen credit reporting regulated in privacy law in Australia.

The industry will be pushing back very hard on this issue. Community attitudes are very clear:

- The majority of Australians do not like direct marketing, including of credit
- BUT an overwhelming majority of Australians think that credit providers should be required to check credit reports before making direct marketing offers of credit.

This last result has been repeated twice by independent research agency, Galaxy.¹⁶

8. Government implementation timetable

The Minister responsible for steering the privacy reforms, surprised everyone when releasing the ALRC Report in August, 2008, by committing the government to implementing stage 1, including credit reporting, within “12 to 18 months”, that is by December, 2009.

This will be a very challenging task as the credit reporting reforms have a number of key dependencies. These include:

- **The new Uniform Privacy Principles** it may take quite a while to win agreement with all Commonwealth agencies and the private sector on the UPPs. In the meantime, it may be necessary for a transitional provision so the credit reporting regulations can proceed, applying the NPPs until the UPPs are enacted.
- **Penalty provisions** the ALRC has recommended repeal of the criminal offences in Part IIIA and replacement by the civil penalty regime – which will need to be inserted into the Act to make the regulations effective.
- **Code authorisation** the shape of the regulations will influence and be influenced by the shape of the credit reporting Code. So the development of the Code and the ACCC authorisation will need to be kept in pace with the regulations.
- **COAG responsible lending review** The transfer of the UCCC and the outcome of industry code of conduct discussions is still open, with the former waiting for further COAG decisions in October. Credit reporting reform should not be delayed by COAG processes. Prime Minister and Cabinet and Treasury should establish a process for adequacy assessment in mid 2009.

To meet these deadlines, government is likely to truncate consultation processes, and coordinate tightly between Prime Minister and Cabinet, and the Treasury. As well, it is likely that consultation will not be ‘green fields’ and will proceed using the ALRC as the starting point, with consultation on gaps and exceptions rather than across the board.

Industry is seeking a reform process timetable that ensures that regulations and legislation to repeal Part IIIA are introduced by December, 2009. This is to ensure that the reforms are not delayed by an election, due in 2010.

Ideally this timetable would see draft exposure bill and regulations by mid-2009.

¹⁶ Galaxy Australian Debt Survey in March and August 2008 found consumer support for a requirement that credit providers check credit records before making direct marketing offers of credit was high, at 87% and 79% respectively. (Galaxy for Veda Advantage)

9. Credit provider transition issues

For credit providers, moving from a negative to a positive credit reporting regime has its own challenges. Some of these will require clarification in regulation; others in rules of the industry association.

A shift from negative to positive data fundamentally alters credit risk modelling. Unless other arrangements are made, day one of comprehensive credit reporting would be like jumping over a cliff with a bunch of customers and watching for a couple of months to see who survived.

Without the ability to test data, and back load historical data, it will be very difficult for credit providers to calibrate scorecards and use them reliably to predict risk. Customers unfairly denied credit will be aggrieved, and customers who shouldn't get it will have a different cause for complaint.

So transition arrangements will need to provide for test periods, and preferably back-loading of historical data. If historical data is not back-loaded, then it will take years before sufficient data builds up – erratically – to start calibrating scorecards properly.

These problems are made worse because in Australia, the move to comprehensive reporting will not be mandatory. Consequently, unless the rules say otherwise, credit providers will be able to join the system at any time. This is undesirable, because each time a major credit provider joins the system, scorecards would need re-calibration. Accordingly, the rules will probably need to provide for a system of gates.

10. Preparing for D-day

At this stage, it is likely that the credit reporting main provisions will commence with effect in mid-2010.

But well before that point, credit providers will have made a choice about the risks and benefits of:

- Being a first mover; or
- A follower.

There are real strategic advantages for those credit providers who move first – even those currently with a significant information advantage.

International experience is that major incumbents who resist joining comprehensive reporting do so very quickly after they see the advantage gained by their competitors. This was the experience in South Africa.

The steps that a credit provider will move through will often require significant expert advice, as the table below shows:

i. Business case	
ii. Impact of draft legislation	<ul style="list-style-type: none"> ▪ Advice on impact on business case for comprehensive reporting; ▪ Compliance costs of draft provisions
iii. Test data	
iv. Test scorecards	
v. Credit reporting code	<ul style="list-style-type: none"> ▪ Compliance assessment ▪ ACCC Part IV advice
vi. Revise application processes	
vii. Revise collection processes	<ul style="list-style-type: none"> ▪ Compliance with law and Code

11. Some final observations for law makers

At the beginning of this paper I reflected on why credit reporting laws and credit law are so resistant to change, complex and turgid. The opposite of what current conditions require; and a long way from the intentions of those who first conceived of each law.

In the case of credit reporting regulation, the reasons are fundamental to the body of law in which credit reporting is regulated – privacy law.

If we had our druthers, we would not regulate credit reporting in privacy law at all.

Credit reporting is designed to address information asymmetry in credit markets by promoting the free flow of credit information.

Privacy law, on the other hand, is concerned with limiting the circulation of personal information without consent. These are conflicting objectives, which are never truly reconciled in the law.

As my colleagues the privacy advocates never tire of pointing out to me, privacy is a human right, and is not fungible. Therefore, trading in personal information is, by its nature, a breach of a human right.

This is not an argument I (or I believe the father of privacy, Justice Kirby) has ever accepted. If it were to succeed the information economy would grind to a halt.

Credit information, like its analogue, health information, relies on circulation to achieve its public good. The purpose of the Privacy Act is to limit such circulation. These objects are in conflict.

According to the Ganopolsky thesis¹⁷, when ever the law seeks to balance the interests of the individual with the collective, the result is complexity because the law is not good at creating balance. In credit reporting, the human right (f the individual to personal

¹⁷ Named after my colleague, Olga Ganopolsky, expert in privacy law and Head of Compliance at Veda Advantage

privacy) is balanced against the collective interest in access to a large data set (itself a collective interest).

Part IIIA was the first – and with hindsight – not very good effort to resolve this contradiction of objectives. The proliferation of provisions and prescription arises from the inherent bias in the objective of those drafting provisions.

The development of a cumbersome, wordy Code of Conduct did little to redress the proliferation of clauses seeking to make this unhappy balance work.

We are now facing a similar profusion and confusion in regulators and instruments with the current reform proposals. I've already mentioned the likely interest from three regulators (OPC, ACCC, ASIC) and assorted industry ombudsman.

Within the Code, consumers and industry are confronting the drafting challenge of the multiple purposes the Code is meant to serve. Its primary purpose is to promote the effective sharing of high quality data – an economic and business purpose. But it has now grafted on to it a separate set of intentions about privacy rights (eg on access and correction) and consumer credit rights (responsible lending).

It is little wonder that the scheme we are now contemplating is complex, and is likely to be resistant to change.

If credit reporting were regulated in economic legislation, it is likely that its style would be very different, designed to promote effective circulation of high quality information.

Unfortunately, we are probably well past the point in Australia when that shift to an economic context for the regulation is possible.

However, that should not absolve any of us – officials, Ministers, parliaments, industry or advocates – from seeking to simplify the legislation to the barest essentials necessary to provide the public benefit – of redressing information asymmetry in credit markets.

I would urge government and stakeholders to give this objective at least as much weight as the other privacy objectives adopted in the Act.

Finally, while health and credit reporting are the first areas to confront this fundamental conflict of objectives in the law, the nature of the information economy means they will certainly not be the last. As the information economy grows, more and more sectors will have data sets where public good is served by circulation of the information, often within a defined system

If that is likely to be true, we need to get better at regulating these information systems.

Our suggestions to government and drafters to help reduce complexity are:

- a. In drafting, give at least equal weight to the economic objective of credit reporting, the reduction of information asymmetry by promoting the flow of credit information;
- b. Where ever possible, reduce the prescription of provisions in statute
- c. Provide for flexibility with in the regulation to responding to changing circumstances
- d. Take the opportunity to reduce jurisdictional complexity and proliferation of regulator oversight.

12. Conclusion

2008 is certainly an extraordinary year for all of us involved in consumer credit. The coincidence of government reforms of credit reporting and of the UCCC provide an unprecedented opportunity to get the law right.

At its heart, the ALRC's recommendations on credit reporting provide an opportunity for stakeholder agreement to permit positive credit reporting, and to improve obligations on credit providers for responsible lending.

This is an opportunity that everyone senses is rare and real.

But at the same time, care needs to be taken not to repeat the mistakes of the past. Credit reporting reform, and effective national regulation of credit have taken two decades to achieve.

The resulting reforms threaten to be cumbersome and complex. In the credit reporting arena, the proliferation of regulatory instruments and regulators is frightening.

Real effort will be needed by all parties to wind this back and to make sure we get the sort of regulation we clearly need: simple, muscular laws that describe outcomes not process.

And greater effort will be needed to make sure we can do that and meet the reform timetable of December 2009.

If we achieve all that, 2008 will truly have been a year of credit wonder.