ANZ COMMENTS ON ASIC CONSULTATION PAPER 303 CREDIT CARDS: RESPONSIBLE LENDING ASSESSMENTS

1. ANZ welcomes the opportunity to comment on the *Credit cards: Responsible lending assessments* consultation paper (the paper).

B1Q1. Do you agree with our proposal to prescribe a three-year period? If not, why not?

2. ANZ agrees with the ASIC proposal.

3. We note that credit cards are revolving facilities, and are not designed with a 'terminal date' for the facility, that is a date at which a customer is required to fully pay off the balance. The three year period for assessing a credit facility and outlined approach is a conservative approach for ensuring that consumers have the ability to pay off a facility within the prescribed period.

B1Q2. Should we prescribe a period of two years for consistency with other requirements, such as the minimum repayment warning under reg 79B of the National Consumer Credit Protection Regulations 2010 (National Credit Regulations)?

4. ANZ supports a three year assessment period. We agree with ASIC's view (paragraph 27 of the paper) that a 2 year period would have a greater effect on access to credit facilities.

B1Q3. Do you agree with our proposal that the prescribed period apply to all classes of credit card contracts? If not, why not?

5. Yes, ANZ agrees with this proposal. A single prescribed period will reduce regulatory and operational complexity. It minimises the risk of errors and the costs associated with the reforms. It assists consumers by making it easier to understand the approach taken by credit providers.

B1Q4. What changes would need to be made to systems and processes to ensure compliance with the prescribed period by 1 January 2019?

6. ANZ would need to update serviceability information systems and calculators used in customer assessment for offering new credit or an extension of existing credit facilities. These updates would be made to all ANZ portfolios where credit card debt is expensed as part of the customer serviceability assessment. Given this change touches multiple portfolios, there are a wide range of systems and calculators that would have to be updated (such as application platforms, online calculators, sales and operations channels, and credit assessment). Implementation of changes of this nature would normally take around 6 months.

7. We are concerned about a 1 January 2019 date for compliance. Final requirements are not yet confirmed so the changes are not yet able to be specified. In addition, ANZ does not generally undertake technology system changes over the Christmas-New Year period due to risks and the difficulty of coordinating development and testing at that time.

8. ANZ suggests that a six month period from the date of finalisation of regulatory requirements should be allowed for compliance purposes.

B1Q5. Do you agree with our expectations about the assumptions that should be made when assessing whether a consumer can repay the credit limit within three years (see paragraphs 48–51)? If not, why not? Should any other assumptions be made?

9. ANZ broadly agrees with ASIC's expectations about the assumptions that should be made when assessing whether a consumer can repay the credit limit within three years

10. We consider that applying the highest interest rate applicable under the credit contract is conservative. It assumes that customers fully draw their facility using cash advances (which attract the highest interest rate). In our experience, a very small group of customers behave in this way.

11. ANZ seeks clarification on regulatory expectations in relation to two important aspects of the assessment assumptions or approach (paragraph 49 of the paper):

    a. First, what assumptions should be made about regular contractual fees (for example Annual Fee or monthly Account Keeping Fee) when ensuring a consumer can repay their limit within the prescribed period? This has a material impact on calculations and access to credit. For example, the required monthly repayment percentage for a high fee credit card paid down over 3 years would be ~4.5% with fees included compared to ~4.0% with fees excluded.

    b. Second, what assumptions should be made or approach adopted to assessing interest charges and fees associated with other financial institution credit facilities held by the customer? In our view, it is not practical to seek to obtain actual interest rates or fee amounts on any existing credit card contracts from other financial institutions.[1] The assumptions adopted clearly have a material impact on the assessment process.

Further information

12. ANZ would welcome the opportunity to respond to ASIC questions. If ASIC would like to discuss our comments please contact Anna Skreiner on (03) 8654 4484.

[1] Given the large volume of Credit Cards with varying fee & interest parameters in the Australian market. ANZ notes that information may be available as a result of Comprehensive Credit Reporting reforms but that this will not include fees or interest rates. CCR data fields are: type of credit account; date that a credit account was opened; date an account was closed; the current limit of open accounts; and repayment history information.