

# Frequently Asked Questions

## Credit Reporting

### REPAYMENT HISTORY INFORMATION

**Q: 'What if I ask for hardship assistance from my credit provider. Will this show up on my credit report and affect my credit score?'**

A: If you're struggling with your credit card bills or loan payments you can ask your credit provider to assess you for 'hardship assistance' – this is where you and your credit provider might agree to change your repayments to give you more time to pay, or to reduce what you are required to pay. What type of assistance the credit provider can offer will depend on your circumstances, the type of loan and the credit provider's own processes and systems.

First, just asking the credit provider to assess you for hardship assistance will not affect your credit report.

If you and your credit provider come to an agreement to give you hardship assistance, how this will affect the 'repayment history information' on your credit report will depend on the terms of what you agreed.

If you're unsure what you have agreed with your credit provider, you should ask them to confirm how the hardship arrangement will impact your repayment history information on your credit report.

If you're not happy with the terms of the hardship arrangement offered by your credit provider, you can complain to the credit provider's external dispute resolution scheme.

Also, if you're struggling, you might want to talk to a financial counsellor. Financial counsellors work in community organisations and provide advice about credit and debt issues. Financial counselling is free, independent and confidential.

**Q: "I've been late on a credit card bill or loan payment by a few days. Will this be shown on my credit report?"**

A: Following changes to the way credit reporting works, your credit report will show whether you make your repayments on time. This is known as 'repayment history information'.

It's important to note that this only applies to loans that you get from banks, credit unions and finance companies – these are credit providers that hold an "Australian Credit Licence".

Phone, gas and electricity companies don't report repayment history information: While a missed payment won't be shown on your credit report as repayment history information, it's still not a good idea to miss these bill payments – if you do you might be charged a late fee by the company and, if you fall more than 60 days overdue, the phone, gas or electricity company may report a “default” on your credit report (which will make it harder to get credit in the future).

Credit card, store card, personal loan and home loan payments: If you missed a payment on one of these types of products, it may be recorded as missed on your credit report – depending on how late you were. For a credit card, you need to make the ‘minimum monthly payment’ (not the full balance of the account) to make sure your repayment history information shows that you've paid on time. If you have an overdraft with your bank or credit union, late payments may also be recorded.

Was your payment late: Have a look at your account statement or internet banking to see when your payment was due and when the payment you made was received by your lender (sometimes shown on your statement as the day the payment was “credited”) – this is the date that counts. If the payment was received by your lender on or before the due date, then the payment will be shown on your credit reporting as being paid on time.

If you were less than 14 days late: If your payment was received within 14 days of the due date (and you weren't already overdue from the previous month), then your credit report will still show that the payment was made “on-time”. This is because the law requires credit providers to give a 14-day grace period on late payments – but keep in mind, even if you're less than 14 days late, you still might be charged a late fee, or miss your opportunity to have ‘interest free days’ on your credit card. If your payment was received by your lender more than 14 days after your due date, then your credit report may record that it was late.

If you're still not sure: Talk to your lender to understand what they recorded. The way different types of loans work can influence whether your payment is recorded as late (but you'll always get the 14-day grace period if you've been up to date with your payments in the month before).

Don't worry too much if you miss one payment: If you've missed a payment by more than 14 days, don't worry too much. The good thing about repayment history information is that your credit report will also show every time that you made a repayment on time over the previous 24 months. A credit provider is unlikely to worry too much if you've missed a payment over that time, if they can see that you've made your payments on time in the other months. Of course, if you are missing payments more regularly, and you apply to a new credit provider for a loan, this may make that credit provider worry that you won't be able to afford a new loan. If you're struggling with your credit card bills or loan payments talk to your credit provider - you can ask them to assess you for ‘hardship assistance’.

A direct debit will help you avoid missing payments: Talk to your lender about setting up a direct debit for your minimum payments in the future. This means that you won't simply forget to make the payment.

## **DATA PRIVACY**

### **Q: 'Can I opt out of positive credit reporting? I don't want my repayment history information available for others to view'**

A: Credit reporting – like other types of 'privacy' related matters – is governed by a piece of legislation called the Privacy Act, which is overseen by the independent government agency called the Office of the Australian Information Commissioner.

The Privacy Act sets out very clear rules to protect your privacy and ensure that your personal information is protected. The protections in the Privacy Act are generally based on the idea of 'consent' – that is, the business can use your personal information for its purposes provided it gets your consent to do so.

However, things are a little bit different when it comes to credit reporting. The rules applying to credit reporting aren't based on getting your 'consent'. Instead, the law imposes limitations on credit providers and credit reporting bodies that are much stricter than those applying to other forms of personal information – while also giving you very clear rights to see what's on your credit report and to get incorrect information fixed.

Importantly, the information held by the credit reporting body is not available to just anyone to view. Only a limited range of businesses can access the information – and then only for a limited range of purpose, such as when you apply for a loan with another credit provider.

### **Q: 'Is my credit information protected by the Privacy Act?'**

A: In Australia, the law that protects your personal information is contained in a piece of legislation called the Privacy Act, which is overseen by the independent government agency called the Office of the Australian Information Commissioner.

The Privacy Act has thirteen principles – known as the Australian Privacy Principles - that set out the way businesses (other than very small business) must behave in relation to your personal information. These Principles outline how lenders must handle, use and manage personal information that they collect from you and how you manage any accounts with them.

In addition, the Privacy Act also has specific rules that apply to how a lender can access or your 'credit report' – this is a record of how you've handled loans and debts with other credit providers before.

The laws that apply to credit reporting strictly limit how a lender and a credit reporting body (which is the business that holds your credit report) can deal with the information on your credit report. Importantly, the information held by the credit reporting body is not available to just anyone to view.

Only a limited range of businesses can access the information – and then only for a limited range of purpose, such as when you apply for a loan with another credit

provider. Plus, the laws also give you very clear rights to see what's on your credit report and to get incorrect information fixed.

## **COMPREHENSIVE CREDIT REPORTING**

**Q: "Will all credit be checked? For example, is it just banks, or will utility and cellular companies share my data?"**

A: Credit reporting can be used by all types of 'credit providers' – this includes traditional lenders like banks, credit unions and finance companies. However, it also includes businesses that sell you things on credit, like phone and utility providers.

However, only lenders like banks, credit unions and finance companies can share information about your repayments.

## **CREDIT REPORTS & CREDIT SCORES**

**Q: 'What is my credit report and score? Do the banks look at both?'**

A: It's important to understand the difference between the two. Your credit report provides a summary of the credit that you've had and how you've treated it, including how much credit you have, and whether you are keeping up with repayments. As we move toward comprehensive credit reporting, lenders will begin to supply this information for each loan account you have, and this will be accessed by other lenders if you apply for additional credit.

A credit score is a number typically between 0-1000 (or sometimes 0-1200) that provides an indication on how likely you are to pay back the money you owe to a credit provider. While many websites offer free credit scores, the only credit score that really matters is the one calculated by a lender when you apply for credit. This credit score will be based on information contained in your credit report, as well as other indicators – such as your income.

Many lenders use a credit score as an initial sorting method – saying they will only look at people with a credit score of 'X' or above. Data from a major credit reporting body has shown that generally, consumers with CCR data on their credit file will see improvements in their credit scores.

Those who have been regularly paying their debts on time need not be concerned by the move toward comprehensive credit reporting. The new system will empower consumers with good credit health and help banks and other lenders to lend responsibly, protecting the long-term financial health of lenders and borrowers alike.

**Q: ‘Can I get better deals if I have a clean report?’**

A: Simply put, consumers who have been diligent in making their repayments on time may be able to borrow more money, and at a lower interest rate than before. For example, a good payment history could mean that you have more options available to you, so that you can shop around for a loan with a better interest rate.

It’s now more important than ever to pay your debts on time, and if you do, this will be reflected favourably on your credit report and help you the next time you need a loan. For people with little credit history, CCR will make it easier to get a loan. Lenders can see that they have been regular with repayments on a credit card or a home loan obtained years earlier.

The new system will help lenders to identify when customers are credit stressed or over-committed before extending further credit, leading to fewer bankruptcies and bad debts, and potentially reducing the risk of over indebtedness in Australia.

**Q: ‘Why can’t I go to my bank and ask for them to give me my credit rating?’**

A: You have a right to request access to the credit-related information that your bank or lender holds. Your bank or lender’s website will include information (usually under ‘Privacy’) on how to request access. Remember - you can get a copy of your credit report FREE from each of the credit reporting bodies annually.

**CREDITSMART**

**Q: ‘Why did I get a message relating to CreditSmart? I don’t have an account there?’**

A: Your bank or lender may have sent you a message about changes to credit reporting in Australia, which may have included a reference to the CreditSmart website. CreditSmart is an information website created and supported by banks, specialist consumer finance companies, mutuals, marketplace lenders and credit experts to help consumers understand how credit reporting operates in Australia. It aims to help consumers take control of their credit health and understand how recent credit reporting reforms affect them, by providing information about the system that is unbiased and fair.