

24 March 2011

Senate Finance and Public Administration Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Inquiry into Exposure Drafts of the Australian Privacy Amendment Legislation – Credit Reporting

MasterCard would like to thank the Committee for the invitation to make a submission to the Finance and Public Administration Legislation Committee's inquiry into the Exposure Draft Australian Privacy Amendment Legislation related to Credit Reporting.

MasterCard has played a leading role over the past ten years in helping Government, regulators and opinion leaders understand the benefits of a positive credit bureau for the wider community and the Australian economy. Our recommendations to Government have primarily centred around the following points –

- providing Australian lenders with more comprehensive information and a better quality of data;
- strict data access guidelines to limit those organisations who can access the information from using it for purposes for which it was not intended – including marketing; and
- the provision of strong independent arbitration for consumer disputes over the accuracy of their personal information.

We have also attempted to contribute to the wider debate not with emotional rhetoric, but by investing in expert research by respected firms with a global perspective on this complex issue.

In 2004, MasterCard commissioned economists from ACIL Tasman to quantify, through macro-economic modelling, the likely outcome of replacing Australia's 'negative-only' reporting model with a system whereby prospective lenders could access more comprehensive credit information on individual borrowers without compromising individual privacy.

ACIL Tasman found that in a credit market with well functioning information flows, lenders are better able to adequately and accurately assess the risks involved in lending to individual borrowers. Similarly, borrowers can be extended credit that genuinely matches their ability to repay. At the time, a summary of the ACIL Tasman report was distributed to all MPs and Senators which indicated that a change in reporting models would reduce debt defaults rates, as well as achieve up to \$5.3 billion in

economic benefit over the following decade. MasterCard would be happy to make a full copy of the report available to the Committee on request.

Then, in 2006, MasterCard commissioned Edgar Dunn and the Centre for International Economics to review and critique various aspects of the credit reporting industry throughout the world. At the time, this project was one of the most significant of its kind ever attempted as it looked at every major economy across the globe and provided a thorough analysis of each. This study was provided to the Australian Law Reform Commission (ALRC) for use in their review of Privacy Law which resulted in their recommendations to make provisions for a system of positive credit reporting in Australia. Again, MasterCard would be pleased to make this report available to the Committee.

MasterCard has long held the position that the deeper knowledge lenders have of applicants, the more effectively and efficiently they can assess risk. This has a manifest impact on the way they then price that risk. This is also true of smaller players and new entrants into consumer lending where greater insight into applicants will enable them to compete in a more considered way, thereby assisting the Government's banking competition efforts.

We believe that there must be strong protections for applicants and customers specifically in relation to the collection and subsequent use of information relating to them. To that end, we support harsh penalties for any organisation that breaches provisions related to marketing and misuse of the available data.

Should the Committee seek MasterCard's view on this bill or anything related to it, we would make ourselves available to present to the Committee.

Sincerely

David Masters
Vice President, Strategy and Corporate Affairs
MasterCard Australasia