**From:** RBAInfo [mailto:RBAInfo@rba.gov.au]
**Sent:** Thursday, 10 November 2011 2:27 PM
**To:** 'Phil Johnston'
**Subject:** RE: Seeking data on the percentage of credit card users who repay their outstanding indebtedness in a particular month, and a break-up of those who do not [SEC=UNCLASSIFIED]

Dear Mr Johnston,

Thank you for your enquiry about the proportion of credit card users who do not repay their outstanding balances in full and their demographic characteristics. I apologise for the delay in responding to you.

Information linking credit card repayments to demographic information is generally difficult to obtain. We are, however, able to provide some of the information you seek from our recently completed Consumer Payments Use Study (see <http://www.rba.gov.au/publications/consultations/201106-strategic-review-innovation/pdf/201106-strategic-review-innovation-results.pdf>). This study collected data on all payments made by a representative sample of Australian adults over a week-long period in late 2010. It also asked the respondents questions about their payments behaviour, including how often they made credit card repayments.

The study results indicate that around 47 per cent of Australian adults have a credit card. Age appears to play a role in credit card holding, with around 24 per cent of adults in the 18-29 age group holding a credit card, compared to around 58 per cent for adults aged 30-59 and 46 per cent for those aged 60 years or more.

Around 61 per cent of credit card holders pay off the closing balance of their credit card bill in full by the due date ‘every month’. At the other end of the spectrum, around one-quarter of credit card holders pay off their credit card in full ‘not very often’ or ‘hardly ever/never’. It is interesting to note that those credit card holders who make repayments in full less frequently also tend to make a smaller proportion of their total purchases using credit cards. For example, those who pay off their credit card in full ‘not very often’ or ‘hardly ever/never’ together make around 9 per cent of their purchases by credit card, whereas those who pay off their credit card in full ‘every month’ make around 23 per cent of their purchases by credit card. One possible explanation for this is that card holders who make less frequent repayments in full are avoiding additional interest charges by substituting other payment methods where they can. It is also possible that these card holders are limited in their ability to make additional purchases on their credit card because of credit limits.

Using demographic information on the survey respondents, we can also examine the characteristics of those respondents in the low-repayment categories of ‘not very often’ or ‘hardly ever/never’; for example, looking at the distribution by age and income we find:

* the majority of card holders in the low-repayment categories are middle aged: 28 per cent of card holders in the 30-39 and 40-49 age groups do not often pay off their monthly balance in full, compared to 11 per cent in the 18-29 age group and around 16 per cent in the 50-59 and 60-plus groups; and
* 26 per cent of card holders in the low-repayment categories earn *personal* annual income under $20 000, while 13 per cent have an annual income of $80 000 and above. The comparable shares for all survey respondents are 37 per cent and 10 per cent, respectively.

Another source of data that may be of interest to you is the Reserve Bank’s retail payment statistics, available at: <http://www.rba.gov.au/payments-system/resources/statistics/index.html>. In particular, Table 1, Credit and Charge Card Statistics, gives information on repayments, balances accruing interest and credit limits. These data can be used to shed light on the broad trends in credit card purchases and repayments. And you can find some commentary on these trends in the annual reports of the Payments System Board, available at: <http://www.rba.gov.au/publications/annual-reports/psb/index.html>.

Your email also raises a number of concerns about how credit card accounts are operated. The Payments System Board of the Reserve Bank has no regulatory power over these aspects of credit cards. You may, however, be interested in recent amendments made to the *National Consumer Credit Protection Act 2009*. These amendments include changes to:

* force credit card lenders to allocate repayments to higher interest debts first;
* stop lenders from distributing pre-approved offers for increased credit;
* prevent lenders charging fees to consumers who go over their credit limit unless they have asked for this service;
* make it mandatory for credit-card applications to include a clear summary of key account features; and
* require lenders to clearly warn consumers on their monthly credit card statement of the consequences of only making minimum repayments.

These amendments will come into effect next year. You can find more information about these amendments at: <http://www.treasury.gov.au/consumercredit/content/default.asp>.

Regards

Sharon

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