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Consumers and small business to benefit from comprehensive credit reporting

Dun & Bradstreet welcomes Government decision that will increase competition and enhance responsible lending objectives

Today's announcement by the Commonwealth Government that they have accepted the Australian Law Reform Commission (ALRC) recommendations to introduce comprehensive credit reporting has the potential to dramatically change consumer lending in Australia, according to leading credit reporting agency Dun & Bradstreet.

The Government has accepted ALRC recommendations to allow additional data elements to be included in consumer credit reports, which will provide lenders with a clear picture of a borrowers' true financial position. In particular, the Government proposals will allow credit reports to record:

- whether a credit application has been approved and accepted and if so, what type of credit is involved (i.e. credit card, personal loan, mortgage);
- the date the account was opened;
- the current limit of the account; and
- the date on which the account was closed.

In addition the Government has accepted proposals to allow repayment performance history, subject to compliance with responsible lending provisions.

Historically, credit reports in Australia have only been allowed to record basic identification details, credit applications (but not whether they had been approved) and negative events such as defaults and bankruptcies.

Dun & Bradstreet CEO, Christine Christian, says the Government's decision will have significant implications for the quality of consumer credit in Australia, including increased competition and improved prices for consumers, and a greater capacity for lenders to adequately assess whether consumers can afford the credit they seeking.

"This decision brings Australia into line with most of the developed world and is a significant financial services reform for Australia," said Ms Christian.

"Around the world comprehensive credit reporting has been shown to increase competition, reduce prices and improve access to mainstream credit for sections of the community that have been forced to seek funds from marginal providers because of a lack of official information about their credit history."

"Australia now has the same opportunity to realise these benefits and the proposals demonstrate a real commitment to a sophisticated consumer credit market that improves the quality of products and strengthens responsible lending objectives."

MEDIA RELEASE



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Research conducted by the world's leading expert on consumer credit reporting, Dr Michael Turner of the Political & Economic Research Council in the United States, for Dun & Bradstreet Australia identified both the benefits and pitfalls that can arise from this reform. The benefits include:

- improved access and pricing;
- enhanced protection against identity fraud; and
- an uplift in lending to small businesses that are particularly reliant on the credit history of the owner for business credit.

One pitfall experienced in other countries has been an initial contraction in lending as access to new information has revealed the true extent of consumer indebtedness. However, Dr Turner is currently working with Dun & Bradstreet Australia to help lenders understand how this additional information will impact lending systems and prepare for what the new information will tell them.

Ms Christian believes the next critical step in the reform process is ensuring the legislative and regulatory framework adequately identifies and responds to the opportunities and challenges of this reform.

“This is a significant reform that has been several years in the making. Each country manages the process differently however Australia can learn a lot from global experiences to maximise the benefits of this reform. Dun & Bradstreet looks forward to assisting the Government in anyway possible to ensure world class legislation and regulation,” said Ms Christian.

The Government announcement follows a recent report by the APEC Business Advisory Council Working Group on APEC Financial System Capacity Building that has also recommended all APEC member countries adopt a comprehensive credit reporting system. This decision followed a series of presentations by Dun & Bradstreet and the Asia Pacific Credit Coalition, headed by Dr Turner, on the benefits of reform and how the issue has progressed in Australia.

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