

ASIC reviews credit card lending



The Australian Securities and Investment Commission (ASIC) implemented a review of credit card lending in the Australian market between 2012 and 2017. A report (REP 580) and consultation paper (CP 303) have been issued.

Credit card debt is a problem for more than 1 in 6 consumers

The proposal

ASIC proposes responsible lending assessments for credit cards be based on whether the consumer can afford to repay the credit limit within three years.

The consultation paper

A consultation paper (CP 303) was issued on 4 July 2018. The consultation paper seeks feedback on the proposal for the prescribed period of 3 years to be used when assessing whether a credit card contract or credit limit increase is unsuitable. Closing date for submission is 31 July 2018.

The review

- 21 384 255 credit card accounts were analysed
- using 12 credit providers (98.5% of the Market)
- **70% of consumers had 1 card**
- **20% of consumers had 2 cards**
- **3% of consumers had 4+ cards**

The results caused concern to be raised on the amount of problematic credit card debt found. It showed many consumers have a credit card that doesn't suit their needs. ASIC is in favour of responsible lending and encourages credit licensees that are credit providers or that provide credit assistance, as well as other interested parties to take proactive steps to help consumers by looking for signs of problematic credit card debt.

Credit providers:

- Only 3/12 prompt consumers who make low payments for an extended time to repay more
- Only 4/12 actively look for signs of potential consumer harm

Consumer outcomes and balance transfers:

As at June, 18.5% of consumers were struggling with their debt. This is 1.9 million consumers

- Over 178 000 people had their account written off or were in the worst state of delinquency
- Almost 370 000 additional people had been 60 days (or more) overdue in the previous 12 months.
- Around an additional 930 000 people's average balance of the credit card was 90% of the credit limit over the previous 12 months.
- Roughly a further 435 000 people had eight or more low repayments on the account at or below 3% of the credit limit and interest had been charged over the previous 12 months

Consumer outcomes from transferring one balance



53.1% reduced total debt by **10%** or more



15.3% maintained approximate debt level



15.9% increased total debt by **10 - 50%**



15.7% increased total debt by **50%**

For more information

Refer to the article ([ASIC consults on credit card responsible lending assessments](#))

Refer to the report ([REP 580](#))

Refer to the consultation paper ([CP 303](#))