

Being CreditSmart: *navigating the new world of comprehensive credit reporting*

By Michael Blyth*

After a long gestation, comprehensive credit reporting (CCR) is now a reality for most consumers in Australia. As at the end of June 2019, CCR data was being reported for 52% of credit accounts. With this figure being projected to reach over 80% of accounts by the end of September, it is likely that most Australian consumers will have CCR data being reported for at least one credit facility – across home loans, credit cards, auto and personal loans and other credit types. The availability of this data is great news for credit providers and for the Australian economy, but what does it mean for individual consumers?

Recent research conducted by CreditSmart has found that one year on from the adoption of CCR, most Australian consumers (72%) are still unaware of the changes that are impacting their credit history and may not know how it can impact their future credit applications. Also, only one in four consumers had checked their credit report in the last 12 months. The research also found that there was general confusion about what could be reported in a credit report and which businesses were able to access the report.

The lack of familiarity with the CCR changes can pose problems for consumers – or, at the least, mean that consumers who have a good track record with managing their

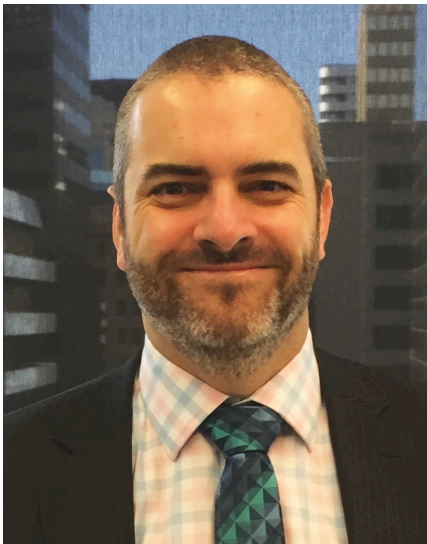
credit are not taking advantage of the CCR changes to get a better credit deal. Those consumers who have struggled with credit in the past may not know what they need to do to improve their credit report to make it easier and, potentially, cheaper to get credit in the future when they need it. Consumers making a big purchase, like a house, who don't check their credit report early can get an unpleasant surprise about what's showing on their credit report – including long forgotten, but still open, credit cards – which can cause delay and unnecessary stress.

Consumers who are confused about CCR are also more vulnerable to being exploited by high cost credit repair firms offering a 'quick fix' to problems with the consumer's credit report.

Consumers' limited understand of credit reporting and the CCR changes may also be matched by lenders' front-line staff who may not be able to answer consumers' CCR-related questions.

That's why industry has supported the creation of the CreditSmart information website (creditsmart.org.au) by the Australian Retail Credit Association – the peak industry association for organisations involved in the consumer credit reporting system in Australia.

The CreditSmart website aims to help consumers take control of their



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credit health and understand how the recent CCR reforms affect them, by providing information about the system that is balanced and fair. In addition, the website provides clear and consistent messaging that can be utilised by ARCA's Members and other credit providers – and their employees – to answer CCR-related questions.

How can CreditSmart help credit professionals?

CreditSmart has a wealth of information on credit reporting-related topics, and other issues relevant to a consumer's credit health, that is written in a simple and straightforward manner.

The website describes the fundamentals of credit reporting, including what's on a credit report, which businesses can access the report, how the consumer can get their free copy of their report and how a consumer can fix any errors. It also clearly explains the difference between a credit report and a credit score, and how each of those things impact the consumer's ability to get credit.

The CreditSmart blog, which can be accessed through the website,

provides commentary and opinion on topical credit-related issues, such as the impact of hardship arrangements on a consumer's credit report, the upcoming Open Banking regime and how buy-now-pay-later products can impact a consumer's credit health.

When dealing with a consumer, credit professionals can point the consumer to CreditSmart to help answer the consumer's credit reporting-related questions. Importantly, if you have customer-facing teams that are likely to get credit reporting-related questions, you can use the CreditSmart website to educate and inform your teams about the credit reporting system. The website even includes a dedicated 'customer consultant' section that provides a bit more detail about credit reporting that may be relevant to your staff.

For those credit professionals working within credit providers that have started to report CCR, or are about to, it's worth noting the types of issues that are, based on CreditSmart's experience, of most interest to consumers. Based on the use of the website, the top three

topics consumers want to know about are: (i) What the CCR changes involve; (ii) How to get access to their own credit report; and (iii) What is a credit score. The questions received by CreditSmart directly from consumers also provide an interesting insight into the credit reporting-related concerns of everyday Australians, which cover issues such as how a hardship application or variation will affect their credit rating, how to know whether their credit report makes them look good to credit providers and how a missed payment will impact their credit rating.

So AICM Member – go to CreditSmart! Educate yourselves! Educate your customers! CCR is not just about getting more data into the credit reporting system. It's about rewarding consumers for improved credit behaviour and that will only happen if your customers know about the changes. Get on board! www.creditsmart.org.au ♦

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BE CREDIT SMART

KEEP YOUR CREDIT REPORT HEALTHY IN 5 STEPS!

DID YOU KNOW?

- 72% of Aussies are unaware of credit reporting changes that impact their future credit or loan applications
- Six in ten Aussies (61%) have NEVER checked their credit report

CREDITSMART.ORG.AU
CLEARER CREDIT HISTORY

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