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# Australia's credit reporting laws

What has been happening  
and  
what happens next

December 2008

## □ | Credit reporting is changing



- Dramatic changes to Australia's twenty year old credit reporting laws are underway.
- New data fields will be allowed, massively increasing the predictive power of a credit report.
- Veda's internal planning for the new scheme is well advanced.
- We are now working with clients to ensure they maximise value from the new regime

## □ | Reviewing Australia's credit reporting laws...the journey so far...



- Australia's credit reporting laws were first introduced in 1988 under the Privacy Act.
- Australia, New Zealand and France are the only OECD countries still restricting credit reports to just negative information.
- In January 2006, the Australian Law Reform Commission (ALRC) started a review of the entire Privacy Act, including credit reporting.
- An Issues Paper and a Discussion Paper followed.
- In August 2008 the ALRC issued a Final Report to Government.

□ | August 2008 – the ALRC recommends  
Australia moves to comprehensive reporting



**Australian credit reports will gain five new data sets:**

- The date an account was open;
- The account's type of credit;
- The account's credit limit;
- The date an account was closed
- Account payment history – how often a person has missed or been late making a payment over the previous two years.

(Account payment history was recommended on the basis that responsible lending obligations are introduced)

## □ | The Commonwealth Government has been quick to respond



- Special Minister of State John Faulkner announced at the launch of the ALRC that the Government would make reforms to credit reporting a priority for this term of Government;
- PM Rudd announced in October that all lenders will be required to have an ASIC-issued license - and that a condition of license will include responsible lending obligations;
- Legislation is expected by December 2009 with comprehensive reporting expected to start 1 July 2010;

## □ | How much more insight will credit reports give?



- New comprehensive fields give a significant lift in predictive value
- Predictive power of credit reports is about to be turbo-boosted.
- Modelling shows if the present scheme delivers 10 per cent insight...
- **The new credit reports will deliver 76 per cent insight.**

## □ | Who is responsible from here?



### **The Department of Prime and Cabinet is responsible for:**

- The new privacy principles; and
- The new credit reporting regulations.
- The Minister responsible is Special Minister of State John Faulkner.

### **The Treasury is responsible for:**

- The new ASIC licensing regime applying to all lenders, including the introduction of responsible lending obligations;
- Making the old state based uniform consumer credit code into a Commonwealth act
- The Minister responsible is Senator Nick Sherry

## □ | Timelines



By December 2009 the legislation will be before parliament...



It is expected new credit reports will start from July 2010.

- Credit reporting will be subject to the generic privacy rules of the new privacy legislation;
- There will be regulations specific to credit reporting on data access, use and prohibitions;
- An industry code will cover the day to day issues of implementation.

## □ | Veda's view



- Veda Advantage has campaigned heavily for comprehensive reporting, **including** account payment history.
- We have made submissions to the ALRC' Issues paper and Discussion paper.
- In March 2007 Veda helped the incoming Rudd Government to host a forum for members of parliament on credit issues.
- Veda has also made submissions to:
  - The Government's Green Paper on Financial Services;
  - The Senate Inquiry into Bank and credit card fees;
  - The House of Representatives Economics Committee Inquiry into banking competition