

CREDIT REPORTING



30 November 2012

Credit Reporting (Credit Checks)

Massive changes to the Privacy Act passed yesterday, in particular Credit Reporting. We've known this has been coming but it's now law. No 'Credit' can be hidden or remain undisclosed. Please familiarise yourself with the points noted below.

Changes made yesterday to the Privacy Act allow banks to access additional personal information about clients' credit history - and opinions are divided as to whether this is of benefit to the consumer.

Schedule two of the Privacy Act amendment alters the legislation regarding credit reporting provisions, making it possible for banks, and some mortgage insurers, to **access additional client credit history details by March, 2014.**

This schedule of the Bill implements, according to Parliament's website, a more 'comprehensive' credit reporting system, meaning five new kinds of personal information will be available to credit institutions, including:

- **the date the credit account was opened;**
- **the type of credit account opened;**
- **the date the credit account was closed;**
- **the current limit of each open credit account; and**
- **repayment performance history about the individual.**

Parliament's website says comprehensive credit reporting will give credit providers access to additional personal information to assist them in establishing an individual's credit worthiness.

"The additional personal information will allow credit providers to make a more robust assessment of credit risk and assist credit providers to meet their responsible lending obligations. It is expected that this will lead to decreased levels of over-indebtedness and lower credit default rates."

But privacy commissioner, Timothy Pilgrim, says **consumers need to educate themselves or else risk being tripped up by accidental defaults.**

"If a person misses making a payment from as early as December, 2012, it will be able to be recorded on their credit record and may affect their ability to access credit in the future."

MyCRA Credit Rating Repairs CEO, Graham Doessel, says many people pay their bills late, for a number of reasons, and it doesn't necessarily mean they intend for the account to go into default. **"People who pay bills late often, by accident or otherwise, need to be told that this habit could have a detrimental effect on their ability to obtain credit in the future."**

The Australian Banking Association (ABA) applauds the legislation changes, with ABA chief executive Steven Münchenberg saying the bill will permit comprehensive credit reporting, which brings Australia into line with other G20 countries. "We appreciated the opportunity to work closely with the federal government to achieve a workable outcome."

Abacus Australian Mutuals CEO, Louise Petschler, agrees. "Post GFC, it makes sense to sit back and review how our system operates, so we can achieve the right balance between stability and competition and deliver greater consumer choice."

But Doessel says it's important to remember that, while the new laws are intended to make the process of disputing unfair or inconsistent entries easier, lack of knowledge of credit reporting legislation could still disadvantage some consumers. "As it currently stands, disputing an unfair listing is a bit like a battle between David and Goliath, with the consumer rarely holding enough knowledge of what constitutes an unlawful credit listing to be able to remove it from their file on their own. It will be interesting to see if this will change after the March 2014 deadline."

Source: <http://www.brokernews.com.au/article/will-the-revamped-privacy-act-fix-our-david-and-goliath-credit-reporting-system-you-decide-146902.aspx>

Take Care!
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