

CREDIT REPORTING

What is a credit report?

A credit report is a report prepared by a credit reporting body at your request (for instance, when you're checking if the information is correct), or at the request of a credit provider, such as a bank or other lender, when you apply for credit. Credit reports contain details about your credit history, including whether you are, or have been, bankrupt, if there have been court judgements against you and certain other things, such as information about your current credit accounts and repayment history.

Generally, when you apply for credit, the credit provider may use the information in your credit report to help work out whether you can afford to repay the loan and whether you are likely to repay it.

The Privacy Act 1988 ("the Act") sets out the rules about what can be in your credit report, and how it can be accessed and used.

What is credit?

Credit is the extension of funds or services by a business which allows you to take home goods or make use of services, and pay for them later. You can also use credit to buy larger items, such as a house, land or car. This means you borrow the money you need to pay for the goods or services on the condition that you pay back the money to whoever lent it to you. The business could be a lender, such as a bank, credit union or finance company that lends you the money to pay for the goods or services. Or it could be a company that sells you something or provides services to you without first being paid, such as your gas or electricity provider, or your post-paid telephone company.

The credit provider will (in most cases) have rights under the credit contract to charge you interest and fees in return for providing you with the credit. The cost of credit is the additional amount you need to repay, over and above the amount you borrow from a credit provider. It can include interest, fees and other charges.

What types of credit are there?

Credit can include loans, such as car loans, personal loans, home loans, and approved overdrafts (when you can take out more money than you have in your bank account).

Other types of credit include credit cards, retail store cards, and consumer leases – where you can hire something (like a computer) for a time and make regular rental payments (in this case, you don't own the goods during the hire period but you may have an option to buy the goods at the end for an additional amount). Credit will also be given where you buy something without first paying for it, such as your gas or electricity account, or post-paid mobile phone account.

MYTH:

I DON'T NEED TO CHECK MY CREDIT REPORT IF I PAY MY BILLS ON TIME.

FACT:

IT'S A GOOD IDEA TO CHECK YOUR CREDIT REPORT YEARLY TO MAKE SURE THAT YOU HAVE NOT BEEN THE VICTIM OF IDENTITY THEFT AND TO CHECK THAT THERE ARE NO ERRORS ON YOUR CREDIT REPORT.

Visit www.CreditSmart.org.au

CreditSmart is an information website developed by credit experts in conjunction with consumer advocates and government bodies to help you understand the credit reporting system.

Our goal is to help you understand how the credit reporting system affects you, by providing unbiased and fair information.

Changing to a comprehensive Credit Reporting System

What are the expected benefits of comprehensive credit reporting?

A clearer picture: Over time, some credit providers will have a clearer picture of your ability to repay your debts, which may enable them to make more accurate and better informed lending decisions.

Better matching of credit to your needs: Credit providers can better match the terms and amount of credit to your circumstances. This may reduce the risk that you commit to repay more credit than you can afford.

Fairer access to credit: Previously, most credit providers decided whether to lend money based partly on the information contained in credit reports. For those with a limited history of borrowing, such as young people, this may have reduced their chance of getting credit. Under the new system, there may be more information in their credit reports to better help credit providers make a decision when people apply for credit.

Increased consumer protection: The new system gives you more control over the information in your credit report. For example:

- » credit providers and credit reporting bodies are obliged to take positive steps to help you get incorrect information in your credit report fixed. If your correction request is not resolved, you can access internal and external dispute resolution processes
- » credit providers and credit reporting bodies must respond to complaints within set time periods, and if a complaint remains unresolved or the response is unsatisfactory, you can speak to an external dispute resolution scheme or be referred to the Privacy Commissioner
- » credit providers risk very significant fines if they misuse the information in your credit report
- » credit providers cannot use information in credit reports to market products and services
- » you have more options to help protect your personal and credit information if you have been, or may have been, the victim of identity theft or fraud

Minimum default amount increase: The minimum default amount that can be included on your credit report has increased from \$100 to \$150.

What are some of the potential disadvantages?

You may not receive credit when previously you would have been approved: The new information on your credit report will contribute to a clearer picture of your current financial situation, so credit providers may be able to see if some consumers have more credit than they can afford. A poor credit history may be more obvious.

Late or missed payments may show up on your credit report: Previously, only a default or a serious credit infringement could appear on your report, whereas now a late payment may appear on your report.

These changes will take time: Some credit providers don't use credit reports at all to make their credit decisions. Others will continue to use the current 'negative' credit reporting system. Credit providers that hold an Australian credit license may adopt comprehensive credit reporting, but may do so at different times.



What does it mean for you?

On 12 March 2014, Australia's credit reporting system changed significantly as a result of reforms to the Act. It's important that you're aware of these changes as they affect what is in your credit report and what information can be accessed by others about your credit history.

In the new comprehensive credit reporting system, your credit report may contain more information that can be accessed by you and by those organisations specifically permitted by the Act. In return, you have more consumer rights relating to credit reporting and the information contained in your credit report.

