

Oral Submission

**To the Office of the Privacy Commissioner:
Proposed Amendment No 5 to the Credit Reporting Privacy Code
2004
13 July 2011**

Good morning. Thank you for seeing me today. I am Sarah Mehrtens, Chief Executive of the New Zealand Bankers' Association.

I would like to start by saying that we strongly support the move to comprehensive credit reporting and commend the Office of the Privacy Commissioner for making this change possible.

Banks are committed to working together with the new retail credit industry association to ensure the regime works in practice and will deliver the most benefit to its customers and to New Zealand as a whole.

I would like to make some brief comments in support of the proposed change.

Comprehensive credit reporting will provide lenders with much better information on which to base their lending decisions. Current credit reporting only records defaults on payments. This does not provide an accurate picture of the true risk profile of borrowers. For example, if a person has a long history of paying their monthly phone bill, and then misses one payment, for whatever reason, only the negative behaviour is currently recorded and counts against them. Their positive payment history should also form part of their story. A more accurate picture is good for both borrowers and lenders. It helps lenders make more informed credit decisions, and will lead to more credit being available to those who need it.

In this way, comprehensive credit reporting will help combat the negative effects of fringe lending, which is currently the topic of much discussion. This is because comprehensive credit reporting will enable credit providers to get a much more accurate and complete picture of an individual's creditworthiness. This information will allow more people access to mainstream, reputable, lending, and help them move away from predatory lending, and the attendant excessive costs.

Another reason we support the move is that it means New Zealand will catch up with other countries. We are one of very few countries which does not already have both positive and negative credit reporting.

International research backs up the value of comprehensive credit reporting. It has been shown to reduce credit default rates, and as I have already noted, it improves access to

mainstream credit for underserved parts of the community, including women and new arrivals. It also enhances responsible lending practices.

Finally, I would note that the change will improve competition in the credit market, which could in turn improve products and rates for consumers. It could also result in more efficient pricing for credit providers because they will be better able to assess customer risk.

Thanks again for the opportunity to make a submission today. I would be happy to take questions if there anything else you would like to discuss.