1st Question re Credit Cards (embedded threads only open from DVD or USB Flash Drive

Will the Royal Commission delve where **-**

- **the Reserve Bank, the principal regulator of the payments system through the PSB** that has **'extensive powers' to gather information from a payment system or from individual participants**; and
- the other two members of the **Council of Financial Regulators** - ASIC and APRA,

have never been prepared *"to go there"*; namely the RBA has never requested data to empirically quantify the financial burden falling upon the minority of **Credit Cardholders,** described by the RBA as ***Revolvers,*** that possess poor **Financial Literacy Capacity** often paying **Usurious Interest Rates**, ostensibly due to **Predatory Marketing Practices,** and until recently also endured **Unconscionable Credit Card Interest Charging** (**as defined by the ACCC**)?

Specifically*,* will the **Royal Commission** obtain financial data from the primary six or seven **Credit Card Issuers**, that includes Credit Cards issued by **Citibank** and **Latitude Financial** (*nee* G.E. Capital), in order to determine if the **Writer's** below calculations (detailed in **Chapter 5**) based on the RBA's '***Landmark***' third publication **Submission 20 to the Senate Inquiry into Matters Relating to Credit Card Interest Rates** dated Aug 2015 are correct?

(A) ***Revolvers*** - 33% approx of all **Credit Cardholders** pay over 95% of all **Interest And Penalty Fees Revenue** annually.

(B) ***Persistent Revolvers*** - **12.58%** *circa* of the 7,515,000 **Credit Cardholders** (June 2016), namely **945,000** [**cell b36**] **Credit Cardholders** pay 80% *circa* of all **Interest And Penalty Fees Revenue.**

(C) ***Transactors*** - 67% approx of all **Credit Cardholders** -

- enjoy the convenience of their **Revolving Line/s of Credit** (often not paying for **Purchases** for up to 55 days after receipt of goods and services); and
- often receive **Rewards Programs,** without materially contributing to **Credit Card Issuers**' operating costs and profits which are primarily generated by **Interest And Penalty Fees Revenue** paid by ***Revolvers,*** of which ***Persistent Revolvers*** account for 38.13% *circa* of all ***Revolvers*** (**Graph 7 and table thereunder**).

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Supporting Evidence re 1st Question

The **Reserve Bank** has never been prepared to request financial data from the primary six or seven **Credit Card Issuers**, notwithstanding that -

1. **the Productivity Commission and the ABS rank Australians as having between Level 1 (low) and Level 5 (high) Numeracy and Literacy Capacity. A person assessed at Level 5 possesses up to five times the skills within the particular domain (e.g. Numeracy, Literacy, Prose etc) than a person assessed at Level 1. Level 3 or above is required "to meet the complex demands of everyday life and work in the emerging knowledge-based economy".**
   ASIC 2010 report notes "These findings have implications for our regulatory regime, which relies upon disclosure as a critical element of our consumer protection system."
   St. George and Westpac test Credit Cardholders, even those possessing Level 5 Numeracy and Literacy Skills, by expecting all their Credit Cardholders to read/comprehend voluminous Conditions of Use printed in a tiny font;
2. Federal and State Govt's **allocated $43.38 million in 2014 to 44 Australian charities to provide 500 *circa* financial counselling to Australians, over the subsequent year, that**

are experiencing Extreme Financial And Emotional Distress. The vast majority of those counselled are **Credit Cardholders** with poor **Financial Literacy Capacity** (**Chapter 7**);

3. **Credit Card Products are the most differentiated product (in both 'types' and 'providers') in the entire Western World because the '*money lenders*' in the *21st Century*, as likely around the 30th year in the *1st Century*, focus on one or more promoted benefits, but often misrepresent the material hidden cost/s to possibly procure that benefit/s, where *losers* result;**
4. The majority of **Credit Card Issuers** in Australia have engaged in **Predatory Marketing Practices**, and until recently **Unconscionable Credit Card Interest Charging**, targeted at **Credit Cardholders** with poor **Financial Literacy Capacity** which is **Unconscionable Conduct**;
5. **Submission 20 to the Senate Inquiry into Matters Relating to Credit Card Interest Rates - Aug 2015** (**Reference A listed at top of this page - 3rd Publication**) evidenced the RBA introduce a new nomenclature, ***Persistent Revolvers***, in Aug 2015 to describe Credit Cardholders that were hopelessly in debt:
   * **Graph 7 titled "Cardholder Payment Behaviour"** quantified the magnitude of the gross interest burden falling upon ***Persistent Revolvers*** that often possess low **Financial Literacy Capacity** that are often **Financially Uneducated And Vulnerable Australians** and have paid **Usurious Interest Rates.** The **Writer** calculates that ***Persistent Revolvers*** accounted for **12.58%** *circa* of the 7,515,000 Credit Cardholders (June 2016), namely **945,000** [cell b36] Credit Cardholders (**ASIC 'Credit card debt clock' 27-Apr-17**) paid an **Unconscionable** 80% *circa* of **Interest And Penalty Fees Revenue** levied by **Credit Card Issuers**; and
   * Noted that **".....** In addition, many credit card holders take advantage of interest-free periods such that they do not pay interest on their card balances " identified by the RBA as ***Transactors***.
6. **Extensive Powers and Responsibilities of the RBA** notes -
   * (in **Section 2** therein) **Part 5—Miscellaneous, Section 26 'Persons to give Reserve Bank information'** of the ***Payment Systems (Regulation) Act 1998* gives the Reserve Bank 'extensive powers' to gather information from a payment system or from individual participants. "The Payments System Board was established by the Commonwealth Govt. in 1998 so as to best contribute to: .... and promoting competition in the market for payment services."**

     Red Book 2011 "**Payment, clearing and settlement systems in Australia - 2011**" notes:

     "The Payment Systems (Regulation) Act 1998 also gives the RBA extensive powers "....to gather information from payment system participants and operators."
   * (in **Section 3** therein) that -
     * the Reserve Bank has significantly greater powers/responsibilities to **"...the economic prosperity and welfare of the people of Australia",** than the **Bank of England** or the **U.S. Federal Reserve** has to the economic prosperity and welfare of the U.K. and U.S. citizens respectively.
     * "**the PSB has been given the backing of strong regulatory powers, unique among central banks**"
     * (2) It is the duty of the Reserve Bank Board, within the limits of its powers, to ensure that the monetary and banking policy of **the Bank is directed to the greatest advantage of the people of Australia** and that the powers of the Bank

under this Act and any other Act, other than the ***Payment Systems (Regulation) Act 1998***, the ***Payment Systems and Netting Act 1998*** and Part 7.3 of the ***Corporations Act 2001***, are exercised in such a manner as, in the opinion of the Reserve Bank Board, will best contribute to:

(a) the stability of the currency of Australia;

(b) the maintenance of full employment in Australia; and

(c) **the economic prosperity and welfare of the people of Australia.**

2nd paragraph in **Chapter 9** and **Attachment D** notes that **Part 5—Miscellaneous, Section 26 'Persons to give Reserve Bank information'** of the ***Payment Systems (Regulation) Act 1998*** gives the Reserve Bank *'extensive powers'* to gather information from a payment system or from individual participants provides further explanation of the RBA's authority to seek any financial information that it wants to from any/all Credit Card Issuers.

Malcolm Edey, the then Assistant Governor (Financial System) in a **Speech at the Cards & Payments Conference** on 21 May 2015 noted:

* RBA's key areas of focus included **capacity for richer information with payments.**
* "On current scheduling the New Payments Platform will deliver a fast payments service **with rich information** and addressing capabilities in the second half of 2017.

Where is the **rich information** regarding the financial burden that fall upon ***Revolvers***, in particular ***Persistent Revolvers***?

7. **The Reserve Bank and its then predecessor, the Govt. owned Commonwealth Bank, had increasingly regulated '*with an iron fist in a velvet glove*' the commercial banks since 1911. Historically when de-regulation resulted in adverse consequences, re-regulation by Australia's 'central bank' ensued.**

The Unpleasant Truth About Australian Banking notes:

"Before 1981, activities of major Australian banks, including the manner they dealt with customers, were subject to detailed regulations imposed by the Federal Government. Following the 1981 **Campbell Committee Report**, banking regulations were significantly reduced."

8. **"Prior to 1985 the maximum rate that could be charged on credit cards had been set at 18% pa by the Reserve Bank of Australia. In April 1985, this rate was deregulated."** - **see bottom of page 7 of a University of Wollongong paper dated January 2012;**

9. On 25 Oct 2011, the **Writer** spoke to Ms. Sharon van Etten by 'phone at **RBAInfo** and then emailed her **'Subject: 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'**. **Ms van Etten responded on Thurs, 10 Nov 2011** by providing useful summary information from **Strategic Review of Innovation in the Payments System: Results of the Reserve Bank of Australia's 2010 Consumer Payments Use Study - June 2011**.

On 8 Dec 2011 the **Writer** posted three CDs **to Ms. Sharon van Etten at the RBA** **that opened at his letter dated 8 Dec '2011** (**Reference B listed at top of this page**) titled:

* Request to the Reserve Bank of Australia, hereinafter the RBA, to implement the same "competitiveness and efficiency" that it has overseen in the 'wholesale supply side' of the debit and credit cards products to the **Retail Supply Side** of credit cards, because banks profits from credit cards are not derived from the **User Pays Principle**

* All users should pay the cost of their credit card transactions, and not some "unlucky" users paying a disproportionate burden which has further *gapped* the *"Haves"* from the *"Have Nots"*

The **Writer** posted those three CDs **to Ms. Sharon van Etten at the RBA** that -

(i) asserted that **Credit Card Issuers**' revenues from **Credit Cards** on the **Retail Supply Side** did not accord with the **User Pays Principle** because **Credit Cardholders** with poor **Financial Literacy Capacity** (described by the RBA as ***Revolvers***, some being ***Persistent Revolvers***) were paying the costs of **Revolving Line/s of Credit** of **Credit Cardholders** with strong **Financial Literacy Capacity** (described by the RBA as ***Transactors***); and

(ii) implored the Reserve Bank to effectively, **Determine Standards,** to implement the **User Pays Principle** as listed in **Section 8** of the **Writer's CD submission to RBA sent 8 Dec '2011** which also could replace the debt 'lure' of an **Interest Free Period** with a **Purchase Usage Fee** and a **Concessional Interest Rate Period** for making each **Purchase** with a **Credit Card** *'so that each user pays'.*

The **Writer** posted two more envelopes that contained his three CDs **to Ms. Sharon van Etten at the RBA** on 16 Dec 2011 and 20 Dec 2011 because **he had made minor embellishments to his original letter to her dated 8 Dec 2011**.

Below is Part A) of **Section 8** of the **Writer's CD submission to RBA sent 8 Dec '2011, 16 Dec 2011 and 20 Dec 2011:**

A) "gather information from payment system participants and operators" by proceeding to obtain data for a particular month (or quarter) from over 70 issuers for the 330 different types of cards that are available which shows:

1. Number of cards that repaid total indebtedness and aggregate dollar amount of those repayments.

2. Number of cards that repaid > or =50% of total indebtedness and aggregate dollar amount of those > or = 50% repayments.

3. Number of cards that repaid<50% but >5% of total indebtedness and aggregate dollar amount of those <50% but >5% repayments.

4. Number of cards that repaid <=5% of total indebtedness and aggregate dollar amount of those <=5% repayments;

10. In order to test the **Writer's** calculations listed at (A), (B) and (C) in this **1st Question**, it would be necessary for the Royal Commission to request Australia's largest six or seven **Credit Card Issuers**, that included **Citibank** and **Latitude Financial**, to provide Credit Card data over at least 12 months that lists the -

* 16 digit account number for each of the **Credit Card Issuers' Credit Card Products**;
* **Outstanding Indebtedness** the day after the **Payment Due Date** each month
* the **Interest Rate Charged** and the **Interest Amount Charged** each month
* the postcode of the Credit Cardholder; and
* **Credit Cardholder Fees** each month, excluding the **Annual Cardholder Fee**,

to enable an .I.T. Coder to write a programme to calc the agg. **Interest And Penalty Fees Revenue** for the **Four Types of *Revolvers*** which included those ***Persistent Revolvers*** on low income with poor **Financial Literacy Capacity**.

Alternatively, the Royal Commission could request the six or seven largest **Credit Card Issuers**, that include **Citibank** and **Latitude Financial**, to provide the summary results of **Interest And Penalty Fees Revenue** on a demographic basis, together with all calculations, so as to readily quantify the level of application of the ***User Pays Principle*** in order to consider regulating a redistribution of interest and fees as the **Writer** recommended in **Section 8** of his **Submission to the RBA dated 25 Oct 2011** which could also include replacing the spend 'lure' of an **Interest Free Period** with a **Concessional Interest Rate Period** as well as a **Purchase Usage Fee** for making each **Purchase** with a **Credit Card** *'so that each User pays* towards **Credit Card Issuers**' delivery costs.

11. Below is and extract from page 2 of **ASIC's "Check Against Delivery"** dated 6 March 2018 for the **Productivity Commission Inquiry into competition in the Australian financial system: Hearings on draft report:**

"Data and transparency

Next, I would like to discuss data and transparency.

We welcome the Commission's strong focus on data and harnessing new technologies to facilitate consumer understanding.

ASIC, like the Productivity Commission, supports the proposed open banking regime. With appropriate regulatory settings, increasing consumers' access to their own data has the potential to empower decision making and stimulate competition and innovation within the financial services sector.

The Commission has made a number of other specific recommendations on data."

12. Below is an extract from **TREASURY SUBMISSION TO THE SENATE ECONOMICS REFERENCES COMMITTEE INQUIRY INTO MATTERS RELATING TO CREDIT CARD INTEREST RATES** - 11 Aug 2015:

WHO PAYS CREDIT CARD INTEREST?

Data from the household, income and labour dynamics survey in Australia (HILDA), the household expenditure survey and the survey of housing and income shows households in the lowest income quintile **have more credit card debt relative to their incomes and pay more in credit card interest relative to their incomes than higher income households**, though overall differences in interest payments between quintiles are small (Figure 1).[1] These surveys also show households in the bottom two quintiles by net worth also pay the most in credit card interest relative to their income (Figure 2).

2nd Question

Will the Royal Commission ask the Governor of the Reserve Bank -

1. why the Reserve Bank published **LOAN RATE STICKINESS: THEORY AND EVIDENCE** in June 1992; and
2. why the RBA has never over the subsequent 25 years informed the Commonwealth Government, as obligated under **Reserve Bank Act 1959 - Section 11**, '**Differences of opinion with Government on questions of policy**' having regard to its obligations under **Section 10(2) 'Functions of Reserve Bank Board' of Reserve Bank Act 1959** **to "best contribute to.......... the economic prosperity and welfare of the people of Australia"** of the need to determine a new **Standard** to re-regulate a maximum interest rate for -

   * each Credit Card **Purchase**; and
   * each Credit Card **Cash Advance**,

   as the **Writer** recommended in **Section 8** of his **Submission to the RBA dated 25 Oct 2011**?

===

Supporting Evidence re 2nd Question

1. **Extracts from the Reserve Bank Research Discussion Paper dated June 1992 and 'Background information re the increasing interest rate spread for Credit Cards'** and **Chapter 17** note:

(A.) **LOAN RATE STICKINESS: THEORY AND EVIDENCE - RBA 1992** (by Philip Lowe and Thomas Rohling) informed that the Reserve Bank regulated lending interest rates until 1985 and *post*-deregulation lending interest rates, in particular Credit Card interest rates, did not fall in line with the **Overnight Cash Rate**, and when falls were passed on, it wasn't done quickly or completely, whereas when the **Overnight Cash Rate** increased, these increases were passed on by way of higher lending interest rate and more quickly. Hence, Credit Card interest rates were particularly ***sticky*** when the **Overnight Cash Rate** fell, as Credit Card interest rates regularly remained '*stuck*' at their existing interest rate.

(B.) **Chapter 5** chronicles that in April 1985, when the 18% cap on Credit Card interest rates was removed by the RBA, the spread between the cost of funds and the 18% cap was less than 1%. That spread has widened and widened and is now as high as 22.4% for a **Purchase** and 26.5% for a **Cash Advance** to the material detriment of **Financially Uneducated And Vulnerable Australians** that **Lack Financial Acumen** often due to poor **Financial Literacy Capacity** identified by the Reserve Bank as ***Persistent Revolvers.***

Below are extracts from **LOAN RATE STICKINESS: THEORY AND EVIDENCE:**

"From 1966, when personal loans were introduced, the maximum rate that banks could charge was set by the Reserve Bank. Once again, **in April 1985, the controls were removed.** At the same time, the maximum interest rate that could be charged on credit cards was deregulated. **Prior to this time the maximum rate had been set at 18 per cent per annum.**

As detailed above, **most lending rate ceilings were lifted in April 1985.**

For the housing, credit cards and personal loan rates, the ranking in terms of the degree of stickiness is maintained. **Even after nine lags are included the sum of the coefficients on all three of these rates remain significantly less than one. The same is true for the standard overdraft rate.**

In contrast, the rates on personal loans and credit cards do not appear to be more flexible in the deregulated period."

2. **The Reserve Bank imposed an Access Regime on the Bankcard, MasterCard and VISA credit card systems under the Payment Systems (Regulation) Act 1998 on 20 Feb. 2004**, pursuant to **Section 12,** whereupon responsibility for ensuring competition within the Credit Cards payments system was subrogated from the ACCC to the Reserve Bank as noted in the **-**

- **MOU between the ACCC and the RBA dated 8 Sept 1998;** and
- RBA webpage **Relationship with the Australian Competition and Consumer Commission (ACCC)**.

The ***Payment Systems (Regulation) Act 1998*** contains ten references to the obligation of the Reserve Bank to always ***Act in the Public Interest*** which ostensibly is to do so with regard to **Designating a payments system, imposing an Access Regime or setting new Standards**. **The Reserve Bank has previously *'lined up all the requisite wooden ducks'* to now set new Standards for Credit Cards to *'inter alia'* set a maximum Purchase interest rate and a maximum Cash Advance interest rate for *'public interest issues'* - To Act In The Public Interest**

3. **The UK Not-For-Profit '*Step-Change*' estimates that -**

(A.) **the social cost in the UK of problem debt through the damage it causes to family life, mental and physical health, productivity, income tax foregone and employment prospects and costs to the welfare state, local government and other agencies is £8.3b; and forecasts that this could be reduced by £3.1b.**

(B.) **The social cost of problem debt in Australia is not limited to the '*band aid*' of governments allocating $43 million annually to 44 Australian charities to provide financial counselling to Australians that are experiencing extreme financial and emotional distress**.

4. 36 years ago when the **Campbell Committee recommendations** were being implemented, the prospect of a **Royal Commission** into ostensibly **Unconscionable Conduct** within the 'financial services sector' would have been viewed as implausible to those Australians that lived through the lengthy regulated interest rate epoch in Australia's financial history, because -

(i) the **Reserve Bank** and its predecessor the then Govt. owned, Commonwealth Bank, had increasingly regulated '*with an iron fist in a velvet glove*' the commercial banks since 1911 as chronicled in **Chapter 17**; and

(ii) historically when de-regulation resulted in adverse consequences, re-regulation by Australia's 'central bank' ensued.

Between 1960 and 1980 the Reserve Bank diligently regulated commercial Australian bank interest rates relying on, *inter alia*, ***Section 50*** of the ***Banking Act 1959.***
The purpose of regulation (until 1980) was **"......... to achieve monetary policy, public sector financing and sectoral assistance objectives....."** as well as safeguarding against further bank collapses.

Until 1980, banks could not offer more than 3¾% on a passbook account and 6½% interest on a Savings Investment Account (minimum account balance of $500, deposits and withdrawals must be $100 or greater, and 7 days written notice had to be given to the bank for all withdrawals). Leading up to 1980, building societies (unregulated) were offering materially higher interest rates and attracting bank customers 'in droves'.

Below is a further extract from **Chapter 17:**

> **"The Campbell Committee was established in 1979 and reported in 1981. The recommendations of the inquiry were targeted at ..... the abolition of direct interest rate and portfolio controls on financial institutions**. Campbell did not recommend removal of any powers held by the Reserve Bank to regulate interest rates or demand financial information. The Campbell recommendations were made following an extended period of high interest rates. High deposit interest rates by NBFIs existent *circa* 1980 are no longer an impediment to regulating credit card interest rates. The abovementioned reference to Chapter Nine (in **Chapter 15** above): 'Stability and Payments' of the Wallis Enquiry noted **"the RBA should retain overall responsibility for the stability of the financial system, the provision of emergency liquidity assistance and for regulating the payments system.""**

5. **Chapter 5** mathematical calculates/quantifies the *circa* financial burden upon ***Revolvers*** and includes the following:

> Below is an extract from **Consumer Affairs Victoria *- Regulating the cost of credit*** which evidences that in the past if de-regulation did not achieve the desired results, then re-regulation followed. But not with regard to re-introducing a max interest rate cap on Credit Cards, notwithstanding that -

(I) the spread between the current **Cash Rate** of 1.5% and the **Credit Card Purchase Interest Rate** of 20% is 18.5%; and

(II) as at April 2017, **the highest Purchase interest rate is 25.9% from "Lombard Visa Card Classic**" and the **highest Cash Advance interest rate is 29.49%** from **Latitude Financial's "Go MasterCard":**

> **"The tide of utilitarianism rose slowly, and a lengthy campaign was necessary before the financial deregulation of 1854, which abolished the British interest rate cap. However, one act of deregulation cannot quell an argument that has been going on for millennia. Over the following century the tide gradually turned towards re-regulation, culminating with detailed requirements imposed on the financial sector (particularly the banks) during and immediately after the Second World War.** We now trace the gradual lead-up to this second phase of regulation."

In March 2009, Sen. Bernie Sanders, a Vermont independent, tabled legislation in the U.S. Federal Congress that would impose a 15% cap on interest rates for all consumer loans, including plastic:

> **"Obviously this is a pretty radical act, and it will be fought," he replied. "But I think the American people are disgusted with the financial industry. They want change.**
> You could argue that an interest rate of 15% or 18% is more than enough to accommodate any amount of risk on the lender's part. **If a loan appears riskier than that, don't make it. What we have to ask as a nation is whether it's ethical to charge people 30% interest rates," Sanders said. "This is loan sharking. Let's call it what it is."**

6. Point 8. of **'Supporting Evidence re 1st Question'** explains that the **Writer** posted three CDs **to Ms. Sharon van Etten at the RBA** that -
   (i) asserted that **Credit Card Issuers**' revenues from **Credit Cards** on the **Retail Supply Side** did not accord with the **User Pays Principle** because **Credit Cardholders** with poor **Financial Literacy Capacity** (described by the RBA as ***Revolvers***, some being ***Persistent Revolvers***) were paying the costs of **Revolving Line/s of Credit** of **Credit Cardholders** with strong **Financial Literacy Capacity** (described by the RBA as ***Transactors***); and
   (ii) implored (in **Section 8** of the **Writer's CD submission to RBA sent 8 Dec '2011**) the Reserve Bank to **Determine new Standards,** to implement *'inter alia'* a cap on the Purchase **Interest Rate** and a cap on the Cash Advance **Interest Rate**.

Below is the pertinent section of Part B) of **Section 8** of the **Writer's CD submission to RBA sent 8 Dec '2011:**

B) "determine rules for participation in a payment system and set Standards for safety and efficiency, incl. issues such as performance benchmarks" by proceeding to implement "cost-based benchmarks" [akin to (I.), (II.) and (III.) in Section 2 [of this letter to the RBA] by -

(a) setting a regulatory cap for all the 330 different types of cards which fall under the jurisdiction of the RBA of -

i) **850 basis points above the RBA official interest rate as the maximum annual on-going interest rate charged by**

Credit Card Issuers in Australia for Purchases, where Credit Card Issuers can reach, but not exceed, this Purchase Interest Rate Cap;

ii) **950 basis points above the RBA official interest rate as the maximum annual on-going interest rate charged by Credit Card Issuers in Australia for Cash Advances**, where Credit Card Issuers can reach, but not exceed, this Cash Advance Interest Rate Cap - refer 50% cap on Cash Advances in D) below;"

7. Below are some extracts from **Chapter 17** that -

* iterate the reasons why our primary financial services regulator, Australia's 'central bank' regulated interest rates '*with an iron fist in a velvet glove*' over Australia's commercial banks until **Campbell**; and
* summarises those interest rate caps:

Below is an extract from ABC website, '*Australian Banking History*':

"Looking back in time, Australian banks collapsed in almost every decade of the 19th century. In 1893 after the failure of fraudulent land banks in Victoria triggered a wholesale run on banks. In the space of six weeks, 12 banks closed their doors. Those banks accounted for two-thirds of the total banking assets in Australia. That crisis increased pressure - which had been building for some time - for the formation of a central bank. The Commonwealth Bank was formed by the Federal Government in 1911 to issue notes which would be backed by the resources of the nation. Banking became more tightly controlled during World War II, with the central bank dictating overdraft rates and, later, statutory reserve deposit ratios and liquid asset ratios. To avoid a patent conflict of interest, the Commonwealth Bank's 'central banking powers' were transferred to the newly formed Reserve Bank of Australia in 1959."

Credit Losses at Australian Banks: 1980–2013 published by the RBA in June 2015.
Financial Institution Failures in Australia — Some Case Studies

The below four quotes from "**Overview of Financial Services Post-Deregulation"** by (**Dr) Diana Beal, Director, Centre for Australian Financial Institutions, University of Southern Queensland**, evidence that the Reserve Bank rigorously regulated bank deposit rates until 1980 when restrictions on interest rates were dismantled after adopting Campbell Committee recommendations:

"**Interest-rate ceilings on deposit accounts restricted the banks' ability to attract funds particularly during the 1970s when inflation was rampant. In the June quarter of 1975, inflation rose to 16.9% pa. At the same time, interest payable on amounts held in savings accounts offered by savings banks, for example, was restricted to 3.75% from 1969 to 1980 (Foster, 1996). In contrast, the interest rates offered by non-bank financial institutions (NBFIs) were not controlled and they were able to pay around 10% on passbook accounts**."

"Banks in 1980 still operated in a highly regulated environment which was an artefact of previous economic and social conditions. Indeed, an extensive collection of controls remained from regulation introduced under the National Security Regulations in 1941."

"Interest rate ceilings on trading bank and savings bank deposits were dismantled from 1980; some limits on minimum and maximum terms on fixed deposits remained."

"The maximum interest rate payable on small balances in savings accounts was fixed by regulation at 3.75% from 1969 to 1980."

8. Below is a quotation from Westpac's submission to the **Wallis Inquiry** 1997 by the then CEO, Bob Joss:

> **"Also relevant is the Inquiry's concern with fairness, or the equitable treatment of the various users of the financial system."**
>
> **"Protection of consumers**
> **On-going monitoring of credit card pricing in anticipation of a substantial inquiry into the effects on consumers of the deregulation of credit card interest rates"**

The **Writer's** investigations suggest that the **Wallis Inquiry 1997** did not adopt Westpac's prudent recommendation for on-going monitoring of any changes in interest rates in either its **Discussion Paper** - Released Nov 1996 or **Final Report** - Released March 1997.

9. Professor of banking and finance at the University of Canberra, Milind Sathye's SMH article "**Banks need reining in, but an act is not the way**" on 22 Oct 2010 included:

> "Parliament has already conferred powers on the government to control interest rates, under **section 50 of the Banking Act 1959**."

10. Below is an extract from **Chapter Five: Philosophy of Financial Regulation** of the **Wallis Report on the Australian Financial System dated 1996 - '97: Summary and Critique**:
"Regulation of all markets for goods and services can be categorised according to three broad purposes.
First, regulation is to help ensure that markets work efficiently and **competitively**, and thus to overcome sources of market failure.
Second, regulation can prescribe particular standards or qualities of service, especially where the consumption of goods and services carries risks, so that safety is a focus of concern.
Third, regulation can help achieve social objectives such as, for example, 'community service obligations' which typically take the form of price controls."

11. The U.S. has set the precedent. The interest rate charged for the majority of Credit Cards issued in the USA is based on an agreed margin above the **U.S. Prime Rate.**
12 consumer protections in the Credit CARD Act informs that the **Credit Card Accountability Responsibility and Disclosure Act** of 2009, commonly called the CARD Act, is a federal law that changed some of Credit Card Issuers' practices and consumers' rights in the USA.

Below is an extract from a postscript of those 12 introduced reforms:

> "If credit card accounts are based on **variable APRs** (**as the vast majority now are**), interest rates can increase as the **U.S. Prime Rate** goes up."

Below is an extract from **How Credit Cards Use the Prime Rate:**

> **"Many credit cards base their variable interest rates on the prime rate**. A variable interest rate is one that changes based on another interest rate.
>
> For example, the APR on a credit card might be the prime rate plus 13%. The interest rate your credit card issuer charges on top of the prime rate is known as the "spread." In our example, the "spread" is 13%. If the prime rate is 3.25%, the current APR on that variable rate card would be 16.25%. That means the prime rate has a direct, but typically small, impact on the finance charges you pay on your credit card

when you carry a balance. The higher the prime rate, the more you'll pay to revolve a credit card balance. You can avoid paying any interest at all by paying your credit card balance in full each month.

If your credit card has a variable interest rate based on the prime rate, your credit card interest rate will follow the movement of the prime rate.

If the prime rate goes up, you can expect your credit card interest rate will soon go up. **On the other hand, if the prime rate goes down, your credit card interest rate should go down.**

Credit card issuers don't have to give advance notice of interest rate changes if you have a variable interest rate."

12. **Money and power - The case for better regulation in banking** produced by The Australia Institute Paper No. 4 in 2010 includes the following recommendations:

"The aim should be to reduce bank profits to one per cent or less as a share of GDP, the level they were at two decades ago. Other policy changes that would contribute to this aim include:

- **legislating to ensure that interest rates charged by banks move in line with changes to the RBA cash rate and are set and advertised as a mark-up over the cash rate**
- **restricting the interest rates that can be charged on unsecured credit to levels that reflect the underlying risk to the lender.**

- Section 5 explains how real people, rather than the consumers of economic theory, make financial decisions, and **how banks exploit human nature in their approaches to marketing.**

The paper concludes that the **high degree of concentration in the banking market** and the huge profits it generates are inevitable in a deregulated banking system such as Australia's. **With consumers powerless to change corporate behaviour and new entrants unable to compete on a level playing field, the big four banks are relatively free to gouge as much money from the Australian economy as they are able. Better regulation in banking is urgently needed."**

3rd Question

Will the Royal Commission ask the Governor of the Reserve Bank -

1. what did the Reserve Bank hope to achieve from publishing **Reform of Credit Card Schemes in Aust: "A Consultation Document"** in March 2001; and
2. why it has not over the subsequent 17 years informed the Commonwealth government, as obligated under **Reserve Bank Act 1959 - Section 11**, '**Differences of opinion with Government on questions of policy**', of the need to determine in the **Public Interest** new **Standards** to apply the **User Pays Principle** to the **Retail Supply Side** of **Credit Card Products**?

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Supporting Evidence re 3rd Question

1. Below is an extract from Section 5.2 '**Scheme regulations and competition benchmarks**' on page 115 of the above-mentioned **Reform of Credit Card Schemes in Aust: "A Consultation Document" – Dec 2001:**

"Reform of credit card schemes will also have a direct impact on credit cardholders and **is likely to result in some re-pricing of credit card payment services. However, this is the means by which the price mechanism is to be given greater rein in the credit card market. A movement towards a "user pays" approach to credit card payment services would be consistent with the approach adopted by Australian financial institutions in pricing other payment instruments under their control.** As the ABA itself has confirmed: "Pricing services efficiently provides consumers with choice to use lower cost distribution channels and, therefore, facilitates a more efficient financial system. It is also fairer and efficient, because consumers only pay for what they use."198

2. Below is an extract of the second paragraph of **User Pays Principle:**

"**Credit Card Products** are both ubiquitous and unique. Almost all essential items purchased in society have a price which is the same no matter if you are wealthy or poor. A loaf of bread, a carton of beer, a gallon of petrol command a price that the purchaser, rich or poor, pays. Approx. 67% of **Credit Cardholders**, those that are **Financially Educated** with level 3, 4 and 5 **Financial Literacy**, that are referred to as ***Transactors*** by the Reserve Bank, make almost no payment for enjoying a **Line of Credit** for up to 55 days, with the majority of ***Transactors*** receiving **Rewards Programs**. The remaining 33% *circa* who are **Financially Uneducated And Vulnerable Australians,** with level 1 and 2 **Financial Literacy**, pay the operating costs and generate the profits explained in **Interest And Fees Revenue,** of **Credit Card Issuers**. Reserve Bank reports refer to this 33% cohort as ***Revolvers.*** Hence, one third of **Credit Cardholders** pay the cost of almost two thirds of **Credit Cardholders** that enjoy a **Line/s of Credit** for roughly $10,000 for up to 55 days before those "almost two thirds" physically pay for their **Purchases**."

3. In an ABC science TV programme in the late 1960's, **American professor Julius Sumner Miller would regularly ask, *"Why is it so?"*.** The answer with regard to why many Credit Cardholders with poor **Financial Literacy Capacity** pay the costs of ***Transactors*** enjoying their **Line/s of Credit,** and contribute profits of **Credit Card Issuers,** is because **Credit Card Products are the most differentiated product (in both 'types' and 'providers') in the entire Western World because the '*money lenders*' in the *21st Century*, as likely around the 30th year of the *1st Century*, focus on one or more promoted benefits, but often misrepresent the material hidden cost/s to possibly procure that benefit/s. Predatory Advertising** targets Credit Cardholders with poor **Financial Literacy Capacity.**

The **Reserve Banks** obligation under **Section 11(1) of the Reserve Bank Act 1959** "**to inform the Government, from time to time, of the Bank's monetary and banking policy**" and to **Act In The Public Interest** when exerting its authority under the ***Payment Systems (Regulation) Act 1998*** are set out under 'Supporting Evidence re Question 1' and 'Supporting Evidence re Question 2' above.

The reason this entirely unfair pricing structure that feeds off **Financially Uneducated And Vulnerable Credit Cardholders** with low **Financial Literacy Capacity** that pay the cost of the **Revolving Line/s of Credit** held by ***Transactors*** is because the 'central bank' that regulated the maximum interest rate of 18% on Credit Cards until April 1985 *'has never been game to unearth a veritable can of worms'* by relying upon **Part 5—Miscellaneous, Section 26** of the ***Payment Systems (Regulation) Act 1998*** to ask **Credit Card Issuers** to provide financial data to it that measures the level of **Interest And Penalty Fees**

Revenue borne by ***Revolvers*** and in particular borne by ***Persistent Revolvers*** of the type sought by the **Writer** in **Section 8**, clause A) - explained in:

* Point 5 under **Supporting Evidence re 1st Question**; and
* Point 7 under **Supporting Evidence re 3rd Question** (shortly below).

5. **Reform of Credit Card Schemes in Aust: "A Consultation Document" – Dec 2001** evidences that **Reserve Bank** advocated (on page 116) a movement "**.....towards a 'user pays' approach to credit card payment services would be consistent with the approach adopted by Australian financial institutions in pricing other payment instruments under their control"** which never crystallised perhaps because the ***Four Pillars*** exerted pressure as evident in the below extract from **Son of Campbell ...** by Glenda Korporaal, *The Australian*, June 21, 2013:

   Hockey vividly remembers one day in the early 1990s when he was a junior adviser to then NSW finance minister George Souris. The minister received a visit from the chiefs of the big four banks, who were opposed to plans to introduce a financial institutions duty. "The four chief executives came in to bully," **Hockey says. "There was Bob Joss [Westpac], Don Argus [National Australia Bank], David Murray [Commonwealth Bank] and Don Mercer [ANZ]. They came in - just the four of them - to belt up this minister. I was his adviser.** There were only six of us in the room.

   "I well remember their attitude and I thought to myself: Well, it is good to provide the respect, but it is also the case that they are in it for themselves and their banks - as they should be. But I am in it for the community."

6. Perhaps **Nugget Coombs famous quotation** is close to the mark as to why a movement "**.....towards a "user pays" approach to credit card payment services....** " forecast by the RBA on page 116 of **Reform of Credit Card Schemes in Aust: "A Consultation Document"** never materialised.

7. Point 8. of **'Supporting Evidence re 1st Question'** explains that the **Writer** posted three CDs **to Ms. Sharon van Etten at the RBA** that -
   (i) asserted that **Credit Card Issuers**' revenues from **Credit Cards** on the **Retail Supply Side** did not accord with the **User Pays Principle** because **Credit Cardholders** with poor **Financial Literacy Capacity** (described by the RBA as ***Revolvers***, some being ***Persistent Revolvers***) were paying the costs of **Revolving Line/s of Credit** of **Credit Cardholders** with strong **Financial Literacy Capacity** (described by the RBA as ***Transactors***); and
   (ii) implored the Reserve Bank to effectively, **Determine Standards,** to implement the **User Pays Principle** as listed in **Section 8** of the **Writer's CD submission to RBA sent 8 Dec 2011** which also could replace the debt 'lure' of an **Interest Free Period** with a **Purchase Usage Fee** and a **Concessional Interest Rate Period** for making each **Purchase** with a **Credit Card** *'so that each user pays'.*

Below is part of Part B) of **Section 8** of the **Writer's CD submission to RBA sent 8 Dec '2011:**

"B) determine rules for participation in a payment system and set Standards for safety and efficiency, incl. issues such as performance benchmarks" by proceeding to implement "cost-based benchmarks" [akin to (I.), (II.) and (III.) in Section 2 [**of this letter to the RBA**] by -

(a)

iii) $90 for the maximum Annual Credit Card Fee that a Credit Card Issuer can charge (in 1993 restrictions on annual fees for credit cards were removed, so it is not unreasonable to introduce a cap, particularly as some cards charge inordinately high annual fees to provide *'inter alia'* high loyalty points which surprisingly avoid income and FBT taxes. Why should a Credit Cardholder be entitled to claim as a tax deduction an annual fee of $395 to then earn 3 points for every dollar spent and not pay income tax on that earning?)

(b) learning from point 1. of CBA's research in Section 4, set an 'Access Regime' that each credit card issued in Australia to a person who has not previously owned a credit card be a Provisional Charge Card, hereinafter PCC, with a conservative credit limit where the owner of the PCC is required for the initial 12 months to repay the outstanding balance on the PCC in full by the due date (9 days from the Issue Date and 7 days from the normal receipt date for postal delivery) or be subject to severe late fees and restrictions on future PCC use, with deferment of receiving a traditional Credit Card until the PCC owner complies with the PCC repayment obligations for 12 months without breach.

C) reduce the non-interest period from 'up to 55 days' to 'up to 42 days' to reduce the cost burden on Credit Card Issuers because electronic payments enable Credit Card Users to pay their monthly repayments within a few days of notification of the final monthly balance.

D) continue to sanction the market practice of not providing a non interest period for Cash Advances, but restrict the limit for Cash Advances to 50% of the total credit limit because as **Wikipedia explains** -

* "a credit card is a small plastic card issued to users **as a system of payment**"; and
* the original cards "**required the entire bill to be paid with each statement**".

E) increase the minimum repayment required from 2.5% to 25% of the outstanding debit balance which shouldn't faze over >60% of credit card owners and will materially reduce the interest burden on the remaining <40%.

F) allow Credit Card Issuers to levy -

a) an explicit 'Lost Card Fee' for -
  * placing a stop on an account; and/or
  * issuing a replacement credit card(s) commensurate with the cost to the Credit Card Issuers of issuing a replacement credit card(s); and

b) a 'Fraud Provision Fee' upon each credit card user each month based on the quantum of transactions and the outstanding undrawn indebtedness (eg. for a credit card user with a $5,000 credit limit, who made 10 purchases in a month, with an outstanding undrawn balance of $3,000 (vulnerable to fraudulent access) the 'Fraud Provision Fee' for that month would be say 10 @ 0.15c = $1.50 + say $3,000 @ 0.0003c = $0.90 for a total monthly 'Fraud Provision Fee' of $2.40 for enjoying the convenience of using a credit card for 10 transactions with a $5,000 credit limit.

G) establish a uniform credit evaluation methodology that all Credit Card Issuers must observe similar to **NAB's Microenterprise Loans** because to many Australian adults are obtaining credit cards with excessive interest rates which would be lower if the defaults were lower due to a robust standard credit analysis methodology.

H) prosecute the case on behalf of the "unlucky" Australians with **Baycorp Advantage** *'et al'* and the Credit Card Issuers to establish and regulate protocols and systems so "unlucky" Australians cannot obtain between 6 and 10 credit cards, as evidenced by Tony Devlin, Head Financial Counsellor, Salvation Army's Moneycare service, in Section 4 above."

When pondering the above recommendations to far better accord with the **User Pays Principle**, the merits of replacing the debt lure of an interest free period with a **Concessional Interest Rate Period**, and applying a **Purchase Usage Fee** should also be weighed up.

8. Below are three quotes from **The Wallis Report on the Australian Financial System: Summary and Critique** June 1997 that support 'price controls' and unbundling the '*Sweets*', *Sours & Spiders*' within Credit Cards to deliver a '*Vanilla*' **Revolving Line of Credit**:

* Chapter Five: 'Philosophy of Financial Regulation' "Third, regulation can help achieve social objectives such as, for example, 'community service obligations' which **typically take the form of price controls."**
* Chapter Nine: 'Stability and Payments' "**There is scope for increased competition in the payments system which will help to lower its costs of operation**. However, this must be balanced against the need to maintain stability in the financial system. The payments system provides one central way in which instability can be generated. **The RBA should retain overall responsibility for the stability of the financial system, the provision of emergency liquidity assistance and for regulating the payments system."**
* Chapter Eleven: Promoting Increased Efficiency "Cross-subsidies are derived from historical product bundling [evident in (a) to (g) of **Chapter 3** above], earlier difficulties with apportioning costs, **and community expectations that institutions should meet community service obligations**. The unwinding of such cross-subsidies can increase efficiency in the financial system."

9. Reserve Bank webpage **Credit Cards Regulatory Decisions** evidences that the Reserve Bank, the legislative appointed protector of Credit Cardholders, did naught for the **Retail Supply Side** prior to March 2014. **RBA breached it Extensive Responsibilities to *Persistent Revolvers* by taking 12 years *circa* to 'stamp out' five ploys of Unconscionable Conduct listed in the below Joint Media Release that initially surfaced in the USA, migrated to the UK and onto Australia** - 18 months slower than the UK Regulator, BIS:

"**Getting a Better Deal on Credit Cards and Mortgages**"

4th Question

Will the Royal Commission recommend that the Governor of the Reserve Bank draw upon its ***existing powers*** to replace the debt 'lure' of an **Interest Free Period** with a **-**

* **Concessional Interest Rate Period**; and
* **Purchase Usage Fee**,

for making each **Purchase** with a **Credit Card** *'so that each user pays'* for the benefits of a **Revolving Line/s of Credit**?

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Supporting Evidence re 4th Question

1. **Unconscionable Credit Card Interest Charging** notes that -

(A) when Credit Cards were first launched in Australia in the 1970s, interest was charged only on any unpaid part of the **Closing Balance** after the **Payment Due Date**. Over time, more and more 'cute' **Credit Card Issuers** began changing the 'fine print' in their **Conditions of Use**, until nearly all **Credit Card Issuers** charged interest on all **Purchases** from the date of each **Purchase** if the **Credit Cardholder** did not pay the entire **Closing Balance** by the **Payment Due Date**; and

(B) then some **Credit Card Issuers** started cancelling the **Interest Free Period** for the subsequent month or two months.

These punitive interest cost measures were targeted for 20 years *circa* at **Financially Uneducated And Vulnerable** **Credit Cardholder** with poor **Financial Literacy Capacity** that may experience **Extreme Financial And Emotional Distress**.

2. Former Qld Premier, and now Australian Bankers Association chief executive, Anna Bligh, has been chartered with lifting the credibility of '*inter alia*' **Credit Card Issuers**, after her predecessors, David Bell and the long running, Steven Münchenberg, facilitated bank greed involving **Unconscionable Conduct**.

ABC News article, **Banks revamp code of practice in face of scandals, royal commission** -

(A). informs that the current CEO of the ABA, Anna Bligh, announced in late Dec 2017 that the ABA had just lodged a 'Banking Code of Practice' with the Australian Securities and Investments Commission (ASIC) for approval; and

(B). lists several changes that will be legally binding on all 'member banks' of the ABA which includes:

> **"Customers only paying interest on what remains on a credit card and not the full amount of purchase if a loan is being paid down."**

The fact that the ABA has made it mandatory in its recently lodged 'Banking Code of Practice' that its members charge interest on only any unpaid portion of the **Closing Balance** after the **Payment Due Date** is patent evidence that the previous long-running practice (explained above) was **Unconscionable Conduct** targeted at **Credit Cardholder** with poor **Financial Literacy Capacity**.

Hence, the ABA has ruled it mandatory that its members desist (A) above. The Writer has validated that St. George Bank has so ceased this practice because the St. George Credit Cardholder referred to in **Example 1** of **Labyrinth of '*Concealed Spiders*'** checked with St. George Bank.

(B) above has to be similarly eradicated because it is a '**penalty**' more generally suffered by **Financially Uneducated And Vulnerable** **Credit Cardholders** which is unlawful, as well as being discriminatory.

In Aug 2005, then chief executive of the Australian Bankers' Association, David Bell, denied the fees were penalties, and said customers could avoid them. "We always act ethically and in a law-abiding fashion," he said. Mr. Bell said: "There are many ways of checking the state of your account - ATM balance enquiries, telephone banking, the internet, asking at your branch and bank statements." The bankers' association has resisted calls for an inquiry into fee income. Mr. Bell said banks' costings were commercially sensitive and **"every business in Australia has the right to keep certain information**

private". If David Bell and his successor, Steve Münchenberg, were not so adept about prosecuting their employer's albeit flawed case, the incumbent, CEO, Anna Bligh, would not have such an onerous job to restore public confidence.

5th Question

Dr. Edey was questioned before the Acting Chairperson of the **Senate Economics Legislation Committee** on 1 June 2015 regarding a dearth of competition in Credit Card interest rates when the **Overnight Cash Rate** is at an all-time low of 1.5% and the highest -

* **Purchase interest rate is 25.9% from "Lombard Visa Card Classic**"; and
* **Cash Advance interest rate is 29.49% from Latitude Financial's "Go MasterCard"**.

Dr. Edey responded: **"... we do not have an interest rate regulator in Australia.............. What we do have is an ACCC that can investigate uncompetitive conduct if they see it, but they clearly have not seen it in this market".**

Will the Royal Commission ask the Governor of the Reserve Bank why the former Assistant Commissioner, Dr. Malcolm Edey, provided the above response that resiled the RBA's obligations and responsibilities to **".....promoting competition in the market for payment services, ...",** pursuant to -

1. **Sect 10B(iii)** of the **Reserve Bank Act 1959**; and
2. **Extensive Powers and Responsibilities of the RBA?**

Because the ACCC's competition responsibilities were subrogated to the RBA when the **RBA imposed an Access Regime on the three previously designated Credit Card Schemes in Aust on 23 Feb 2004**.

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Supporting Evidence re 5th Question

1. Australia's 'central bank', the RBA -

(A) had previously capped Credit Card interest rates @ 18% until April 1985 relying upon ***Section 50*** of the ***Banking Act 1959***; and

(B) the **RBA imposed an Access Regime on the three previously designated Credit Card Schemes in Aust on 23 Feb 2004** and thereby inherited carriage for all of the ACCC's responsibilities re **" ..... for competition and access...."**.

Hence, the ACCC's obligations regarding pursuing competition amongst Credit Card Issuers were subrogated to RBA on 23 Feb 2004 because **RBA imposed an Access Regime on the three previously designated Credit Card Schemes on 23 Feb 2004,** pursuant to **Division 3—Access to designated systems - Subdivision A—Access regimes - 12 Imposition of access regime** and has subsequently set other Standards chronicled in **Credit Cards Regulatory Decisions** pursuant to **Division 4, Section 18** of the **Payments System Regulation Act 1998.** This re-assignment of responsibility for ensuring 'competition' to the RBA is set out in the **MoU between the ACCC and the RBA dated 8 Sept 1998**.

How could a very senior representative of the RBA with over 20 years experience working for the RBA not know that the RBA shouldered all of the ACCC's obligations re ensuring competition from 23 Feb 2004? It defies belief for Dr. Edey to have responded "**What we do have is an ACCC that can investigate uncompetitive conduct if they see it, but they clearly have not seen it in this market"**. His response also contradicts the ACCC website which notes that:

"The Australian Competition and Consumer Commission (ACCC) regulates anti-competitive behaviour. However, it has an agreement with ASIC that ASIC oversees the majority of bank and financial service product and services providers."

2. The Reserve Bank's publication **Payment, clearing and settlement systems in Australia - 2011** includes the following extract that would have allowed the RBA at any time to determine if a particular cohort of Credit Cardholders, namely those with poor Financial Literacy Capacity, were being Unconscionably burdened with paying the costs of Credit Card Issuers' providing **Revolving Line/s of Credit** to ***Transactors***, frequently -

* with no or an immaterially **Annual Cardholder Fee**; and
* providing **Rewards Programs**:

> **"The Payment Systems (Regulation) Act 1998 also gives the RBA extensive powers to gather information from payment system participants and operators."**

3. RBA webpage **Relationship with the Australian Competition and Consumer Commission (ACCC)** includes:

"The MOU makes it clear that:

- the ACCC is responsible for ensuring that payments system arrangements comply with the competition and access provisions of the *Competition and Consumer Act 2010*, **in the absence of any specific Reserve Bank initiatives**. Under its adjudication role, the ACCC may grant immunity from court action for certain anti-competitive practices, if it is satisfied that such practices are in the public interest. It may also accept undertakings in respect of third-party access to essential facilities; and
- **if the Reserve Bank, after public consultation, uses its powers to impose an access regime and/or set standards for a particular payment system, participants in that system will not be at risk under the *Competition and Consumer Act 2010* by complying with the Bank's requirements**.

The effect is that the ACCC retains responsibility for competition and access in a payment system, unless the Bank designates that system and follows up by imposing an access regime and/or setting standards for it. If the Bank does so, its requirements are paramount. Designation does not, by itself, remove a system from the ACCC's coverage."

6th Question

Will the Royal Commission ask the Governor of the Reserve Bank if the Senate 'Economics Reference Committee' summary report titled **Interest rates and informed choice in the Australian credit card market** dated Dec 2015 was correct when it justified (in below extract from page 3) Dr. Edey's response (listed in **Question 5**) when Dr. Edey was being questioned about excessive Credit Card interest rates on 1 June 2017 by asserting that the ACCC is responsible to monitor and regulate credit card interest rates:

> **"1.8 Dr Edey quite rightly made the point that Australia does not regulate interest rates, and, as such, there is no interest rate regulator. He told the committee that Australia does have 'an ACCC [Australian Competition and Consumer Commission] that can investigate uncompetitive conduct if they see it, but they clearly have not seen it in this market'.3 It was put to Dr Edey that the issue was not so much whether there was uncompetitive conduct in the market, but whether regulatory settings were conducive to the promotion of sufficient competition to put downward pressure on credit card interest rates.4 In part, the committee's inquiry has been directed at understanding whether existing regulatory settings in relation to credit cards are appropriate in this respect. More broadly, the committee has sought to determine what might be done to improve competition in the credit card market or otherwise put downward pressure on credit card interest rates."**

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See Supporting Evidence re 5th Question and 1. below

1. Australia's 'central bank', the RBA -

(A) had previously capped Credit Card interest rates @ 18% until April 1985 relying upon ***Section 50*** of the ***Banking Act 1959***; and
(B) the **RBA imposed an Access Regime on the three previously designated Credit Card Schemes in Aust on 23 Feb 2004** and thereby inherited carriage for all of the ACCC's responsibilities re **" ..... for competition and access...."**.

The RBA is empowered to 'designate' and regulate payment schemes under the *Payment Systems (Regulation) Act 1998*, and has a mandate to 'promote efficiency and competition in payments systems consistent with the overall stability of the financial system'. Consistent with this mandate, the RBA's Payment Systems Board (PSB) regulates card payment schemes in relation to matters such as interchange fees, surcharging and scheme access.

The RBA designated the MasterCard and Visa payment schemes in April 2001, and, as explained in the next section, both schemes have been subject to interchange and other regulations since 2003. Three-party systems—most notably American Express and Diners' Club, but also China UnionPay, JCB and PayPal—are not designated (although, as noted below, American Express companion cards have recently been designated).

Hence, the ACCC's obligations regarding pursuing competition amongst Credit Card Issuers were subrogated to the RBA on 23 Feb 2004 because the **RBA imposed an Access Regime on the three previously designated Credit Card Schemes on 23 Feb 2004**, pursuant to **Division 3—Access to designated systems - Subdivision A—Access regimes - 12 Imposition of access regime** and has subsequently set other Standards chronicled in **Credit Cards Regulatory Decisions** pursuant to **Division 4, Section 18** of the **Payments System Regulation Act 1998**. This re-assignment of responsibility for ensuring 'competition' to the RBA is set out in the **MoU between the ACCC and the RBA dated 8 Sept 1998**.

How could a very senior representative of the RBA with over 20 years experience working for the RBA not know that the RBA shouldered all of the ACCC's obligations re ensuring competition from 23 Feb 2004? It defies belief for Dr. Edey to have responded "**What we do have is an ACCC that can investigate uncompetitive conduct if they see it, but they clearly have not seen it in this market"**. His response also contradicts the ACCC website which notes that:

> "**The Australian Competition and Consumer Commission (ACCC) regulates anti-competitive behaviour. However, it has an agreement with ASIC that ASIC oversees the majority of bank and financial service product and services providers.**"

7th Question

Will the Royal Commission ask the Governor of the Reserve Bank if he agrees with Dr. Malcolm Edey's below responses to the Senate 'Economics Reference Committee', because it is contrary to the findings in **LOAN RATE STICKINESS: THEORY AND EVIDENCE** in June 1992 and empirical evidence in the USA, the UK and Australia over the subsequent 26 years:

> **"Dr Edey : Yes, the financial system works through competition. The basic wholesale interest rate is the cash rate, which we set, and then competitive forces will cause other interest rates to move up and down with the cash rate. That is the way the effect of policy is transmitted to the wider economy."**

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Supporting Evidence re 7th Question

1. **Extracts from the Reserve Bank Research Discussion Paper titled LOANRATE STICKINESS: THEORY AND EVIDENCE - RBA 1992** (by Philip Lowe and Thomas Rohling) dated June 1992 informed that the Reserve Bank regulated lending interest rates until 1985 and *post*-deregulation lending interest rates, in particular Credit Card interest rates, did not fall in line with the **Overnight Cash Rate**, and when falls were passed on, it wasn't done quickly or completely, whereas when the **Overnight Cash Rate** increased, these increases were passed on by way of higher lending interest rate and quickly. Hence, Credit Card interest rates were particularly *sticky when the* **Overnight Cash Rate** fell, as Credit Card interest rates regularly remained '*stuck*'.

2. '**Background information re the increasing interest rate spread for Credit Cards**' and **Chapter 17** further explain the abovementioned RBA's **Research Discussion Paper** - **LOAN RATE STICKINESS: THEORY AND EVIDENCE**.

3. Below are extracts from page 21 of **The Senate - Economics References Committee - Interest rates and informed choice in the Australian credit card market - Dec 2015**:

   'Up like a rocket, down like a feather': Credit cards and the RBA cash rate

   3.6 Professor Valadkhani (Department of Accounting, Economics and Law, Swinburne University of Technology) provided the committee with research he had undertaken indicating that credit passed on 112 per cent of RBA cash rate increases (the full value of increases, plus 12 per cent), but only 53.7 per cent of rate cuts: but cuts were delayed by an average of two-and-a-half months. Professor Valadkhani has suggested this asymmetry is an example of the 'rockets-and-feathers' effect: credit card interest rates 'shoot up like a rocket' in response to RBA cash rate increases, but 'float down like feather' when the cash rate is decreased.4 This means that over time the gap between the RBA cash rate and credit card interest rates has grown, and consumers have been left paying higher rates of interest overall.

   3.7 Professor Valadkhani took issue with the banks tendency to downplay the relevance of the cash rate to credit card interest rates:

   "We do not have enough information about what their funding sources are. The argument they always make is: 'We cannot pass rate cuts on because our sources of funding are different—it is not just the cash rate; it is our external sources.' My argument to banks is: if that is the case, how come, when the cash rate goes up, you immediately lift your rates? You may have other external sources that are not related to the cash rate, but you increase your rates anyway. When the cash rate goes down, though, you resort to the argument of external sources.5"

   3.8 CHOICE noted that despite a falling cash rate, average credit card interest rates had gone up for both standard-rate and low-rate cards in recent years. This was of particular concern to CHOICE, because:

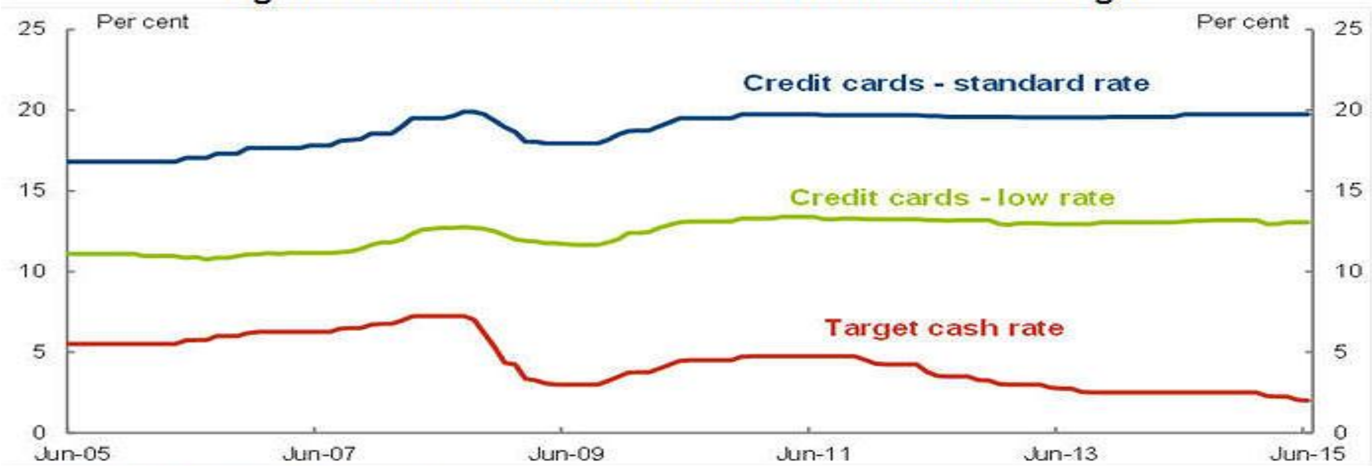
   …if you must have a credit card and you are on a low income that means you cannot pay off your balance every month, a low-rate card is the best option. So to see banks taking advantage of drops in interest rates to dip their hands deeper into the pockets of low-income consumers is of deep concern.6

4. Below is an extract from **TREASURY SUBMISSION TO THE SENATE ECONOMICS REFERENCES COMMITTEE INQUIRY INTO MATTERS RELATING TO CREDIT CARD INTEREST RATES** - 11 Aug 2015:

   Credit card interest rates have been unresponsive to movements in the cash rate

   "Despite a 2.75 percentage point decline in the cash rate since late 2011, credit card interest rates have remained high. The rates on 'standard' cards are currently around 20 per cent, while the rates on 'low-rate' cards are around 13 per cent (Figure 3). This has prompted concern that there is a lack of competition in the Australian credit card market."

Figure 3: Credit card interest rates and the cash rate target



Source: Reserve Bank of Australia

:OMPETITION IN THE AUSTRALIAN CREDIT CARD MARKET

5. Below is and extract from the **[Government response to the Financial System Inquiry - Improving Australia's Financial System - 20 Oct 2015]**:

> "We will also be clear in the Statements of Expectations that regulators should explain in each annual report how they have balanced competition with other elements of their mandates."

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8th Question

Will the Royal Commission ask the Governor of the Reserve Bank if the RBA is in possession of empirical evidence that supports Dr. Malcolm Edey's contention (in the below verbal exchange with the Acting Chair of the Senate 'Economics Reference Committee' on 1 June 2017) that a viable opportunity exists for Credit Cardholders that have managed to 'chalk up' considerable debit, often across several Credit Cards, to consolidate those debts in a zero or introductory low interest rate Credit Card to **".... pay off their loans more quickly"**?

Dr Edey : We often get asked that question. I have heard that question put a lot in relation to mortgage interest rates, because there was a period of time, particularly during the GFC, where mortgage rates were not moving one for one with the cash rate as well. The response that we have always given to that is that the cash rate is a still a significant driver of those rates, so it is still having an influence. We take into account movements in the margins between those rates in determining what the appropriate level of the cash rate is. In principle, the same is true for the credit card rates. Referring back to what I said earlier, the amount of credit card debt and interest is much smaller than is the case for mortgages and for business loans, so it is not—

ACTING CHAIR: I can understand why from the perspective of a bank, and the Reserve Bank's perspective, it is smaller in terms of overall impact for the economy. But it is fair to say that for the people who are caught in things like debt traps and who are caught with credit card debt—and they may be small numbers—it is quite significant isn't it?

Dr Edey : It is significant for the people who are paying it. But it is just not particularly big for the economy as a whole. **Another thing that has been going on over the last couple of years is that there are interest-free cards, or low-interest cards, that you can get by being prepared to switch if you are on a standard credit card rate. Increasingly, people have been doing that, or they have been paying off their loans more quickly so that they do not incur interest.**

ACTING CHAIR: Hang on. That is a furphy of an argument. The point is, and you just agreed to this a minute ago: the gap is at a record high for low-rate cards as well as high-rate cards. For all cards, it is at a record level, isn't it? It is not as if I can go to a low-rate card and I will be okay. Even for the low-rate cards, the gap between that and the cash rate has now reached a record level.

Dr Edey : That gap has gone up as well. **But there are also zero-rate cards. The banks do offer switching packages where you can get an interest-free card if you switch banks.**

Mr Campbell : For a few months.

Dr Edey : For limited periods. What I am saying is that there are ways you can take advantage of the competition that is there to reduce your interest.

ACTING CHAIR: I just want to be very clear, Dr Edey, on what you are saying. I want to be able to walk away from this and get a good understanding. The point you seem to have been making is this—and I want to put this together; tell me if this is incorrect. Firstly, what you are saying, from the evidence that you seem to be presenting, does question some of the assertions that have been made as to why the gap is so high. The point you seem to be making is: **'Yes, we are talking'—and you are going to get us the exact figures, but the default rates are quite small; the non-performance rate is quite small. We want to get to the bottom of how and why the gap between credit card rates and the cash rate has reached a record level. We are asking you, Dr Edey, whether it is something the Reserve Bank is prepared to look at, and it seems to be that the answer you are giving us is, 'No.'**

Dr Edey : No, I am not saying 'No' at all. **All I am really saying is: somebody should look at it, and I think that we should consult with our colleagues in other agencies to determine who is the best placed to lead it.**

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Supporting Evidence re 8th Question

1. **Three months after Dr. Edey asserted (below) that a debt solution was available, ASIC requested five years data from 12 Credit Card Issuers, including the *Four Pillars*, Citibank, HSBC and Macquarie, to assess whether banks are deliberately targeting interest-free promotions at customers who are likely to end up taking longer to pay off their Credit Card debts**; and
2. **Treasury, Submission to Senate Economics References Committee Inquiry into matters relating to credit card interest rates, 11 Aug 2015** notes (on page 5) that **".... 70 of the 95 credit cards the Reserve Bank of Australia (RBA) regularly monitors currently offer discounted balance transfers** listed in **Appendix B.**

3. There is **[Welter Of Evidence]** that some Credit Card Issuers, notably **[Citibank]**, offer Zero Balance Credit Cards (to other bank Credit Cardholders) that consolidate (other bank) Credit Cardholders cumulative debts to poach Credit Cardholders because Zero Balance Credit Cards are profitable because they target other bank Credit Cardholders with poor **Financial Literacy Capacity?**

4. Below are extracts from print journalist, George Lekakis, succinct, scathing article for THE NEW DAILY on Jun 2, 2015 **"Watchdogs quiet as banks gouge credit cards"**:

> "Amid mounting evidence of bank gouging on credit cards, **Australia's corporate watchdogs are failing to protect consumers.**
>
> **Dr Edey's comments during the hearing also highlighted fundamental flaws in the way banks and other financial institutions are regulated in this country**.
>
> **The truly big revelation in Dr Edey's comments to parliament was that no regulator in the country has recently seen fit to investigate the gaping margin between credit card costs and the prices at which they are sold.**
>
> In response to questions from Labor senator Sam Dastyari and independent senator Nick Xenophon, Dr Edey acknowledged that it was an important issue that should be examined by a regulator, but he wasn't sure which one.
>
> This raises another issue, namely the failure of the **Council of Financial Regulators** – which the Reserve Bank coordinates – to identify credit card pricing as an area worthy of inspection by regulators.
>
> **The RBA and the Australian Prudential Regulation Authority have the power to access sensitive data on the banks' credit card businesses and even though a persuasive case already exists that price gouging is occurring, no regulator has fired a salvo.**
>
> **If the Council was doing its job properly the knowledge of the banking regulators would have already been shared with the competition watchdogs – the Australian Securities and Investments Commission and the Australian Competition and Consumer Commission**.
>
> The fact that it hasn't underlines a major flaw in the current regulatory framework.
>
> That probably has a lot to do with the RBA's co-ordinating role in the Council's work **and the central bank's alarming indifference towards competition as a policy concern.**
>
> **If part of the RBA's mandate is to protect the welfare of Australians in its execution of monetary policy, the Governor's commentary on credit cards pricing is a fail."**

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9th Question

SMH article titled **APRA says everything is fine in housing market, but look at credit cards** by Gareth Hutchens (4 June 2015) quoted that APRA Chairman, Wayne Byres, told senators in Canberra**:**

> Mr. Byres also agreed with Treasury, the RBA, and the Australian Securities and Investments Commission officials that there ought to be closer scrutiny of the interest rates banks are charging on their credit cards, because the current "spread" between the official cash rate and rates charged on credit cards was at record levels.

"I understand the point fully that the margins on credit card business look very high, certainly to any other form of credit, and certainly I can't sit here today with an explanation of why that is," Mr Byres said.

"Informing us all about that is probably a useful piece of work."

Will the Royal Commission ask the APRA Chairman, Wayne Byres, what has the **Council of Financial Regulators** actioned to quantify the profits earned by Credit Card Issuers due to the APRA Chairman's comments to senators in Canberra on 3 June 2017 that included **"....the margins on credit card business look very high , certainly to any other form of credit, and certainly I can't sit here today with an explanation of why that is,"........... and .... "Informing us all about that is probably a useful piece of work"**?

Will the Royal Commission ask the Governor of the Reserve bank who is the Chair of the **Council of Financial Regulators,** and co-wrote **LOAN RATE STICKINESS: THEORY AND EVIDENCE** in June 1992, if he has ever discussed with the other two members of that Council, namely APRA and ASIC, the RBA informing the Government, pursuant to **section 50 of the Banking Act 1959**, of the need for the RBA to re-regulate a maximum interest rate for Purchases and for Cash Advances due to the burgeoning gap between the **Overnight Cash Rate** of 1.5% and interest rates charged on low interest and on high interest Credit Cards that peak at 29.49% for a Cash Advance using a **Latitude Financial** **"Go MasterCard"**.

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Supporting Evidence re 9th Question

1. As chronicled in **Chapter 5**, in April 1985, when the 18% cap on Credit Card interest rates was removed by the RBA, the spread between the cost of funds and the 18% cap was less than 1%. That spread has widened and widened and is now as high as 22.4% for a **Purchase** and 26.5% for a **Cash Advance** to the material detriment of **Financially Uneducated And Vulnerable Australians** that **Lack Financial Acumen** often due to poor **Financial Literacy Capacity** identified by the Reserve Bank as ***Persistent Revolvers***.

2. Below are extracts from the **Productivity Commission's Draft Report titled "Competition in the Australian Financial System" dated Jan 2018** - 401 pgs - accessible at **Competition in the Australian Financial System**:

   - The **institutional responsibility** in the financial system for supporting competition is loosely shared across APRA, the RBA, ASIC and the ACCC. In a system where all are somewhat responsible, **it is inevitable that (at important times) none are.**

   Rather, we need: regulatory settings that do not thwart competition between existing institutions; more customer-oriented providers that consider their existing customers (not just potential new customers); **less of a blizzard of new but barely-distinguishable products with labels that obfuscate**; much better and far more open information on product prices and conditions; and scope for consumers to more easily become unstuck (should they wish to be) from their current banks and insurers.

   The financial system needs a competition champion

   Competition in Australia's financial system is without a champion among the existing regulators — no government agency is tasked with overseeing and promoting competition in financial markets, including forcing consideration of whether actions by regulators materially harm competition. Under the current regulatory architecture, promoting competition **requires a serious rethink about how the RBA, APRA and ASIC consider competition and whether the**

Australian Competition and Consumer Commission (ACCC) is well-placed to do more than it currently can for competition in the financial system. As a forum for coordinating input from financial system regulators on regulatory interventions, the **CFR** should be a key avenue through which consideration of competition impacts is promoted, analysed and made more transparent.

Shedding light on regulator decision making

As part of the broader adjustment in regulatory focus required, **greater transparency around decision making by the financial regulators, including the CFR, is essential to ensure accountability and an active consideration of effects on competition.**

As a first step in this process, and as a matter of priority for the Government, the Statements of Expectations for ASIC and APRA need to be updated from their 2014 versions and reported against annually. Such statements would provide financial regulators with the Government's perspective on their strategic direction and most crucially, allow assessment after the fact to see if performance matched expectations. This draft report should influence those documents.

The decisions made at the CFR are profound in their impact on the financial system and the economy but there is no public transparency around them. Regulation has tended to err on the side of financial stability. **Due to a lack of transparency, it is difficult to establish whether this approach is justified in all cases.**

The CFR's consideration of competition analysis (and other market interventions) should be minuted and published, as the RBA Board meetings are. An assessment that analyses in depth the competition implications of a proposed regulatory intervention should be discussed at the **CFR** meeting prior to the intervention starting. Regulators should, in their Statement of Expectations, be required to consider amending policies to alleviate adverse impacts on competition."

3. Australia's **Highest Interest Rate Credit Cards**

4. It is an indictment that **Three Parliamentary Appointed Bodies That Regulate Financial Services** that are bound to ***"act in the public interest***" do not publish Minutes of the quarterly meetings of the **Council of Financial Regulators** which would provide an audit trail that these three regulators are, in fact, ***"acting in the public interest***", particularly as the RBA Board Meetings are Minuted. One ponders the reason. Perhaps Dr. Norman Edey would assert that they sometimes discuss commercially sensitive matters, but Minuting discussions re information sharing regarding the **Counsel's responsibilities**, in particular **"to discuss regulatory issues",** should not be commercially sensitive. And if it is, then we all have a problem with the efficacy of our **Three Parliamentary Appointed Financial Services Regulates.**

5. The **Writer** emailed **RBA_Info on Friday, 16 March 2018 4:57 PM asking where he could access the Minutes of the quarterly meeting of the non-statutory Council of Financial Regulators. On 19 March RBA_Info informed that there are no published Minutes**, but directed him to page 57 of **RBA's Financial Stability Review - Oct 2017** titled **Domestic Regulatory Developments.** Sadly, the word Credit Card or Credit Cards does not warrant a mention. But it does contain a lot of *impressive* ACRONYMS.

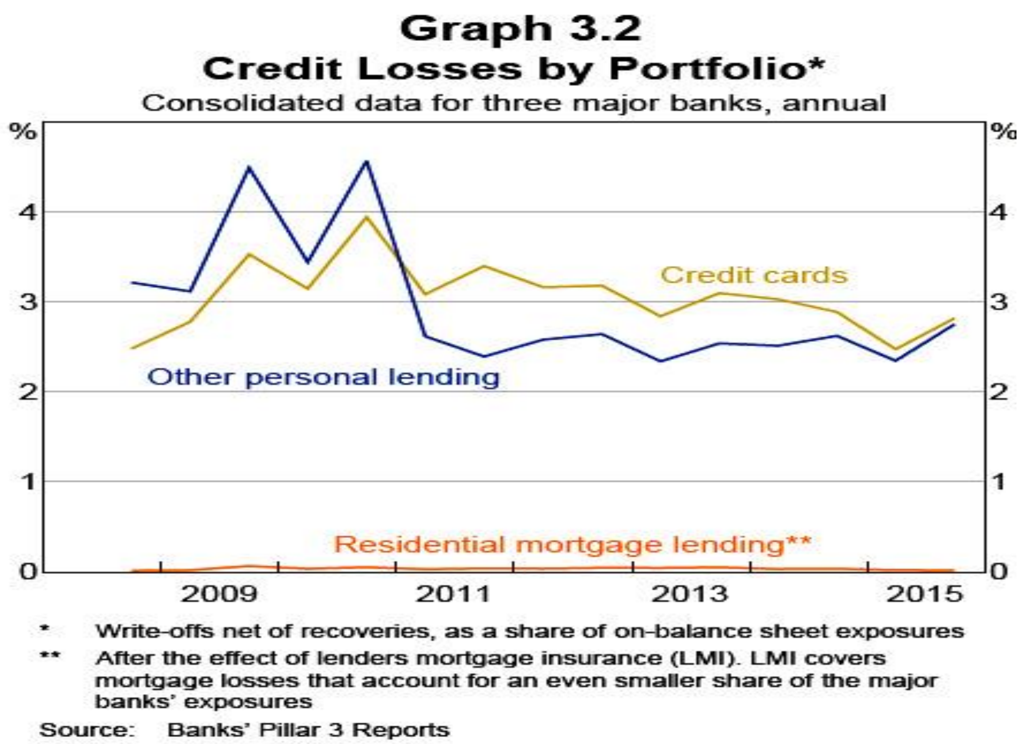
6. **RBA's Financial Stability Review - Oct 2015** was the first meeting of the **Council of Financial Regulators** after APRA Chairman, Wayne Byres' below repeated undertaking to Senators on 4 June 2015:

> **"Informing us all about that** (the current "spread" between the official cash rate and rates charged on credit cards was at record levels) **is probably a useful piece of work."**

Sadly, that **"..... useful piece of work"** failed to materialise at the quarterly October **CFR** meeting of Australia's three statutory appointed regulators.

7. Below is the only reference to Credit Cards in the **RBA's Financial Stability Review - Oct 2015:**

"In contrast, at around 2–3 per cent over recent years, write-offs on credit card debt and other personal lending have been higher, consistent with some portion of this lending being extended to borrowers with a relatively weak credit profile and on an unsecured basis. Although credit card and personal lending is riskier, it represents only a small share of banks' total domestic loans."



8. The word 'competition' appears in the **RBA's Quarterly Financial Stability Review - Oct 2015** on 16 occasions. The FSR discussed the following issues mentioning the word 'competition', but not about what APRA Chairman, Wayne Byres told senators "....**is probably a useful piece of work."**

- nominal housing price growth
- Funding and liquidity
- the owner-occupier part of the mortgage market and in parts of the business lending market.
- a further deterioration in banks' asset quality in conjunction with slower rates of credit growth and the potential for net interest margins to narrow if the liberalisation of interest rates increases price **competition** for funding.
- Household and Business Finances
- competition in the owner-occupier lending market remains strong
- price competition for business lending
- mortgage lending insurance
- price competition for new and lower-risk owner-occupier borrowers
- competition for new large corporate loans
- cost of banks' domestic deposit funding
- Profitability
- competition in the mortgage market and the housing price cycle

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10th Question

Has the Governor of the Reserve Bank who is the Chair of the **Council of Financial Regulators,** and co-wrote **LOAN RATE STICKINESS: THEORY AND EVIDENCE** in June 1992, ever discussed with the other two members of that Council, namely APRA and ASIC, the RBA informing the Government, pursuant to **section 11(1) of the Reserve Bank Act 1959**, of the need for the RBA, pursuant to **section 50 of the Banking Act 1959**, to re-regulate a maximum interest rate for Purchases and for Cash Advances due to the burgeoning gap between the **Overnight Cash Rate** of 1.5% and interest rates charged on low interest and on high interest Credit Cards that peak at 29.49% for a Cash Advance using a **Latitude Financial** **"Go MasterCard"**?

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See Supporting Evidence re 9th Question

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11th Question

Will the Royal Commission recommend to the Chair of the **Three Financial Regulators** to provide Minutes of their quarterly meetings.

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Supporting Evidence re 11th Question

1. Below are extracts from the **Productivity Commission's Draft Report titled "Competition in the Australian Financial System" dated Jan 2018** - 401 pgs - accessible at **Competition in the Australian Financial System**:

   > **The CFR's consideration of competition analysis (and other market interventions) should be minuted and published, as the RBA Board meetings are.** An assessment that analyses in depth the competition implications of a proposed regulatory intervention should be discussed at the CFR meeting prior to the intervention starting. Regulators should, in their Statement of Expectations, be required to consider amending policies to alleviate adverse impacts on competition."

2. It is an indictment that **Three Parliamentary Appointed Bodies That Regulate Financial Services** that are bound to *"act in the public interest"* do not publish Minutes of the quarterly meetings of the **Council of Financial Regulators** which would provide an audit trail that these three regulators are, in fact, *"acting in the public interest"*, particularly as the RBA Board Meetings are Minuted. One ponders the reason. Perhaps Dr. Norman Edey would assert that they sometimes discuss commercially sensitive matters, but Minuting discussions re information sharing regarding the **Counsel's responsibilities**, in particular **"to discuss regulatory issues",** should not be commercially sensitive. And if it is, then we all have a problem with the efficacy of our **Three Parliamentary Appointed Financial Services** **Regulates.**

12th Question

Will the Royal Commission ask the Governor of the Reserve Bank whose Board is chartered under **Section 10(2) 'Functions of Reserve Bank Board' of the Reserve Bank Act 1959** to *"***best contribute**

to.......... the economic prosperity and welfare of the people of Australia" to **confirm that the Board of the Reserve Bank is aware of the primary findings of the reports (published after 2005) from the Productivity Commission, the ABS and ASIC that measure and quantify the Financial Literacy Capacity of Australians that are ranked as low as less than Level 1 up to Level 5?**

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Supporting Evidence re 12th Question

Chapter 1 notes *'inter alia'*:

1. Productivity Commission's Staff Working Paper **"Links Between Literacy and Numeracy Skills and Labour Market Outcomes"** dated Aug 2010 noted:

   For nearly half of the population were assessed at either levels 1 (the lowest level) or 2, both of which are below the minimum level deemed necessary to participate in a knowledge-based economy (level 3).

   For example, level 3 is regarded by the survey developers as the 'minimum required for individuals to meet the complex demands of everyday life and work in the emerging knowledge-based economy' (ABS 2006, p. 5).

   In 2006, the proportion of the working-age population (15–64 years) who had Language Literacy Numeracy (LLN) skills at levels 1 or 2, supposedly lower than the minimum required, was 44 per cent for prose literacy and document literacy, and 50 per cent for numeracy (figure F.1). The proportion at level 3 was 39 per cent for prose literacy, 37 per cent for document literacy and 33 per cent for numeracy. Productivity Commission Impacts of COAG Reforms: Research Report - April 2012

2. ABS report **Adult Literacy and Life Skills Survey, Summary Results, Australia, 2006** included:

   * **"On the numeracy scale, approx. 7.9 million (53%) Australians were assessed at Level 1 or 2, 4.7 million (31%) at Level 3 and 2.4 million (16%) at Level 4/5".**
   * **On the problem solving scale, approx. 10.6 million (70%) Australians were assessed at Level 1 or 2, 3.7 million (25%) at Level 3 and 800,000 (5%) at Level 4 (table 1)"**
   * **ABS - APPENDIX 1 - LEVELS OF SKILLS for PROSE LITERACY, DOCUMENTS SKILLS, NUMERACY and PROBLEM SOLVING** - explains the criteria for ABS's rankings.

3. **ASIC Report 224 "Access to financial advice in Australia" - December 2010** includes:

   51 These results, when considered together with Australian Bureau of Statistics' research into Australians' general document literacy and numeracy,[15] **in particular their ability to meet the complex demands of a knowledge-based economy, suggest that about one in two Australians do not have the skills required to make informed choices in their interactions with the financial services sector**.[16] There is also an identifiable age link, with document proficiency tending to decrease with age.

   14 For example the 2008 ANZ study of financial literacy found that _67% of respondents said that they understood the principle of compound interest, **but only 28% were rated with a good level' of comprehension when they solved the problem**', ANZ Banking Group Limited, *ANZ survey of adult financial literacy in Australia*, (The Social Research Centre) ANZ Banking Group, Melbourne, 2008, p. 19.

   15 **As part of an international study, the ABS measured skills in document literacy, prose literacy, numeracy and problem solving and found that approximately 7 million**

(46%) of Australians (and 7.9 million (53%) of Australians aged 15 to 74) had proficiency less than the minimum required for individuals to meet the complex demands of everyday life and work emerging in the knowledge-based economy' for document literacy and numeracy respectively', Australian Bureau of Statistics, *Adult literacy and life skills survey results*, cat. no. 4228.0, ABS, Canberra, 2006, p. 5.

16 **These findings have implications for our regulatory regime, which relies upon disclosure as a critical element of our consumer protection system.**

13th Question

Will the Royal Commission ask the Chair of ASIC that is bound by **Part 1-Preliminary Division 1 Objects** of the **ASIC Act 2001** to -

* "**improve the performance of the financial system and entities in it**; and
* "**receive, process and store, efficiently and quickly, information that is given to us**",

to inform what action ASIC took to protect **Financially Uneducated And Vulnerable** Credit Cardholders that have poor **Financial Literacy Capacity**, after it published **ASIC Report 224 "Access to financial advice in Australia"** in Dec 2010?

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Supporting Evidence re 13th Question

See '**Supporting Evidence re 12th Question**', specifically **ASIC Report 224 "Access to financial advice in Australia" - December 2010** includes:

51 These results, when considered together with Australian Bureau of Statistics' research into Australians' general document literacy and numeracy,15 **in particular their ability to meet the complex demands of a knowledge-based economy, suggest that about one in two Australians do not have the skills required to make informed choices in their interactions with the financial services sector**.16 There is also an identifiable age link, with document proficiency tending to decrease with age.

14 For example the 2008 ANZ study of financial literacy found that _67% of respondents said that they understood the principle of compound interest, **but only 28% were rated with a good level' of comprehension when they solved the problem**', ANZ Banking Group Limited, *ANZ survey of adult financial literacy in Australia*, (The Social Research Centre) ANZ Banking Group, Melbourne, 2008, p. 19.

15 **As part of an international study, the ABS measured skills in document literacy, prose literacy, numeracy and problem solving and found that approximately 7 million (46%) of Australians (and 7.9 million (53%) of Australians aged 15 to 74) had proficiency less than the minimum required for individuals to meet the complex demands of everyday life and work emerging in the knowledge-based economy' for document literacy and numeracy respectively'**, Australian Bureau of Statistics, *Adult literacy and life skills survey results*, cat. no. 4228.0, ABS, Canberra, 2006, p. 5.

16 **These findings have implications for our regulatory regime, which relies upon disclosure as a critical element of our consumer protection system.**

==

14th Question

Will the Royal Commission ask the Chair of the **Council of Financial Regulators** to provide a schedule (to the Royal Commission) of the respective responsibilities of the RBA, APRA and ASIC (and the clauses relied upon in their respective Acts listed at the top of this letter), that satisfy the Terms of Reference and

Statement of Expectations required under the **PGPA Act**, that obligates each regulator to ensure competition amongst **Credit Card Products** which involves seeking information to establish that **Credit Card Issuers** are not engaging in **Numeracy And Literacy Discrimination** through **Unconscionable Credit Card Advertising** targeted at Credit Cardholders with low **Numeracy and Literacy Skills**?

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Supporting Evidence re 14th Question

1. Based on the below and earlier referred responses by Dr. Edey on 1 June 2017, the **Council of Financial Regulators** has breached its **Statutory Duties** with regard to understanding **Extreme Financial And Emotional Distress** experienced by many ***Persistent Revolvers*** that pay for the **Lines of Credit** enjoyed by ***Transactors*** at virtually no cost and often receiving tax-free **Rewards Programs**:

Senator XENOPHON: The amount of credit card debt is $45 billion to $48 billion—$33 billion accrues interest. We are sort of talking about the numbers of the Rudd stimulus package in 2009. It is a lot of money in the economy. What I am trying to understand is this: you said that the banks say that the interest rate is greater because of the risk factor. Has the Reserve Bank tested, in terms of the default rate for the banks, whether it has gone up over the years, and that is why the gap has increased and turned into a chasm? Have you checked that? That seems to be what the banks are saying: more risk; therefore higher interest rates. Has the increase of interest rates, in relative terms, been due to an increase in defaults?

Dr Edey : **We have not tried to test that.**

Senator XENOPHON: Shouldn't that be tested though? That is an underlying assertion on the part of the banks.

Dr Edey : **I think it is well worth somebody's while to test that.**

Senator XENOPHON: Is it worth your while?

Dr Edey : The reason we have not done it at the level of detail that you are suggesting is we do not have separate data on loss rates—

Senator XENOPHON: Have you the right to demand that of banks?

Dr Edey : **That would be APRA territory to require—**

Senator XENOPHON: Right. But you could liaise with APRA to get that information. Is that right?

Dr Edey : **I think so.**

Senator XENOPHON: But does it concern you, as Senator Dastyari pointed out, with apologies to Elvis, that in terms of debt people are caught in a trap and they just cannot get out of it? Does it concern you that there are many thousands of Australians who are stuck in a debt trap because of credit card debt and very high interest rates, who will not be able to get on with their lives, will not be able to get a decent credit rating and will not be able to get their first home, because of interest rates that appear to be much higher than a well-functioning market would dictate.

Dr Edey : I think it is a problem if people are in that situation. I do not doubt that there are many people who struggle with that sort of issue. But you need to remember that the Reserve Bank has a top-down systemic risk focus. So if there is enough of that happening that it is a risk to the system as a whole, **that is our concern.**

Senator XENOPHON: But right now it is a known unknown. We just do not know how many people have been deeply affected by credit card debt, and that itself might point to some systemic issues.

Dr Edey : I cannot put a number on how many people there are, but we know how much debt there is.

Senator XENOPHON: It would be desirable to put a number on how many people are deeply affected by credit card debt, would it not?

Dr Edey : **I am not sure why quantifying that is an issue for the Reserve Bank. We know how much debt there is. We know what the non-performance rates are on consumer debt. It is only about three per cent—that sort of magnitude.**

2. The **RBA regulated the commercial bank between 1960 and the early 1980s '*with an iron fist in a velvet glove*'** relying upon **section 50 of the Banking Act 1959**.

3. Below is and extract from **page 2 of ASIC's "Check Against Delivery" dated 6 March 2018 for the Productivity Commission Inquiry into competition in the Australian financial system: Hearings on draft report:**

"Regulatory settings

Finally, I would like to discuss regulatory settings to promote competition.

Competition in financial markets is dynamic and evolving. Ensuring effective competition in the Australian financial system is an ongoing process.

Each regulator has a role to play.

As a starting point, each regulator needs the right mandate and regulatory toolkit to promote effective competition."

4. Below is and extract from page 28 of the **Government response to the Financial System Inquiry - Improving Australia's Financial System - 20 Oct 2015**:

"The Government agrees with the Inquiry's objective of strengthening the regulator accountability framework but does not support the creation of a new Financial Regulator Assessment Board.

We consider that new requirements in the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the Government's Regulator Performance Framework provide avenues to strengthen regulator accountability along with other existing mechanisms such as Parliamentary hearings.

We will reconstitute the Financial Sector Advisory Council with refreshed Terms of Reference to include providing advice on the performance of the financial regulators by the end of 2015.

We support providing regulators with clearer guidance in Statement of Expectations and consider that the PGPA Act requirements are consistent with the Inquiry's

recommendation for increased use of performance indicators for regulator performance.

We will update the regulators' Statements of Expectations in the first half of 2016, including providing a Statement of Expectations to the Payments System Board for the first time."

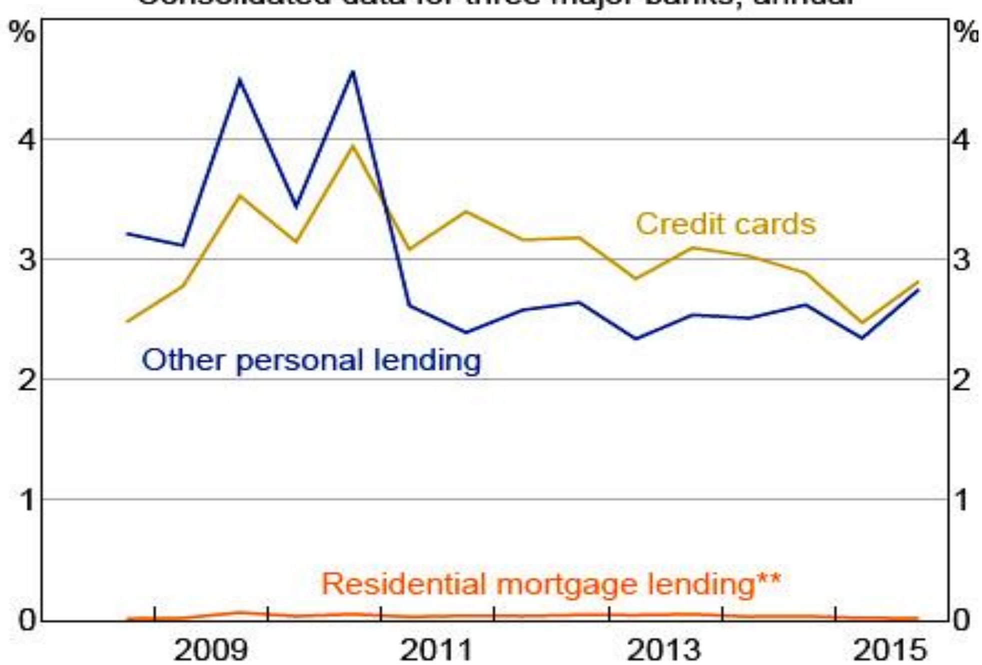
5. Below is the only reference to Credit Cards in the **RBA's Financial Stability Review - Oct 2015:**

"In contrast, at around 2–3 per cent over recent years, write-offs on credit card debt and other personal lending have been higher, consistent with some portion of this lending being extended to borrowers with a relatively weak credit profile and on an unsecured basis. Although credit card and personal lending is riskier, it represents only a small share of banks' total domestic loans."

Graph 3.2

Credit Losses by Portfolio*

Consolidated data for three major banks, annual



* Write-offs net of recoveries, as a share of on-balance sheet exposures

** After the effect of lenders mortgage insurance (LMI). LMI covers mortgage losses that account for an even smaller share of the major banks' exposures

Source: Banks' Pillar 3 Reports

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15th Question

Will the Royal Commission ask the Governor of the Reserve Bank why its **Payments System Board's 'Responsibilities and Powers** webpage does not also list the ***Banking Act 1959*** under legislation that governs the Payment Systems Board's responsibilities and powers?

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Supporting Evidence re 15th Question

Section 50 of the ***Banking Act 1959*** was relied upon to set deposit and loan interest rates upon commercial bank accounts, including capping Credit Cards @ 18% up until April 1985, as explained on page 13 and 14 of **Reserve Bank Research Discussion Paper titled LOAN RATE STICKINESS: THEORY AND EVIDENCE - RBA 1992**. Credit Cards are **Designated**, deemed an **Access Regime** and **Standards have been set by the RBA**. Hence, the ACCC's obligations were subrogated to the RBA. If the PSB was to ever set a Standard to regulate Credit Card interest rates, it would have to rely upon **Part V—Interest rates 50 'Control of interest rates'** of the ***Banking Act 1959*.**

The ***Banking Act 1959*** contains the following references to the *Payment Systems (Regulation) Act 1998*):

Subdivision D—Administration

16AJ Requiring assistance

(1) APRA may, by written notice given to any of the following persons, require the person to give APRA such reasonable assistance in the performance of its functions, and the exercise of its powers, under this Division as is specified:

(a) an ADI (whether or not it is a declared ADI);

(b) an administrator appointed under subsection 13A(1) to take control of an ADI's business;

(c) a liquidator appointed in connection with the winding up, or proposed winding up, of an ADI.

(2) Without limiting subsection (1), APRA may require a liquidator to assist APRA in APRA's function of paying account holders their entitlements under Subdivision C.

(3) For example, APRA may, by notice issued under subsection (1), require the liquidator to do the things specified in the notice, including:

(a) carrying on the business of the ADI so far as necessary, or doing any other act or thing, to facilitate APRA's payment to account holders in accordance with Subdivision C; or

(b) seeking the re-entry of the ADI into a payment system (as defined in section 7 of the ***Payment Systems (Regulation) Act 1998*)**; or

(c) transferring the entitlements of account holders to accounts held by the account holders in another ADI.

The ***Banking Act 1959*** contains the following references to the Reserve Bank of Australia, in particular **Part V—Interest rates 50 'Control of interest rates'**:

2 Commencement

Except as otherwise provided by this Act, this Act shall come into operation on the day on which the *Reserve Bank Act 1959* comes into operation.

8 Only the Reserve Bank and bodies corporate that are ADIs may carry on banking business

11C Division not to limit operation of other provisions

Nothing in this Division is intended to limit the operation of any other provision of this Act or of the *Reserve Bank Act 1959*.

11CE Supply of information about issue and revocation of directions

Power to publish notice of directions in Gazette

(1) APRA may publish in the *Gazette* notice of any direction made under Subdivision A or B or section 29. The notice must include the name of the ADI or authorised NOHC given the direction and a summary of the direction.

Requirement to publish notice of revocation of certain directions in Gazette

(2) If APRA publishes notice of a direction made under Subdivision A or B or section 29 and then later revokes the direction, APRA must publish in the *Gazette* notice of that revocation as soon as practicable after the revocation. Failure to publish notice of the revocation does not affect the validity of the revocation.

Requirement to provide information about direction to Treasurer and Reserve Bank

(3) If the Treasurer or the Reserve Bank requests APRA to provide information about:

(a) any directions under Subdivision A or B or section 29 in respect of a particular ADI or authorised NOHC; or

(b) any directions made during a specified period under Subdivision A or B or section 29 in respect of any ADIs or authorised NOHCs;

APRA must comply with the request.

16AE Advice and information for decision on making declaration

(1) The Minister may give APRA, ASIC or the Reserve Bank a written request for advice or information about a matter relevant to making a decision about making a declaration under section 16AD (including a matter relating to the affairs of an ADI).

(2) As soon as reasonably practicable after being given the request, APRA, ASIC or the Reserve Bank must give the Minister the advice or information about the matter.

(3) In making the decision, the Minister must take into account the advice and information (if any) that he or she has been given before making the decision. This does not limit what the Minister may take into account in making the decision.

Part V—Interest rates

50 Control of interest rates

(1) The Reserve Bank may, with the approval of the Treasurer, make regulations:

(a) making provision for or in relation to the control of rates of interest payable to or by ADIs, or to or by other persons in the course of any banking business carried on by them;

(b) making provision for or in relation to the control of rates of discount chargeable by ADIs, or by other persons in the course of any banking business carried on by them;

(c) providing that interest shall not be payable in respect of an amount deposited with an ADI, or with another person in the course of banking business carried on by the person, and repayable on demand or after the end of a period specified in the regulations; and

(d) prescribing penalties, for offences against the regulations, not exceeding:

(i) if the offender is a natural person—a fine of $5,000; or

(ii) if the offender is a body corporate—a fine of $25,000.

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16th Question

Will the Royal Commission ask the Chair of the **Council of Financial Regulators** if it sought financial data from the primary six or seven **Credit Card Issuers**, that includes those issued by **Citibank** and **Latitude Financial** (*nee* G.E. Capital), that identifies the number, **Outstanding Indebtedness** and demography of **Credit Cardholders** that are ***Persistent Revolvers*** after the RBA quantified in **Graph 7** of

RBA Submission to the Senate Inquiry into Matters Relating to Credit Card Interest Rates - Aug 2015 the indebtedness borne by ***Persistent Revolvers***?

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Supporting Evidence re 16th Question

1. **Submission 20 to the Senate Inquiry into Matters Relating to Credit Card Interest Rates – Aug 2015** (**Reference A listed at top of this page - 3rd Publication**) evidenced the RBA introduce a new nomenclature, ***Persistent Revolvers,*** in Aug 2015 to describe Credit Cardholders that were hopelessly in debt:
   * **Graph 7 titled "Cardholder Payment Behaviour"** quantified the magnitude of the gross interest burden falling upon ***Persistent Revolvers*** that often possess low **Financial Literacy Capacity** that are often **Financially Uneducated And Vulnerable Australians** and have paid **Usurious Interest Rates.** The **Writer** calculates that ***Persistent Revolvers*** accounted for **12.58%** *circa* of the 7,515,000 Credit Cardholders (June 2016), namely **945,000** [cell b36] Credit Cardholders (**ASIC 'Credit card debt clock' 27-Apr-17**) paid an **Unconscionable** 80% *circa* of **Interest And Penalty Fees Revenue** levied by **Credit Card Issuers**; and
   * Noted that **".....** In addition, many credit card holders take advantage of interest-free periods such that they do not pay interest on their card balances " identified by the RBA as ***Transactors***.

2. Federal and State Govt's **allocated $43.38 million in 2014 to 44 Australian charities to provide 500 *circa* financial counselling to Australians, over the subsequent year, that are experiencing Extreme Financial And Emotional Distress.** The vast majority of those counselled are **Credit Cardholders** with poor **Financial Literacy Capacity** (**Chapter 7**). The Federal Govt. funds $20m and the State Govts collectively fund a further $23m to 44 *circa* community organisations throughout Australia annually towards the salaries of approx. 500 **Financial Counsellors** that provide financial counselling, ostensibly to Australians carrying high **Credit Card Debt Accruing Interest** and others also suffering a gambling addiction.

3. The **Commonwealth Financial Counselling services for Communities and Vulnerable People** that collectively fund $43 million annually to pay for **Financial Counsellors** at Australia's major charities should require these community organisations (or at least the larger community organisations) to provide periodic returns/reports to these Government agencies which inform *'inter alia'* the -

   1. number, indebtedness and demography of the Credit Cardholders (which may include a husband and wife collectively) that the **Financial Counsellors** are assisting; and

   2. number of **Credit Cardholders** that are carrying **Credit Card Debt Accruing Interest** over the following brackets of indebtedness and the average number of Credit Cards that the **Credit Cardholders** in these six segments carry indebtedness?

- $10,000 but less than $20,000 - (eg. 2,556 Credit Cardholders (individual or couples) own 10,767 Credit Cards (= 4.2 Credit Cards per person or husband and wife/partner) across 10 largest community organisations)
- $20,000 but less than $50,000
- $50,000 but less than $100,000
- $100,000 but less than $125,000

- $125,000 but less than $150,000
- $150,000 or higher

17th Question

Will the Royal Commission ask the Chairman of the ACCC, Mr. Rod Sims, to examine the information in advertisements for Credit Cards (explained in the **Nine Examples** within **Labyrinth of '*Concealed Spiders*'**), with particular regard to obligations under the **National Consumer Credit Protection Amendment (Home Loans and Credit Cards) Act 2011**, to determine if any represent **Predatory Advertising**, *ipso facto* **Unconscionable Conduct** (based in the ACCC's description of **Unconscionable Conduct**)?

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Supporting Evidence re 17th Question

1. **ASIC is empowered to impose monetary penalties** where **Unconscionable Conduct** is found to exist.
   The Royal Commission can recommend that the **Council of Financial Regulators** ban any marketing practices that the ACCC deems to be **Unconscionable Conduct.**

2. **Credit Card Issuers have since conjured up more Predatory Advertising to Target Credit Cardholders With Low Financial Literacy Capacity that continued unchecked by Two Of Australia's Three Financial Services Regulators.**

18th Question

Will the Royal Commission ask the Chairman of the ACCC, Mr. Rod Sims, if the below extracts from '**Conditions of use**' booklets issued by St. George Bank, ANZ and Westpac with text in small fonts constitute **Unconscionable Conduct**?

* St George Bank "We strongly recommend **that you read this booklet carefully** and retain it for your future reference" a **76 pages** **Conditions of Use - Credit Guide** document of Conditions. The word 'interest' appears in the 'Contents' twice and 78 more times throughout the 76 pages. The word 'fee' or 'fees' appears 53 times.

* ANZ's '**CONDITIONS OF USE 20.06.2016 CONSUMER CREDIT CARDS**' telling all Cardholders to read the **97 pages** booklet that is printed in 9 font in its entirety. The word "interest' appears 216 times in the booklet. The word 'fee' or 'fees' appears 104 times. below is an extract from page 7:

  > The following summary is designed to highlight some of the important information about your credit card account and to help you identify where to find further details within this booklet. The summary is not a substitute for the terms of Parts A and B of this booklet, which you should still read and understand."

* "**Ignite by Westpac - Consumer Credit Card Conditions of Use"**. The word 'interest' appears in the 'Contents' once and **92 more times** throughout the 43 pages. The word 'fee' or 'fees' appears in the 'Contents' once and **74 more times** throughout the 43 pages. "**This User Guide forms part of your Credit Card Contract**, along with the information set out on the reverse of your welcome letter which advises you of your credit limit and other prescribed information we are required to give you by law." Clause 17 is "Do I have any other rights and obligations?" "Yes. The law will give you other rights and obligations. You should also READ YOUR CONTRACT carefully."

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Supporting Evidence re 18th Question

Same as **Supporting Evidence re 17th Question**

19th Question

Will the Royal Commission recommend to the **Three Financial Regulators** that they use their existing regulatory powers to require all Credit Card Issuers to simplify their Credit Card Products so that their Credit Cards '**Conditions of Use**' booklet, together with any Schedule/s referred to therein, do not exceed -

(a) 50 pages in text no smaller than Arial 10; and
(b) the existing height and width of the booklet?

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Supporting Evidence re 19th Question

1. St George Bank "We strongly recommend **that you read this booklet carefully** and retain it for your future reference" a **76 pages** **Conditions of Use - Credit Guide** document of Conditions. The word 'interest' appears in the 'Contents' twice and 78 more times throughout the 76 pages. The word 'fee' or 'fees' appears 53 times.
2. ANZ's '**CONDITIONS OF USE 20.06.2016 CONSUMER CREDIT CARDS**' telling all Cardholders to read the **97 page** booklet that is printed in 9 font in its entirety. The word "interest' appears 216 times in the booklet. The word 'fee' or 'fees' appears 104 times.
3. "**Ignite by Westpac - Consumer Credit Card Conditions of Use"**. The word 'interest' appears in the 'Contents' once and 92 more times throughout the **43 pages**. The word 'fee' or 'fees' appears in the 'Contents' once and 74 more times throughout the 43 pages. "**This User Guide forms part of your Credit Card Contract**, along with the information set out on the reverse of your welcome letter which advises you of your credit limit and other prescribed information we are required to give you by law." Clause 17 is "Do I have any other rights and obligations?" "Yes. The law will give you other rights and obligations. **You should also READ YOUR CONTRACT carefully."**
4. **CBA's 'Conditions of Use' credit card booklet** (dated 1 Nov 2017) is only **13 pages**, although it does refer to a **"Schedule of Credit Card particulars in your Offer Letter".**
   CBA's 'Easy guide to credit card fees and charges' dated 23 March 2018 is only **two pages**.

20th Question

Does each of the ***Four Pillars*** reducing their low interest credit card by 5% *circa* in recent months, amidst the prospect of a Royal Commission, evidence that the ***Four Pillars*** that issue 80% of Credit Cards used in Australia, were uncompetitive during the **Council of Financial Regulators** '*watch*', when each of the RBA, ASIC and APRA have regulatory obligations to the Australian public to ensure real competition amongst Credit Card Issuers, under *'inter alia'* **Section 10(2) 'Functions of Reserve Bank Board' of Reserve Bank Act 1959** to *"***best contribute to.......... the economic prosperity and welfare of the people of Australia**" and for the PSB to always ***Act in the Public Interest***?

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Supporting Evidence re 20th Question

1. Below is and extract from **page 2 of ASIC's "Check Against Delivery" dated 6 March 2018 for the Productivity Commission Inquiry into competition in the Australian financial system: Hearings on draft report:**

"Regulatory settings

Finally, I would like to discuss regulatory settings to promote competition.
Competition in financial markets is dynamic and evolving. Ensuring effective competition in the Australian financial system is an ongoing process.
Each regulator has a role to play.
As a starting point, each regulator needs the right mandate and regulatory toolkit to promote effective competition."

2. ***Too early for banks to pat themselves on the back over credit card changes*** **- SMH - Clancy Yeates -** 29 October 2017
3. Low interest rate credit cards - Finder - 20 March 2018
4. **Low Interest Rate Credit Cards** - **www.creditcard.com.au**

21st Question

Will the Royal Commission recommend to the **Three Financial Regulators** that they use their existing regulatory powers to ban **Reward Programs**?

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Supporting Evidence re 21st Question

1. **Rewards Programs** -
   (a) constitute tax evasion because benefits received can be measured as 'income' or 'cash outlays avoided', but such receipts are not income taxed.
   (b) discriminate against **Financially Uneducated And Vulnerable** Credit Cardholders that **Lack Financial Acumen** often due to poor **Financial Literacy Capacity** identified and quantified by the Reserve Bank as ***Persistent Revolvers.***
2. **Credit Card Products** informs *inter alia* that the humble means of obtaining a 'Product' and/or a 'Service' on credit, by presenting a Credit Card to a **Merchant**, now renders those plastic cards to be the most differentiated product in the Western World for the simple reason of Credit Card Issuers striving to maximise their profits amidst a diverse range of **Financial Literacy Capacity** and inadequate laws/regulations.
3. **Merchant Service Fees** ranged between 2.2% and 0.8% in 2013 because, as noted in **Credit Card Products**, with some -
   * **Citi Select Premium Credit Cardholders** paying a $700 **Annual Cardholder Fee** to receive 70,000 'bonus **Reward Points**' and a welter of income tax avoidance gifts ; and
   * **American Express Platinum Business Charge Card** holders paying up to $1,500 **Annual Cardholder Fee** to receive up to four (untaxed) **Reward Points** for every dollar expended.
4. Below is an extract from Choice investigation titled "**How to choose the right credit card - Make it a payment facilitator, not a borrowing tool**" - 27th Jan 2017 - **Andy Kollmorgen**

   "Credit card reward schemes

   Credit card reward schemes are mostly a gimmick unless you're a big spender, since rewards cards nearly always charge hefty annual fees and high interest rates.
   Credit card reward programs deliver little or nothing to consumers who don't spend generously via their credit cards.

   A CHOICE investigation of 63 rewards credit cards found that consumers would need to spend at least $2000 a month to get any return, while those who spent $1000 a month or less would pay more in annual fees than they got back in rewards.

Our research has also shown that cards that reward you with frequent flyer points are a far better deal than gift card or cash back rewards cards, where rewards accumulate at a much slower rate."

5. RBA's **Review of Card Payments Regulation - Conclusions Paper - May 2016 - Section 3.4.8 Changes to benchmark compliance** noted:

"When the benchmarks for credit card interchange fees were introduced in 2003, the Board's aim was to limit the tendency for competition between schemes to drive up interchange fees. By setting the benchmarks in weighted average terms, the Bank allowed schemes significant flexibility to set different interchange fees for different transactions, some of which could be over the benchmark. **Schemes have taken advantage of this, and of the current infrequent compliance arrangements, to develop commercial strategies that encourage issuers to maximise interchange revenue. The result has been that actual average interchange fees have tended to be higher than the regulatory benchmark and have drifted further above the benchmark between the three yearly compliance points. Accordingly, the benchmark has not represented an effective cap on average interchange fees."**

6. ***Credit card reward value falls 63 per cent over past year* - SMH - 1 September 2017 - John Collett**

22nd Question

Will the Royal Commission recommend to the **Three Financial Regulators** that they use their existing regulatory powers to ban Credit Card Issuers paying third party credit card websites (**finder.com**, **canstar.com.au**, **iselect.com.au** *'et al'*) to market/advertise/promote/recommend in any way, shape or form their **Credit Card Products** because such advertisements are often misleading and deceptive and targeted at Credit Cardholders with low **Financial Literacy Capacity** as classified/quantified by the Productivity Commission and the ABS in **Chapter 1**?

- **www.finder.com.au/creditcards**
- **www.creditcardcompare.com.au**
- **www.creditcard.com.au**
- **www.canstar.com.au/credit-cards**
- **www.mozo.com.au/credit-cards**
- **www.infochoice.com.au/credit-cards**
- **www.ratecity.com.au/credit-cards**
- **www.infochoice.com.au/banking/credit-card**
- **www.iselect.com.au/credit-card**

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Supporting Evidence re 22nd Question

1. On 25 Oct 2011, the **Writer** spoke to Ms. Sharon van Etten by 'phone at **RBAInfo** and then emailed her **'Subject: 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'**. **Ms van Etten responded on Thurs, 10 Nov 2011** by providing useful summary information from **Strategic Review of Innovation in the Payments System: Results of the Reserve Bank of Australia's 2010 Consumer Payments Use Study - June 2011.**

   On 8 Dec 2011 the **Writer** posted three CDs **to Ms. Sharon van Etten at the RBA that opened at his letter to the RBA dated 8 Dec '2011** (**Reference B listed at top of this page**) titled:

* Request to the Reserve Bank of Australia, hereinafter the RBA, to implement the same "competitiveness and efficiency" that it has overseen in the 'wholesale supply side' of the debit and credit cards products to the **Retail Supply Side** of credit cards, because banks profits from credit cards are not derived from the **User Pays Principle**

* All users should pay the cost of their credit card transactions, and not some "unlucky" users paying a disproportionate burden which has further *gapped* the*"Haves"* from the *"Have Nots".*

Below is an extract from Section 1 titled **'Summary of eight Attachments'** of the **Writer's** letter to **Ms. Sharon van Etten at the RBA dated 8 Dec '2011**:

"Attachment 'H' titled ***All Smoke and Mirrors*** provides an unfortunate testament of the prudential role performed by the Reserve Bank -

(i) entrusted to be banker and financial agent for the Commonwealth; and

(ii) with a charter to protect **"....the economic prosperity and welfare of the people of Australia"**.

if **CreditCards**.com (parent site of **australia.creditcards.**com) is being paid by some or all of **Our Bank/Issuer Partners** (ANZ, Aussie, Bank Mecu, Bankwest, citi, NAB, St George, Virgin, Westpac) for providing links to those banks' websites credit card products at ▶ APPLY HERE, because some like NAB's Low Interest Credit Card, Bank mecu's Low Interest Rate Credit Card and Bankwest's **Breeze MasterCard** are patently deceptive.

Hence**,** **Attachment H** criticised the RBA for allowing **www.australia.creditcards.com** to advertise Credit Cards on behalf of **Our Bank/Issuer Partners** that included ANZ, citi, NAB, St George and Westpac.

A few months later **www.australia.creditcards.com** and **www.creditcards.com** ceased to display any advertising for Credit Cards offered in Australia. There is another website,**www.creditcard.com.au** (without an 's' on creditcards) with a different logo.

2. A Credit card is a loan facility to borrow money. The only party that should make representations about the respective benefits, or costs, of a Credit Card, which is a 'borrowing instrument' available to Australian's with poor **Financial Literacy Capacity**, should be the Credit Card Issuer.
Removing the above 'web platform sellers' would -
(i) lower the delivery costs of Credit Card Issuers;
(ii) reduce the unhelpful differentiation/complexity of Credit Cards; and
(iii) avoid a lot of misinformation and deception.

Due to the internet, together with more traditional media (newspapers, radio and TV), there are ample media options available to Credit Card Issuers to exclusively advertise their own Credit Cards.

23rd Question

Will the Royal Commission recommend to the **Three Financial Regulators** that they use their existing regulatory powers to ban any Credit Card Issuer offering **Balance Transfer Interest Free or Very Low interest introductory offers** which 'poach' profitable **Financially Uneducated And Vulnerable** other bank **Credit Cardholders** because ***Persistent Revolvers*** that **Lack Financial Acumen** contribute 80% *circa* of all **Interest and Penalty Fees Revenue** generated from **Credit Card Products**?

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Supporting Evidence re 23rd Question

1. **Balance Transfer Interest Free Period Offers** details the history of some Credit Card Issuers' **Predatory Marketing Practices** which included until 1 July 2012 the now outlawed **'Order of Payments' Allocation Practice.** These particular Credit Card Issuers, presently led by **Citibank**, portray themselves as altruistic saviors, yet they engage in **Numeracy And Literacy Targeting** of **Credit Cardholders** that possess level 1 (or below) and level 2 **Financial Literacy Capacity** that are often ***Persistent Revolvers*** that frequently pay **Usurious Unsecured Interest Rates** which is contrary to the RBA's parliamentary decreed role to **"best contribute to.......... the economic prosperity and welfare of the people of Australia"** pursuant to **Section 10(2) 'Functions of Reserve Bank Board' of Reserve Bank Act 1959.**

2. Below are two further extracts from **Balance Transfer Interest Free Period Offers:**

   The Guardian article "**Interest-free credit card trap snaring unwitting borrowers**" - 25 March 2012 notes, *'inter alia'* that:

   > **"Brian Cole, of Capital One in the UK, the bank that first introduced zero-interest balance transfers to Britain in the 90s, says: "There's a lot of practice in the [banking] marketplace that is shameful, and credit card companies are not immune. [Balance transfer] customers think they're going to progress in getting out of debt, and get some relief from interest payments. But make a mistake and you will end up making money for your credit card company."**

   Commonwealth Bank has maintained for many years that Balance Transfer Offers should be banned:

   > "CBA's head of retail banking services, Matt Comyn, claimed it had never offered zero rates on balance transfers because it could become a "debt trap" for customers.
   >
   > "We view that such arrangements are not the right thing to offer our customers," he said"
   >
   > Commonwealth Bank said zero per cent balance transfers should be banned and mandatory minimum repayments of interest and principal should be imposed for card holders of up to 2.5 per cent.
   >
   > **NAB question CBA's motives**
   >
   > However, NAB – which has the smallest credit card market share of the major banks at 10.5 per cent – told the same hearing 0 per cent balance transfers helped competition and questioned the motives of CBA as the dominant credit card issuer with about a quarter of the market.
   >
   > Mr Comyn denied the bank's enthusiasm for banning zero per cent balance transfers was more about reducing the ability of competitors to take its customers. He said CBA competed on other features, including technological innovation such as giving customers the ability to block overseas transactions."

3. **In Sept 2017, ASIC requested five years data from 12 Credit Card Issuers, including the *Four Pillars*, Citibank, HSBC and Macquarie, to assess whether banks are deliberately targeting interest-free promotions at customers who are likely to end up taking longer to pay off their Credit Card debts**.

4. **Treasury, Submission to Senate Economics References Committee Inquiry into matters relating to credit card interest rates, 11 Aug 2015** notes (on page 5) that **".... 70 of the 95 credit cards the Reserve Bank of Australia (RBA) regularly monitors currently offer discounted balance transfers** listed in **Appendix B.**

5. Below is an extract from **[Regulatory tricks, to their credit, in our interest]** – SMH - **Clancy Yeates** - Jan 6, 2014:

> **"For instance, the number of cards that offer a balance transfer at an interest rate of zero have more than doubled in the past year, Finder.com.au reports."**

6. Below is an extract from Choice investigation titled "**How to choose the right credit card - Make it a payment facilitator, not a borrowing tool**" - 27th Jan 2017 - **Andy Kollmorgen**:

Balance transfer credit cards

Credit card companies just love to advertise low or no interest rates for debts transferred from other cards, purportedly to help you get out of debt. But it's really a ruse to bring new customers on board and get them paying interest down the road.

The interest rate applying to the balance transfer generally ranges from 0% to 5%, for a period of four months up to as long as it takes you to repay the debt. It can seem like an offer too good to refuse.

One big thing to bear in mind, though, is that the low-interest or no-interest offer generally applies to the amount you transfer over from another card only – not to any new purchases with your new card – and you will likely be charged a fee based on the amount you're transferring, one that can go as high as 3% (meaning you would pay $30 to transfer over $1000 and $300 to transfer over $10,000).

The longer the interest-free period, the higher the balance transfer fee.

Switching to a no-interest or low-interest balance transfer credit card can be a good way to get a handle on your debt or to avoid making repayments for a certain period of time. But for the unsuspecting or undisciplined, balance transfer cards can go terribly wrong.

And bear in mind that flipping your debt to a low-interest or no-interest promo deal too often can affect your credit rating, as can having multiple credit card applications rejected.

The top five balance transfer credit card traps

1. The 'payment hierarchy' con

When you make repayments, they're firstly applied to the balance transfer amount – even if the card has a 0% interest rate, and even if other purchases and cash advances are accumulating interest at higher rates. In other words, the credit card people have rigged it so you'll end up paying as much interest as possible.

As one credit card provider puts it: "Payments made to your credit card account are first applied to any amounts transferred from other credit cards, charge cards or store cards under this promotion, before they are applied to any other purchase or cash advance amount. This means that the portion of your outstanding account balance that is subject to a lower interest rate will be paid off first."

Katherine Lane, Principal Solicitor with the Consumer Credit Legal Centre in NSW, told us this payment hierarchy technique "is a trick most often used in interest-free deals to trigger interest being charged. It is completely unfair."

2. High interest on new transactions

After you transfer your debt to a low-interest card, any new transactions you make usually attract interest immediately at the standard rate, which is invariably much higher than the low introductory rate. You may have no interest-free period with such transactions.

As one 2.9% balance transfer card disclaimer puts it: "Any transactions made other than with this offer are at the standard Credit Card rate, currently 20.39% pa."

Another disclaimer says: "You will not gain the benefit of the interest free period on credit purchases until the full balance (including any balance transfer and any other promotional amount) is paid by the statement due date each month."

3. Luring you into a bad deal

The balance transfer might simply be the hook that lures you into a card that's otherwise poor value in terms of fees and standard interest rates. Many have standard annual interest rates close to 20% or even higher that will kick in after the introductory, or teaser, rate comes to a close.

4. Percentage fees

A fee may apply to transfer the balance. The fine print of one balance transfer card puts it nicely: "A 1% Balance Transfer Handling Fee to a maximum of $50 applies to each balance transferred." If you're transferring a lot of debt, that can really add up. And 3% fees are not uncommon, especially with longer interest-free offers.

5. Double trouble

You might be tempted to keep spending on the old credit card, increasing your debt problems and creating even bigger debt repayments. We recommend cutting up the old card.

24th Question

Will the Royal Commission ask the ASIC chairman, James Shipton, why ASIC made the following statement in **ASIC's Submission to the Productivity Commission Inquiry into competition in the Australian financial system -** Sept 2017?

> "A senate inquiry submission by Treasury noted that in 2013 only 30% of surveyed users reported paying interest on their credit card balance.**98** . **Contrary to this self-reporting though, the share of balances attracting interest at the time was in fact closer to two-thirds.99"**
>
> 98 **Treasury, Submission to the Senate Economics References Committee Inquiry into matters relating to credit card interest rates, 11 August 2015**.
> 99 Ibid.

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Supporting Evidence re 24th Question

Below is a screen print of the pertinent section of **ASIC's submission to the Productivity Commission Inquiry into competition in the Australian financial system - Sept 2017**:

them. Instead they can choose products based on more immediate rewards or lower upfront costs and may not even realise they are incurring charges.

Case study: Credit cards in Australia

A senate inquiry submission by Treasury noted that in 2013 only 30% of surveyed users reported paying interest on their credit card balance.[98] Contrary to this self-reporting though, the share of balances attracting interest at the time was in fact closer to two-thirds.[99]

Consumers with strong present bias or overoptimism may set out with the expectation and intention of always paying off their balance in full. Believing they will not incur any interest, these consumers may instead choose cards based on features with more immediate benefits such as balance transfer periods or rewards points, rather than key cost drivers such as annual fees and interest rates. A 2015 Choice survey found that 29% of customers who switched in the last two years did so for an interest-free period and another 29% of this group switched for a balance transfer deal.[100]

Although consumers may benefit from initial deals, concerns arise when:

- Consumer intentions are not matched by actual behaviour over time and interest and/or other fees are in fact incurred. The 2015 Choice survey found over 64% of respondents did not know their interest rate and 54% said they did not know or answered incorrectly when asked about what

Patently for ASIC to contend that **"... the share of balances attracting interest at the time was in fact closer to two-thirds."** evidences that ASIC has no understanding about the amount of **Interest And Penalty Fees Revenue** paid by ***Revolvers***, of which ***Persistent Revolvers*** account for 38.13% *circa* of all **Revolvers** (**Graph 7 and table thereunder**). And that **67% *circa*** of Credit Cardholders, described by the RBA as ***Transactors***, contribute zilch to **Interest And Penalty Fees Revenue**.

25th Question

Will the Royal Commission recommend to the Governor of the Reserve Bank that it provide to the House of Representatives in the Commonwealth Parliament an annual written
'Statement on the Conduct of Monetary Policy' which includes, *inter alia* -

A. an annual written 'Report on the Profitability of Credit Cards'; and

B. certifies that Visa and MasterCard separately complied with the two weighted-average **Interchange Fee** benchmarks, including 'companion cards', during the relevant year, **namely 0.50% for Credit Cards** and **8 cents for Debit Cards**?

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Supporting Evidence re 25th Question

1. **Chapter 8** explains that U.S. Federal Reserve has provided an annual written report to the U.S. Congress on the Profitability of Credit Card Operations of "large U.S. Credit Card banks" for the last 26 years**.**

> **"Section 8 of the U.S. Fair Credit and Charge Card Disclosure Act of 1988 directs the U.S. Federal Reserve Board to transmit annually to the U.S. Congress a written report about the profitability of credit card operations of depository institutions."** In August 2016 the Board of Governors of the Federal Reserve System presented its 26th "**Report to the Congress on the Profitability of Credit Card Operations of Depository Institutions**" to the U.S. Congress.

The Reserve Bank's webpage "**Accountability**" provides a section titled 'Accountability to Parliament' which notes that the Governor has provided to the Commonwealth Parliament a *Statement on the Conduct of Monetary Policy* every few years since 1996.

2. RBA's **Review of Card Payments Regulation - Conclusions Paper - May 2016 - Section 3.4.9 Implementation timeline** noted that –
   (i) the weighted-average benchmark for Visa/MasterCard Credit Cards -
      (A) of 0.50 per cent will be maintained;
      (B) will be supplemented by a ceiling (on individual interchange rates) of 0.80 per cent;
   (ii) to prevent Interchange Fees drifting upwards in the manner that they have previously, compliance with the benchmark will be observed quarterly rather than every three years. Visa or MasterCard will be required to reset its interchange schedule in the event that its average interchange fee over the previous four-quarter period exceeds the benchmark.
   (iv) the new interchange benchmarks would take effect from 1 July 2017.

3. The Governor of the Reserve Bank should exercise its **"...extensive powers"** under the ***Payment Systems (Regulation) Act 1998*** and ***Reserve Bank Act (1959), Part II, Section 10*** **"Functions of Reserve Bank Board"** to "**gather information from payment system participants and operators**" by requesting each of the ***Four Pillars*** to provide (to the Reserve Bank) data of their combined **Credit Card Products** for the financial year ended 30 June 2018 which enables the Reserve Bank to present to the Australian Parliament by 30 June 2019 an annual written *Statement on the Conduct of Monetary Policy* which *inter alia* reports on the aggregate Profitability of Credit Card Operations of the ***Four Pillars*** that -
   (i) provides same style 'pie charts' for "Card Issuers' Revenue" [that quantifies at least seven revenue sources] and "Card Issuers' Costs" [that quantifies at least five costs, which include **Rewards Programs**] that is displayed in **Chapter 8;**
   (ii) informs the annual cost of **Rewards Programme** and the contribution to this annual cost from **Interchange Fees**; and

(iii) certifies that Visa and MasterCard separately complied with the two weighted-average benchmarks set out in (i)(A) and (i)(B) above during the previous four quarterly reporting periods?

26th Question

Will the Royal Commission ask the Board of Directors of RBA to declare their aggregate -

* **Annual Cardholder Fees** paid; and
* **Interest Costs** paid,

by the eight members in the 12 months to 30 June 2017 for enjoying the convenience of the Lines of Credit provided by their personal Credit Cards? Because in Dec 2001, the RBA advocated that ***users*** should ***pay*** for the patent convenience and cost-savings benefits derived.

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Supporting Evidence re 26th Question

1. Below is an extract from Section 5.2 '**Scheme regulations and competition benchmarks**' on page 115 of the above-mentioned **Reform of Credit Card Schemes in Aust: "A Consultation Document" – Dec 2001:**

> "Reform of credit card schemes will also have a direct impact on credit cardholders and **is likely to result in some re-pricing of credit card payment services. However, this is the means by which the price mechanism is to be given greater rein in the credit card market. A movement towards a "user pays" approach to credit card payment services would be consistent with the approach adopted by Australian financial institutions in pricing other payment instruments under their control.** As the ABA itself has confirmed: "Pricing services efficiently provides consumers with choice to use lower cost distribution channels and, therefore, facilitates a more efficient financial system. It is also fairer and efficient, because consumers only pay for what they use."198

The reform of credit card schemes sought by the RBA in **"A Consultation Document" – Dec 2001** **towards a "user pays" approach to credit card payment services** never eventuated to the benefit of their Board of Directors at the expense of ***Persistent Revolvers.***

27th Question

Will the Royal Commission ask the Governor of the Reserve Bank what investigations the Reserve Bank has undertaken with Credit Card Issuers, the three **Credit Reporting Agencies**, **Financial Counsellors** and ***Credit Card Distress* Authorities** to understand the number of Credit Cardholders that are experiencing **Extreme Financial And Emotional Distress** and the various financial quanta of that distress?

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Supporting Evidence re 27th Question

1. The Reserve Bank's carries responsibility to the economic prosperity and welfare of the people of Australia, as decreed under ***Reserve Bank Act (1959), Part II, Section 10,*** and its ***"extensive***

powers' under **The *Payment Systems (Regulation) Act 1998* to gather information from a payment system or from individual participants**", in particular under **Section 10(2) 'Functions of Reserve Bank Board' of Reserve Bank Act 1959** to *"***best contribute to.......... the economic prosperity and welfare of the people of Australia**" and for the PSB to always ***Act in the Public Interest.*** What investigations has the Reserve Bank undertaken with -

(a) Credit Card Issuers;

(b) the three **Credit Reporting Agencies;** and

(c) **Financial Counsellors,**

to seek to identify the -

(i) number of Credit Cardholders that are experiencing **Extreme Financial and Emotional Distress,**

(ii) financial quanta (quantums) of that distress;

(iii) evidence of that distress and

(iv) categories of numbers of Credit Cards held by these distressed Credit Cardholders?

2. **Chapter 7.** includes a table with **green background** titled "**Extracts that evidence that Financial Counsellors are familiar with Unconscionable advertisements and Predatory Lending that tempt many *Revolvers* with low Financial Literacy Capacity into horrendous Credit Card Debt**" that includes several quotations from **Financial Counsellors** from the *"coal face"*.

3. Anecdotal evidence from charities/community organisations such as **Salvation Army's '*Moneycare*' service**, **St Vincent de Paul's Budget and Financial Counselling Service**, **Wesley Mission's Credit Line,** as well as **Aust. Financial Counselling Assoc** and **Financial Counsellor's Association of Queensland**, indicate that -

(a) over 50 per cent of Credit Cardholders that are experiencing **Extreme Financial And Emotional Distress** and seek help from a **Financial Counsellor** have **Credit Card Debt Accruing Interest** that exceeds $10,000 (spread over on ave 5 Credit cards);

(b) **"...it is not unusual for a client to have credit cards whose aggregate limits exceed their yearly income"**;

(c) 5% have **Credit Card Debt Accruing Interest** that exceed $100,000 spread over in excess of 15 Credit Cards; and

(d) that this problem of Credit Cardholders that are already experiencing **Extreme Financial And Emotional Distress** obtaining more Credit Cards which exacerbate their distress, dates back at least 20 years.

4. At least a dozen times each year a **Financial Counsellor** that works for one of the 44 charities/community organisations (that employ over 500 **Financial Counsellor** collectively and receive $43 million from the state and federal Govts to pay the **Financial Counsellors**' salaries) will assist an individual Credit Cardholder, or a couple, that is/are experiencing **Extreme Financial And Emotional Distress**, with aggregate **Credit Card Debt Accruing Interest** that exceed $150,000 spread over in excess of 15 Credit Cards.

5. **The biggest debt Alexandra Kelly has seen on a single card is $90,000, while clients with multiple cards can end up owing hundreds of thousands of dollars.**

   "We have had cases of people who have accrued debts of $100,000 or $200,000 on multiple cards - that is the worst case scenario," she said.

6. **Below are two extracts from a speech in March 2006 by David Tennant, Chairperson, Australian Financial Counselling and Credit Reform Association at their Annual Conference in Qld**:

   "Queensland is the host state and custodian of the national consumer credit regulatory regime. **It is also the home base of some of the worst financial scams and unscrupulous market conduct in the country. Many of these scams spread south and west much faster than the cane toad has so far been able."**

   "A key responsibility the financial counselling community shoulders in responding to its client base **is to ensure the experiences those people report are recorded and appropriately considered in service design and policy, social action and law reform activities.** Sadly, the otherwise rich data pool that the 450 odd financial counsellors working around Australia have access to, is also fragmented. Representatives from the Commonwealth Financial Counselling Program are here today. I congratulate them on evolving efforts to collect and produce more useful data. The conversation around data collection and usage does require greater engagement with and of the financial counselling community and all of the various funding sources around the country."

7. Three **Credit Reporting Agencies** (**Veda**, **Dun and Bradstreet** and **Experian**) provide **Credit Reports**, **Credit Scores** and marketing analytics services, ostensibly to **Credit Card Issuers**. Recently, this triumvirate commenced providing 'on-line' to individual Credit Cardholders their **Credit Report** and **Credit Score** at no fee. These three **Credit Reporting Agencies** do not share their data, so it is necessary for **Credit Card Issuers** to source **Credit Reports** and **Credit Scores** from each of these three **Credit Reporting Agencies** when undertaking due diligence to determine whether an applicant should be issued the Credit Card it has applied for and the **Card Limit**.

28th Question

Will the Royal Commission ask the Governor of the Reserve Bank what the Reserve Bank has done, and when it did it, to ensure that Credit Card Issuers do not issue further Credit Cards to applicants that are experiencing **Extreme Financial And Emotional Distress** due to already having been issued several Credit Cards?

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See **Supporting Evidence re 27th Question** in particular:

1. The Reserve Bank's carries responsibility to the economic prosperity and welfare of the people of Australia, as decreed under ***Reserve Bank Act (1959), Part II, Section 10***, and its ***"extensive powers'*** under **The *Payment Systems (Regulation) Act 1998* to gather information from a payment system or from individual participants**", in particular under **Section 10(2) 'Functions of Reserve Bank Board' of Reserve Bank Act 1959** to *"***best contribute to.......... the economic**

prosperity and welfare of the people of Australia" and for the PSB to always ***Act in the Public Interest*.**

29th Question

Will the Royal Commission ask the Reserve Bank to draw upon its existing **Extensive powers** to establish a Standard for a 'Uniform Credit Evaluation Methodology' that all Credit Card Issuers must observe similar to **NAB's Microenterprise Loans** because too many Australian adults have obtained Credit Cards with excessive interest rates which would be lower if the payment defaults were lower due to a robust designated 'Uniform Credit Evaluation Methodology' that all Credit Card Issuers observed?

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See **Supporting Evidence re 27th Question**

30th Question

Will the Royal Commission recommend that the Reserve Bank set a new Standard, pursuant to **Division 4, Section 18**, that requires all Credit Card Issuers to issue a 'Provisional' **Charge Card** to any applicant under the age of 21 that has not previously held a **Credit Card**? Any such applicant, predominantly school leavers, would need to repay the entire **Closing Balance** by the **Payment Due Date** for a minimum of three months, prior to being issued with a **Credit Card**?

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Supporting Evidence re 30th Question

1. Below is an extract from **12 consumer protections in the U.S. Credit CARD Act 2009**:

   "**4. Limited credit to young adults**

   Credit card issuers are banned from issuing credit cards to anyone under 21, unless they have adult co-signers on the accounts or can **show proof they have enough income** to repay the card debt. Credit card companies must stay at least **1,000 feet from college campuses** if they are offering free pizza or other gifts to entice students to apply for credit cards."

2. Below is an extract from **Section 8 B)** of the **Writer's letter to the Reserve Bank (on CD) dated 8 Dec '2011** (**Reference B listed at top of this page**):

   "(b) learning from point 1. of CBA's research in Section 4, set an 'Access Regime' that each credit card issued in Australia to a person who has not previously owned a credit card be a Provisional Charge Card, hereinafter PCC, with a conservative credit limit where the owner of the PCC is required for the initial 12 months to repay the outstanding balance on the PCC in full by the due date (9 days from the Issue Date and 7 days from the normal receipt date for postal delivery) or be subject to severe late fees and restrictions on future PCC use, with deferment of receiving a traditional credit card until the PCC owner complies with the PCC repayment obligations for 12 months without breach."