

THE LAW



CREDIT WHERE IT'S DUE: Parliament tackles the debt treadmill

CONSUMER PROTECTION

Credit check

Responsible credit card use encouraged.

“Congratulations! You’ve been pre-approved for an increased limit on your credit card.”

These kinds of offers will be a thing of the past under a new law passed by federal parliament.

The National Consumer Credit Protection Amendment (Home Loans and Credit Cards) Bill 2011 prohibits lenders from sending customers unsolicited offers to increase their credit limit, prevents lenders charging fees for exceeding credit limits unless agreed to by the card holder, and requires lenders to prepare standardised fact-sheets of loan information.

“There are some 15 million credit card accounts in Australia – many families have 2 or 3 different cards – and these reforms will stamp out lender practices that see consumers pay more interest than they should,” Treasurer Wayne Swan said.

The House Economics Committee reviewed and unanimously supported the changes.

Committee chair Craig Thomson (Dobell, NSW) said the bill aims to encourage the responsible use of credit cards by informed consumers.

“While the ‘debt treadmill’ may be good for bank profits, it has significant social costs and this is why the committee supports the bill,” he said.

Industry groups told the inquiry the problem is overstated, with the

majority of credit card customers managing their credit well.

“We are not seeing an outbreak in credit card numbers or credit card debt,” Australian Bankers Association CEO Steven Munchenberg told the committee.

“Nor are we seeing a surge in people unable to manage their credit card debt.”

But consumer advocates argued the gradual nature of the limit increases can lead to people getting into overwhelming levels of debt.

David Coorey from Legal Aid told the committee it is not uncommon to see people with credit card debts of up to \$20,000.

“You ask the person, ‘How did you get to this figure?’ And what it will always come down to is these letters that get sent out in the post and signatures being put on these things where they just say, ‘Sign this document,’ and then the increase comes along,” he said.

While the opposition did not oppose the bill, Tony Smith (Casey, Vic) said they did not believe it was particularly good legislation or that it was the best way to advance the interests of consumers of financial services.

“Consultation with industry has been poor, to the point where extensive last-minute amendments have been made to address industry concerns,” Mr Smith said. ●

HEALTH

Brown and out for smokes

Health warnings to be larger.

Health Minister Nicola Roxon has introduced world-first legislation into the House that would force tobacco companies to sell cigarettes in “plain, drab dark brown packets” with larger health warnings.

Introducing the Tobacco Plain Packaging Bill 2011, Ms Roxon drew attention to the human cost of smoking.

“Despite Australia’s success in reducing smoking rates over recent decades, tobacco remains one of the leading causes of preventable death and disease among Australians, killing over 15,000 Australians each and every year,” she said.

The tobacco industry has vocally opposed the changes, but Ms Roxon argues this proves the changes will lower smoking rates by reducing the appeal of the habit.

“Tobacco companies are fighting to protect their profits; but we are fighting to protect lives,” she said.

The opposition has signalled it will not oppose the changes, but Coalition MPs have questioned the evidence that the reform will work. ●



UNATTRACTIVE: Plain packaging to reduce smoking's appeal

THINKSTOCK

AAPONE