



ABN 70 136 370 422  
**GLEN EIRA**  
2A Gardeners Road  
PO BOX 30  
Bentleigh East Vic 3165  
Telephone: 9575 5333  
Facsimile: 9575 5380  
Email: [info@bbch.org.au](mailto:info@bbch.org.au)

16 June 2016

Principal Adviser  
Financial Systems Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Sir/Madam,

RE: - Credit cards: improving consumer outcomes and enhancing competition

We welcome the opportunity to provide input to this review. We felt it appropriate to provide some insights from our direct client contact which may inform your decision making.

Bentleigh Bayside Community Health (BBCH) incorporates Gambler's Help Southern (GHS). GHS is the largest problem gambling service provider in Australia. BBCH has maintained continuous contractual funding for this program for 21 years since its conception in 1994. Services provided by Gambler's Help Southern include:

- Therapeutic Counselling
- Financial Counselling
- Community Education
- Venue Support
- Specialist Portfolio Engagement Services

We are well placed to provide additional information to support this review as we see a number of clients who are adversely impacted by some areas of credit card terms and conditions.

We invite you to contact Pam Mutton on 9575 5361 or [p.mutton@bbch.org.au](mailto:p.mutton@bbch.org.au) to discuss any aspect of this submission and our recommendations.

Yours sincerely,

  
Pamela Mutton  
FINANCIAL COUNSELLOR



**BAYSIDE**  
55A Edward Street  
Sandringham Vic 3191  
Telephone: 9598 2808  
Facsimile: 9598 2450

**Credit cards: Improving consumer outcomes and enhancing competition submission by the Financial Counselling team of Bentleigh Bayside Community Health- Gambler's Help Southern.**

The clients seen by our agency present with a range of debt levels. However, the debts are frequently prohibitive to repay due to the high interest rate charges and often it is the cash advance borrowings on credit cards that have the most impact.

Clients often have very little understanding of the terms and conditions to which they agreed when seeking continuous credit. The CALD community is particularly impacted by this issue as creditors do not provide even the most basic information on their credit facility in languages other than English.

Confusing terms and conditions including when and at what rate interest is charged on revolving credit accounts is of particular concern. This situation is not limited to clients seen by financial counsellors but appears to be the norm across users of credit cards.

Unfortunately clients who are afflicted by addictive gambling behaviour frequently access cash through their credit card facilities either to lodge funds directly with online gambling companies both in Australia and Internationally or as direct cash advances at or close to gaming facilities. These funds are charged at much higher interest rates without the interest free period often applicable to non-cash related transactions.

The predominance of new credit provision through consolidation or roll over of existing credit card facilities into new credit card facilities with increased limits while it can assist some clients to clear debt can impact upon others. We are seeing consumers who consolidate or roll over into new facilities then, due to their addiction, continue to access the pre-existing facility that is now at a nil balance creating an almost insurmountable debt level.

Providers offer credit to consumers based on the ability to repay a small amount toward the total debt each month. If this amount was increased the provider would be required to undertake a more comprehensive affordability review prior to consenting to the lending.

On behalf of our clients we would like to make the following recommendations: -

- Where cards are consolidated by a new provider the issuer of the consolidated debt should be advised and requested by the provider undertaking the consolidation that their facility should be either closed to prevent unaffordable debt levels or in the event that the facility is not closed the issuer of the consolidated debt be required to undertake a formal assessment of the viability of any future access to funds by the consumer.
- Cash advances should be treated the same as any other access to the credit facility with interest being imposed and charged under the general terms and conditions at the same rate and not have a penalty rate imposed.
- Increased clarity of when interest free periods both commence and end and dates when interest is charged on the account.

- Undertake a gradual increase of minimum payments due against outstanding balances from the current 1.5% or 2% to a minimum of 5% over a period of 3 years.

See attached 2 supporting case studies.

**Client** CC is a 48 year old woman who works full-time as an administration officer for a large company who has been dealing with her gambling problem for almost 10 years. During this time CC has applied for, and obtained, three separate credit cards. The cards were subsequently consolidated into a personal loan secured against her motor vehicle to reduce her monthly outgoings. The cards were not cancelled and closed and CC accessed the available funds on these facilities through cash advances.

**Summary** The personal loan was affordable and had the credit cards been cancelled upon the disbursement of the personal loan CC would not have found herself in financial hardship.

Interest on each of the credit cards is being charged in excess of 21% as the majority of the access is through cash advances undertaken at or close to gaming venues.

CC contacted the service after she was unable to meet the repayments and she felt she had no where else to go.

CC has attended her GP disclosing gambling addiction and the nearly doubled her debt level creating high levels of anxiety and suicidal ideation.

CC is now seeing a psychiatrist bi-monthly and a therapeutic counsellor fortnightly.

The work on CC debts with a financial counsellor is ongoing.

.

---

**Issue** The main issues in this case are:

- On the approval and disbursement of the personal loan no actions were undertaken to ensure the credit cards which were paid in full were closed.
- Assessment for the viability of the personal loan lending did not include the potential further access to the credit cards.
- Penalty interest rates on the cash advances.
- The value of the car, CC's only form of transport, was far less than the personal loan and could be regarded as a "blackmail" security.
- Deterioration of CC's mental health due to financial hardship and problem gambling.

**Client** PA is a 40 year old man from the CALD community who has an acquired brain injury following a workplace accident. PA accessed credit card facilities while in receipt of a Workcover payments equating to 80% of his full time salary as a process worker in a small factory setting. PA began to gamble after the accident and the acquired brain injury is regarded as a symptom of the injury.

**Summary** The lending was based on a Workcover payment and when the period on Workcover expired PA was moved onto Centrelink NewStart payments. PA did not comprehend the concept of interest on his credit card due to both his cultural background and acquired brain injury.

The client contacted the service after he was unable to meet the repayments and the contacts from the creditor providers increased his already existing anxiety and depression as he felt he was not being heard by their representatives.

He had attended a private psychologist in relation to his Workcover claim and who diagnosed the anxiety and depression symptoms.

PA is currently seeing both the Financial counselling and the Therapeutic Team counsellors on a fortnightly bases to deal with the financial and mental health issues.

.

---

**Issue** The main issues in this case are:

- Failure of the credit providers to fully explain the facility's interest rates.
- The client's workplace accident and the income from this was not sufficiently explored.
- Lending was based on the potential of a successful Workcover outcome and lump sum payment.
- The clients mental health already and issue was exacerbated.