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**The Daily Telegraph**

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# YOUR MONEY.com.au



## Tasty bite to credit crunch

Cardholders are taking charge of their debt since the introduction of credit reforms, writes **Sophie Elsworth**

A SHAKE-UP to credit card laws and Australians' focus on paying down debts has helped reduce the amount owing on credit cards.

The first anniversary has passed since the credit card reforms were introduced and experts say it's forced the industry to be more transparent, benefiting card users.

Roland Bleyer, chief executive of creditcard.com.au, says the changes have had a positive affect on the way card users manage credit.

"The credit law changes have had a positive impact and people are becoming more aware of their statements and how long it will take them to pay off their credit card debt," he says.

"If the cardholder only pays the minimum amount (each month), for example, it will take them 30 years to pay off \$14,000."

The reforms introduced last July included the introduction of key fact sheets on credit cards, customer control over credit limits, the banning of over-limit fees, statements showing how long it would take to pay back debt on minimum repayments and how interest-free periods work.

Creditcard.com.au has found six out of 10 Australians hold less than \$3000 debt on plastic and 63 per cent shop around to find a suitable credit card deal.

### CREDIT CARDS PROVIDERS MUST:

- Not offer to increase your card limit unless you have expressly agreed to receive invitations to do so.
- Include personalised information on your monthly statements showing how long it would take to pay off your entire balance if you only made minimum repayments.
- Explain how interest-free periods work, making it easier to take advantage of these offers.



It also found eight out of 10 Australians check their statements and 74 per cent understand the importance of interest-free days, but one in four admit to never meeting their minimum credit repayment each month.

Reserve Bank of Australia data found in May this year Australians owed \$49.6 billion on plastic and more than \$35.3 billion was accruing interest.

Twelve months earlier Australians owed \$49.9 billion on plastic and more than \$37.1 billion was accruing interest.

Australian Bankers' Association chief executive Steven Munchenberg says Australians are continuing to focus on curbing their debt

levels, a trend seen since the global financial crisis.

"Less than 1 per cent of customers regularly pay the minimum amount (on a credit card), a third of customers pay off the full amount each month. They don't attract any interest and the remainder pay varying amounts in between," he says.

"Consumers were already changing their behaviours before these reforms came in."

But MyBudget director Tammy May says the plastic reforms were a much-needed change for card users.

"I haven't seen the changes have a positive impact at this point, but they are good reforms and they needed to happen," she says.

## Plug lethal leaks in your business

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