

## THREE QUESTIONS TO THE FEDERAL TREASURER

**QUESTION #1:** What is the Labor Govt's reason for excluding a review of the RBA's performance in addressing *inter alia* -

- i) Predatory Advertising of Credit Cards since the early '90s, in particular some Credit Card Issuers have brazenly lured Financially Uneducated And Vulnerable Australian Credit Cardholders with poor Financial Literacy Capacity by marketing Balance Transfer offers intent upon snaring the most lucrative payers of Interest and Penalty Fees; and
- ii) the User Pays Principle has never applied to the cost of providing Credit Card Products on the Retail Supply Side in Australia:
  - \* 67% *circa* of Credit Cardholders identified by the RBA as Transactors have enjoyed their Lines of Credit at virtually no cost. "Although they normally pay an annual fee, they pay no transactions fees, enjoy the benefit of an interest-free period and in many cases earn loyalty points for each transaction."
  - \* 33% *circa* identified by the RBA as Revolvers have carried (or revolve) their debt, making minimum repayments or slightly more, and thus maintain a level of continuing debt. Due to their outstanding balances and repayment habits, Revolvers pay more interest, and have higher default rates, whilst Persistent Revolvers that represent a mere 12.58% circa of all Credit Cardholders, have contributed a whopping 80% circa of Credit Cardholders' Contribution To Credit Card Issuers Gross Revenue, too often suffering Extreme Financial And Emotional Distress as attested by Credit Card Distress Authorities.

Yet the RBA did not recommend to the Federal Govt to re-legislate a maximum interest rate on Credit Cards that had been 18% until April 1985. The Overnight Cash Rate fell from 18.78% in June 1985 to 0.10% in June 2020 and remained at that historic low for 18 months. As at April 2017 the highest Purchase interest rate was 25.9% from Lombard Visa Card Classic and the highest Cash Advance interest rate was 29.49% from G.E. Money's "Go MasterCard".

**QUESTION #2:** In order for Australia's Credit Card System to apply the "user pays" approach to credit card payment services (that) would be consistent with the approach adopted by Australian financial institutions in pricing other payment instruments under their control" will Australia's Principal Regulator of the Payments System recommend [pursuant to Section 11(1) of the Reserve Bank Act 1959] that the Federal Treasurer support the re-imposition of

a maximum interest rate on all [Credit Cards](#) of -

1. 850 basis points *circa* for [Purchases](#); and
2. 950 basis points *circa* for [Cash Advances](#),

above the RBA official interest rate ([Overnight Cash Rate](#)) for each Credit Card issued subsequent to the imposition of the above sought new maximum interest rates.

Due to the lower interest profit margin, [Credit Card Issuers](#) and [Credit Rating Bodies](#) would need to be diligent when appraising the [Credit Report](#) / [Credit Score](#) of each applicant for a new Credit Card.

The above two interest rates are slightly lower [than the 10% Cap requested by CHOICE on 17 June 2020](#) when the [Overnight Cash Rate](#) was 0.10%. Section 8 of the [Writer's comprehensive letter to Ms. Sharon van Etten at the RBA dated 8 Dec 2011](#) requested application of the above two interest rate *Caps*. It contained seven other recommended changes to better apply the [User Pays Principle](#). Adopting some of the other seven, if not all, would further evidence the [User Pays Principle](#), because as [acknowledged by the RBA at point 5 of RBA's "I A Consultation Document" - Dec 2001](#) presently [67% of Credit Cardholders](#) do not contribute to [revenues received by Credit Card Issuers](#) leaving a considerable burden upon [12.58% circa of remaining Credit Cardholders](#).

**QUESTION 3:** Pursuant to [Section 11\(1\) of the Reserve Bank Act 1959](#) why didn't [Australia's Principal Regulator of the Payments System](#) recommend to the Federal Treasurer (at least 15 years earlier) the below three of the nine '*requirements*' that were imposed upon all [Credit Card Issuers](#) by the [ABA's Banking Code of Practice - Setting the standards of practice for banks, their staff and their representatives](#) (binding from 1 July 2019) be imposed by the RBA at least 15 years earlier:

1. No longer charging interest (at the [Purchase Interest Rate](#)) retrospectively on the total amount of [Purchases](#) during the previous month if the [Total Amount Owing](#) -
  - \* was not paid by the [Payment Due Date](#) but some of the [Total Amount Owing](#) was paid by the [Payment Due Date](#)
  - \* was paid *in toto*, but a day or more after the [Payment Due Date](#).
2. A ban on unsolicited offers to increase a Credit Cardholder's [Card Limit](#).
3. Making it much simpler for a Credit Cardholder to cancel their Credit Card.