

I welcome the opportunity to comment on aspects of the inquiry into consumer protection in the banking, insurance and financial sector.

The consumer lending sector, government agencies and consumer advocates are failing the Australian consumer by deliberately allowing over-indebtedness to persist.

I am writing as former chairman of the Australian Retail Credit Association and as a citizen concerned about the potential financial crisis that could soon face Australia.

The Australian consumer finance market is unique in major Western economies in that it does not have credit reports that inform lenders of a consumer's level of indebtedness. The legislation and infrastructure has been available for a number of years to address this market gap however political interests of different categories of lenders (eg major banks v fintechs), government agencies and various consumer and privacy advocates are preventing a sensible outcome that could address the significant costs that over-indebtedness has on many Australians.

I believe that aggregate statistics such as debt-to-income ratios and various anecdotes spruiked by a number of well-meaning but self-interested groups do not adequately explain or help to solve the situation. It is clear to me that the underbelly of over-indebtedness is a time-bomb that could be triggered by any number of events and has the potential to create an Australian equivalent of the Global Financial Crises.

Positive credit reporting data will provide real data on the extent of this problem in Australia. I urge the parliament to tackle this issue pro-actively before it is forced to react to a potentially ugly situation.

I believe that adopting a positive credit reporting regime in a methodical and well-considered manner with appropriate infrastructure can prevent an economic crisis driven by consumer indebtedness. We can look to our neighbours in New Zealand who have implemented and are using Comprehensive Credit Reporting for at least a couple of years.

I am happy to elaborate on these concerns.

Stephen Johnson

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