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MEDIA RELEASE

Friday 9th March, 2007

Calls for credit shake up

Responsible lending to become core focus

A shake up of Australia's credit assessment practices has been proposed with changes that would provide a greater capacity for lenders to make responsible lending decisions and enhanced consumer protection through the creation of a dedicated credit reporting Ombudsman.

The proposals are included in Dun & Bradstreet's (D&B) submission to the Australian Law Reform Commission Inquiry into credit reporting in Australia (Issues Paper 32).

Global research shows that in other countries these reforms have led to a dramatic drop in default rates; and improved credit pricing for consumers who would otherwise be forced out of the mainstream credit market. This second outcome has the potential to make home ownership available to an entire section of the Australian community who are otherwise caught in the rent trap.

D&B argues that similar outcomes could be achieved in Australia by allowing credit reports to include some minimal additional information. Currently credit reports can only record basic identification details, negative incidents such as defaults and bankruptcies, and a listing of credit applications but not whether those applications have been approved.

D&B is calling for the inclusion of four additional pieces of information:

- Application approval & acceptance (including type of account)
- Credit limit (but not ongoing payment history)
- Date a credit account is opened
- Lending institution.

Christine Christian, D&B Australasia CEO, argues that by including these four additional pieces of information lenders will have a clearer picture on which to base lending decisions and consumers won't be penalised for shopping around for the best credit deal.

"The current Australian system can penalise consumers for shopping around for the best deal on products like credit cards", said Ms Christian.

"In the new low-rate card environment many consumers shop around for the best card before making a final decision. As credit reports can only record applications, and not approvals, lenders will often consider prior application listings as approved and accepted. This can lead to lenders rejecting future credit requests because of the unclear picture of how many lines of credit a consumer might have."

"By simply allowing reports to include information of approved and accepted applications lenders will have a clearer picture of an applicants' credit position and consumers won't be penalised for shopping around."

D&B also argues that better data improves access to mainstream credit, at cheaper interest rates, for many consumers who can afford credit but don't meet the current lending model.

"Many people don't meet the traditional assessment models meaning that while they can access credit, it is often at higher rates of interest. By including some additional information which provides a clearer picture, these people are in a stronger position to demonstrate their capacity to meet repayments and accordingly can



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access credit with better interest rates”, said Ms Christian.

However D&B argues that with the inclusion of additional information on credit reports, consumers must receive additional levels of protection. This philosophy has led to their call for the creation of a Credit Reporting Ombudsman with enforceable powers to resolve disputes.

“The current system provides strong protections through the Office of the Privacy Commissioner. However a reformed system should include strengthened levels of protection”, said Ms Christian.

Further information on credit reporting reform can be found www.dnb.com.au

Media notes

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