

**Care *Financial Counselling Service***

31 August 2007

The Secretary  
Senate Standing Committee on Economics  
PO Box 6100  
Parliament House  
Canberra ACT 2600




Attention: Peter Hallahan  
Secretary

Dear Mr Hallahan

**Re: Inquiry into Australian Securities and Investment Commission (Fair Bank and Credit Card Fees) Amendment Bill 2007**

**Postal Address**  
PO Box 763  
Civic Square ACT 2608

Thank you for your letter and email communications regarding the above inquiry. Care has been the main provider of financial counselling and related services in the ACT since 1983. The agency also hosts the Consumer Law Centre of the ACT.

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As the Committee is likely to be aware, financial counsellors provide information, support and advocate on behalf of low to moderate income consumers experiencing problems with credit and debt. In the face of record and increasing levels of personal debt in Australia the financial counselling community is battling to respond to growing demand, both in volume and complexity. In that context our primary efforts are focused on service delivery. Whilst we can and do provide policy and law reform comment on issues of concern to our clients, we need more than 9 days notice to be able to do so in a considered manner. The comments herewith are therefore necessarily brief.

Care supports absolutely the need to act to prevent the levying of unfair fees, particularly in relation to failed or refused transactions and overdrawn accounts. Many of the clients financial counsellors work with survive on minimal incomes. Their essential outgoings are often well in advance of those incomes.

There is a perception the difficulties low income consumers face are in part caused by poor money management skills, when often nothing could be further from the truth. People who receive minimal incomes are amongst the most skilful in making and keeping to a budget – because they have to be. Balancing accounts to the last dollar is however a challenging exercise and the slightest error, or change in circumstance can have devastating consequences. These are the situations that throw into sharp focus the fundamentally unfair nature of the current default/exception fee regime applying across credit and transaction accounts.

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There have been some efforts by industry to tackle these issues. For example we acknowledge the moves taken by the NAB and the ANZ to waive or reduce default and exception fees for some consumers and services. As good as these moves are they do not constitute a broader recognition across market segments and industry providers that current approaches are unfair and require fundamental change. Market pressures alone will not deliver the change at all – or quickly enough. Reform is required, however we are uncertain whether the current Bill in the form proposed will achieve much more than is currently available.

We will defer further comment to our colleagues at CHOICE and the Consumer Action Law Centre, who we understand will be making a more detailed submission.

Yours sincerely,

David Tennant,  
Director.