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Association of Building Societies and Credit Unions



1 June 2011

Committee Secretary
Standing Committee on Economics
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Committee Secretary,

National Consumer Credit Protection Amendment (Home Loans and Credit Cards) Bill 2011

During the Committee's hearing on this Bill on 25 May I gave an undertaking to provide some additional information on whether "the most profitable segment of the credit card market is the segment comprising those who were effectively borrowers on credit cards and not transactors.."

I am unable to provide the committee with any detailed data on credit card profitability however I can confirm that a card user who makes purchases on credit and does not repay the debt in full every month is going to generate more revenue for the card provider than a card user making the same purchases and who repays the debt in full each month.

A small sample of Abacus members contacted for feedback on this matter confirmed that the most profitable credit card users are those that reach their credit limit and make minimum repayments. As customer-owned institutions, Abacus members put their members' interests first and do not have the same motivation as listed entities to maximise profits.

If you require further information, please contact me on 02 8299 9053 or mdegotardi@abacus.org.au.

Yours sincerely,

A handwritten signature in black ink that reads "Mark Degotardi".

MARK DEGOTARDI
Head of Public Affairs