

Attachment A: List of questions for stakeholders

1. Key principles Key priorities

What are your views on the proposed key principles? Are there other principles that should be included? Please provide an explanation.

What are your views on the proposed key priorities? Do they provide enough certainty on what the key priorities are for the Government?

Are there other matters that should be included? Please provide an explanation.

References:

- (i) This **Writer's** extensive Letter to Anthony Albanese dated 6 Dec 2022 (provided on 2 @ CDs, 2 @ USB Sticks and 3@ A4 hardcopy) with a plethora of embedded threads.
- (ii) Australian Govt Treasury Dept undated letter [Ref: MC22-018075] (in PDF) to Philip Johnston (2nd **Attachment** in this **Writer's** stakeholder submission email to paymentsconsultation@treasury.gov.au sent 6-Feb-23) that –
 - a) thanked this **Writer** for his above submission to the Prime Minister dated 6 Dec 2022 (1st **Attachment** in this **Writer's** stakeholder submission email to paymentsconsultation@treasury.gov.au sent 6-Feb-23) and informed that it had been referred to the Assistant Treasurer and Minister for Financial Services.

“The Prime Minister appreciates the time you have taken to convey your concerns with the current system and make suggestions for improvements.”

“Your suggestion has been passed on to the relevant policy area in the Treasury and will be taken into consideration as part-of the policy development process.”

- b) informed that submissions from interested stakeholders to a '**Review of the Payments System – Consultation Paper**' close on Monday, 6 Feb 2023.

This **Writer** is flummoxed that written submissions are restricted to Word and PDF files. If there is a logical reason why, he welcomes learning it. Perhaps this review does not want detailed evidence of *failing to act* by one or more financial regulators accompanied with detailed corroborating evidence. Preparation of this submission would have taken this **Writer** less than half the time to complete if Commonwealth Treasury and/or the Commonwealth Govt. had allowed submissions on CD and/or USB Sticks where URL embedded threads therein readily access/open related files on the CD or USB Stick. Consequently this **Writer** had to publish a few hundred pertinent 'supporting evidence files' on his website, so that readers of this stakeholder submission "*to have your say*" can access relevant 'evidence files' in embedded threads within this submission to paymentsconsultation@treasury.gov.au in the attached Word and PDF files to be emailed on 6 Feb 2023.

This **Writer** is mindful that the long awaited '**Review of the Reserve Bank of Australia**' does not include examining **Australia's Principal Regulator of the Payments System** regulatory performance of Credit Cards since the

18% interest rate Cap was removed in April 1985. Or for that matter any review of the RBA's enforcement of its statutory responsibilities *inter alia* to "... **the economic prosperity and welfare of (ALL) the people of Australia**".

Philip James Johnston's Comments re 'Key principles' – 'key priorities' follow:

If *fairness, justice, egalitarianism and equality* for all citizens within Australia, irrespective of their **Financial Literacy Capacity**, are 'key principles' of the Australian Government, then a vital priority of the pending Review of Australia's Payments Systems must be the application of the **User Pays Principle** to **Credit Card Products** – pricing approach premised that the most efficient allocation of resources occurs when consumers pay the cost of the goods or services that they consume. The **User Pays Principle** accords with **The Public Interest Test**.

'Supply and Demand' is arguably the most fundamental concept in economics and the foundation of any free enterprise market economy. The '**User Pays Principle**' is the omnipresent pricing mechanism to achieve the most equitable distribution of resources in any such market economy. It promotes responsibility and accountability and encourages 'Supply'. 'User Pays' occurs when consumers pay the 'full cost' of the goods or services that they consume - *if you want to acquire a good or service in the market place, you pay the market price* be it groceries, paying the rent, engaging a plumber or visiting the GP.

This deep-seated fundamental of the 'User' paying the market price for a 'good' or 'service' applies in all sectors of any open market economy, even in the banking sector (eg. a housing loan, personal loan, corporate loan, syndicated infrastructure loan, overdraft, buying a bank cheque, issuing a personal cheque, buying a money box etc.). But amidst **Credit Card Products**.

1. Increasingly since the early 1990's many Credit Card Products have deployed Predatory Marketing Targeted at Credit Cardholders with low Financial Literacy Capacity often charging Usurious Interest Rates and applying an assortment of Cardholder Fees

Credit Card Products are both ubiquitous and unique. They are the most widely used and differentiated retail borrowing instrument in both 'variety of types' and 'quantum of providers' in the Western World. Almost all essential items purchased in society have a price which is the same no matter if you are wealthy or poor. A loaf of bread, a carton of beer, a litre of petrol command a price that the purchaser, rich or poor, pays. But due to the '*marketing talents*' of many **Credit Card Issuers**, since the early 1990s the price paid for using **Credit Card Products** has varied increasingly according to the **Financial Literacy Capacity** of particular **Credit Cardholders**.

The RBA publishes a veritable welter of financial statistics on many financial instruments. Relying on RBA Excel file c01hist.xlsx, Philip Johnston created adjoining worksheets 'CreditCardsSummayData' and 'KeyCreditCardStats'. He estimates that aggregate interest levied on Credit Cards in Australia upon *Revolvers* during the year ended 30 Sept 2022 was \$3.889 billion *circa* based on an average interest rate of 21.5% (taking into account higher Cash Advance interest rates). Estimated

Current Annual Credit Card Interest Revenue is \$3,889,869,715 *circa* as at Sept 2022 calculated on the 'Value of credit and charge card balances accruing interest' of \$18,092,417,278 (from data in Excel worksheet KeyCreditCardStats).

Interest levied on Credit Cards, and indeed Credit Card usage has reduced in recent years due to the skulduggery deployed by BNPL. **But the level of financial stress has not.**

Approx. 67% of **Credit Cardholders**, invariably **Financially Educated** with Level 3, 4 and 5 **Financial Literacy** (identified as **Transactors** by the RBA) make almost no payment for enjoying a **Line/s of Credit** for between 45 and 55 days and regularly avail the **Three Purchase Benefits Of Tap And Go**. **Annual Credit Cardholder Fees represent a measly 2% of a Credit Card Issuers annual 'Revenues'**. At least half of **Transactors** receive **Rewards Programs**. *Ipsa facto*, **Transactors** invariably enjoy a **Free Ride**. But as always, someone has to pay.

The remaining 33% *circa* of **Credit Cardholders** that are generally **Financially Uneducated And Vulnerable Australians**, commonly with only Level 1 and 2 **Financial Literacy**, pay the operating costs and generate the profits in **Interest And Fees Revenue**, of **Credit Card Issuers**. Reserve Bank reports refer to this 33% *circa* cohort of **Credit Cardholders** as **Revolvers**.

Hence, one third of **Credit Cardholders** (**Revolvers**) [identified and quantified by **Numeracy And Literacy Authorities** and **Credit Card Distress Authorities**] effectively pay the cost of two thirds *circa* of **Credit Cardholders** enjoying a **Line/s of Credit** for an ave. **\$2,923** per month (per card) for between 45 days and 55 days, before those "two thirds *circa*" physically pay for their **Purchases**.

Revolvers also pay the **\$18 billion dollars circa annually of credit card debt accruing interest** that aggregates to **\$3.9 bil circa interest annually**, as well as **Late Payment Fees**.

Is Australia really an egalitarian country? Five Prime Ministers have talked it, but our Federal Govt hasn't walked it, obligated under Section 51 of the Australian Constitution, to the detriment of Financially Uneducated And Vulnerable Australians that possess, often through no fault of their own, poor Financial Literacy Skills. Some Credit Card Issuers have deployed Predatory Advertising and charged Usurious Interest Rates and Penalty Fees, Targeted at Credit Cardholders with low Financial Literacy Capacity.

Prior to the Campbell Report *circa* early 1980's, Australia's 'central bank' regulated all bank interest rates with an *Iron Fist* – **"... when de-regulation resulted in adverse consequences, re-regulation ensued...."**

Prior to April 1959, the Commonwealth Bank was Australia's central bank. When de-regulation evidenced adverse consequences, re-regulation soon resulted. Below is an extract from **Consumer Affairs Victoria - Regulating the cost of credit** which evidences that in the past if de-regulation did not achieve the desired results, then re-regulation followed:

"However, one act of deregulation cannot quell an argument that has been going on for millennia. Over the following century the tide

gradually turned towards re-regulation, culminating with detailed requirements imposed on the financial sector (particularly the banks) during and immediately after the Second World War."

The 18% Cap on maximum interest rate on Credit Cards was removed in April 1985. Instead it should have been lifted to say 24% and reduced as the extreme inflation subsided by mid-1990. Nonetheless, the **Extensive Regulatory Powers and Responsibilities upon the RBA to All Australians** that includes **"... the economic prosperity and welfare of (ALL) the people of Australia"** still remained in the statutes.

Due to **Australia's Principle Regulator of the Payments System** neglecting/disregarding its **Statutory Duties** over **Credit Card Products** since the mid-1990, particularly to the economic prosperity and welfare of all the people of Australia. Many of Australian Credit Cardholders with low **Financial Literacy Capacity** were exploited by '*carnivorous money lenders*' that engaged in **Predatory Marketing** – suitably illustrated in "**Australia's most predatory credit cards revealed**". **Credit Card Issuers** developed a host of new enticements (listed in **Credit Card Products**), not limited to:

1. **No annual fee credit cards**
2. **Low interest rate credit cards**
3. **Balance transfer credit cards**
4. **Rewards credit cards**
5. **Frequent flyer credit cards**
6. **Gold, platinum and black cards**
7. **Student credit cards**
8. **Business credit cards**
9. **Travel credit cards**

All Credit Cardholders enjoy the **Three Purchase Benefits Of Tap And Go** and should ALL pay at least half of revenues received by the triumvirate within the **Wholesale Supply Side of Credit Card Products** (**Credit Card Issuers, Credit Card Acquirers and Merchants**) for enjoying the **Three Purchase Benefits**, instead of one third (**Revolvers**) *picking up the lion's share of the tab* because invariably they have low **Financial Literacy**. As elaborated below for at least the last 20 years, one third of **Credit Cardholders** (**Revolvers**) have paid all the **Interest and Penalty Fees Revenue** whilst the other two thirds (**Transactors**) have **Enjoyed A Free Ride**. Without most of the **Interest and Penalty Fees Revenue** some of the Credit Card Issuers, without the fall back of an array other banking products *would likely have had to shut up shop*

Below is an extract from page 40 of the **Australian Banking Association Banking Code of Practice - Setting the standards of practice for banks, their staff and their representatives** that was issued before the recent Justice Kenneth Hayne, Banking Royal Commission. The below ABA Clause 126 limited charging interest to only the unpaid balance (after the **Interest Free Period**) would likely have eroded a lot of Credit Card Interest Income, moreso than legislating a **User Pays Purchase Transaction Fee** recommended in **Section 3** below:

"Charging interest retrospectively on portion of credit card balance that is paid off by the due date

126. If you have an interest-free period on a consumer credit card balance, or part of a balance, for a period of time, we will **not retrospectively charge you interest** for that period because you didn't pay off that balance, or part of that balance, by the due date."

ABC News article – 20 Dec 2017, **Banks revamp code of practice in face of scandals, royal commission** -

- (A). informed that the current CEO of the ABA, Anna Bligh, announced in late Dec 2017 that the ABA had just lodged a '**Banking Code of Practice**' with the Australian Securities and Investments Commission (ASIC) for approval; and
- (B). listed several changes that would be legally binding on all 'member banks' of the ABA which included:

"Customers only paying interest on what remains on a credit card and not the full amount of purchase if a loan is being paid down."

2. Australia's Principle Regulator of the Payments System has been aware for many years that at least 40% of Australians did not possess the Numeracy Literacy Capacity to work in an emerging knowledge based economy.

"Level 3 is regarded by the survey developers as the 'minimum required for individuals to meet the complex demands of everyday life and work in the emerging knowledge-based economy' (ABS 2006, p. 5)"

Australia's Principal Regulator of the Payments System is aware from the multitude of information sources in

Quantitative, Qualitative, Credit Card Distress Authorities that Credit Cardholders with poor **Financial Literacy Capacity** have collectively paid many billions of dollars in **Interest and Penalty Fees Revenue** since the early 1990s on their Credit Cards often at **Usurious Interest Rates**.

Numeracy And Literacy Authorities, And Newspaper Article – Evidence Of Unfair Credit Card Practices Which Prey Upon Financially Uneducated And Vulnerable Australians by Numeracy And Literacy Discrimination details a veritable welter of evidence of the **Interest and Penalty Fees** charged at **Usurious Interest Rates. 12.58%** circa of all Credit Cardholders, identified by the RBA as **Persistent Revolvers** have paid over 80% of all **Interest and Penalty Fees Revenue** for at least the last 20 years, after the 18% interest rate Cap was removed in April 1985.

3 Legislate a tiny User Pays Fee on each Purchase using a future legislated Credit Card to re-instate a maximum interest rate Cap to protect exploited Persistent Revolvers against Predatory Marketing. A teeny User Pays Fee on all Purchases on a future legislated Credit Card that is Cap'd at the Unsecured Variable Term Personal Loan Rate (calculated by the RBA – 14.4% p.a. at Nov 2022) would soon evidence an end to Predatory Marketing and associated Usurious Interest Rates up to 30% p.a. (when Late Payment Fees are included) because of the attraction of a low interest rate, even though a petty

User Pays Fee applied, albeit not levied for between 45 days and 55 days after each Purchase

Hopefully Australia's Labor Government is concerned about the plight of over one million fellow Australians with poor **Financial Literacy Capacity**, that often through no fault of their own (identified by the RBA as **Persistent Revolvers** - only **12.58% circa** of all Credit Cardholders) have paid well over **80% of the Interest, Penalty Fees and Cash Advance Fees** since the late 1990s. This huge inequity is evident in the **Credit Card Revenue pie chart** and due to **Predatory Advertising** and **Unconscionable Credit Card Interest Charging** often at **Usurious Interest Rates Targeted at Credit Cardholders with low Financial Literacy Capacity**.

This **Writer's** extensive Letter to Anthony Albanese dated 6 Dec 2022 (provided on 2 @ CDs, 2 @ USB Sticks and 3@ A4 hardcopy) established that a teeny **User Pays Fee** levied on all **Future Issued Credit Cards For Purchase Transactions** -

- * could accrue up to **\$1.84 billion circa** annually in **Purchase Fee Revenue** being 47% *circa* of the **Estimated Current Annual Credit Card Purchaser Interest Revenue** (levied by **Credit Card Issuers** of **\$3.889 billion circa** annually;
- * if the vast majority of Australian Credit Cardholders *rallied to the cause*, so that Australia would show other Credit Card using countries that Australia is truly an **Egalitarian Country** where all Australians *Get A Fair Go*, even those with only Level 1 or Level 2 **Financial Literacy Capacity**.

Sufficient Credit Cardholders that are prepared to *Pay Their Way In Life* and would take out and use a new **User Pays Credit Card** that levies a teeny **User Pays Purchase Fee** (10 cents fixed cost for each **Purchase** and a variable fee of one 200th of the value of each **Purchase**) would enable the Commonwealth Parliament to re-impose a *Cap* on the maximum interest rate levied for each **Purchase** and each **Cash Advance**. That *Cap's* interest rate could align with the '**Unsecured Variable Term Personal Loan Rate**' (calculated by the RBA) 14.4% p.a. (at 22 Nov 2022). This is the benchmark unsecured term personal loan variable interest rate referred to by journalists from Finder, Mozo, RateCity, CHOICE, SMH/The Age, The Australian, The Guardian, *et al.*

(A \$50 Purchase using a Credit Card issued after requisite parliamentary legislation would incur a 25 cents Variable Purchase Fee and a 10 cents Fixed Purchase Fee = 35 cents User Pays Fee).

If enough Australians want Australia to factually be an **Egalitarian Country**, a minuscule **User Pays Fee** on each future **Purchase** using a **User Pays Credit Card** (that is issued/taken out after enactment of requisite Commonwealth parliamentary legislation) would then enable re-introduction of a **Maximum Interest Rate Cap that applied until April 1985** on all **Credit Card Products** (issued after enactment of parliamentary legislation). The new *Cap* would not apply to Credit Cards taken out prior to required new legislation.

The **New Maximum Interest Rate Cap** could be the same as the interest rate for **Unsecured Variable Term Personal Loan Rate** (calculated by the RBA) – 14.4% p.a. at Nov 2022.

In concert with regulating that all new Credit Cards issued after requisite legislation again have a **Maximum Interest Rate Cap**, the limit for **Cash Advances** on all future issued **Credit Card Products** should be restricted to 50% (or perhaps 33.3%) of the total **Credit Card Limit** to materially restrict **Predatory Lending** and associated **Extreme Financial And Emotional Distress** that has invariably fallen upon folk with low **Financial Literacy Capacity**. Such a percentage limit on **Cash Advances** would actively reduce extreme Credit Card indebtedness as Credit Cardholders would need to approach their banker/financier regarding another form of short term borrowing which would generally be at a lower interest rate than for a **Cash Advance**.

4. Enthusing Australian Credit Card Users to apply (after requisite Commonwealth Parliamentary legislation is passed) for a User Pays Credit Card with a Cap'd interest rate (of approx 14.4%) and pay a teeny User Pays Purchase Fee requires a creative presentation, coupled with the integrity of the ABC's 'Four Corners' and 'Australian Story' programs

Risk adverse bureaucrats, with risk mitigation '*blinkers on*' focusing intently upon their particular zone of responsibilities will instinctively think '*albeit well intended, but this proposal won't fly with the bulk of Credit Card Users*'.

Some Australians possess a creative **Growth Mindset** more open to take on a new challenge, particularly when it entails assisting other Australians not as fortunate as themselves with regard to the mental skills that were passed on from their parents before birth, and the mentoring and education that they may not have received during their upbringing.

Below is a description of the proposed **Three ABC TV Programs Spread Over Six Weeks** that would enable Australia to be seen by other countries as truly an **Egalitarian Country**.

First ABC TV program – First *Four Corners* program (45 minute) split into three sections

Initial 15 minutes

Interviewing seasoned **Financial Counsellors** from amongst **St. Vincent de Paul, The Salvation Army, Rural Financial Counselling, Wesley Mission Financial Counselling** et al that have attempted to assist thousands of Australians with Credit Card debt, often in excess of \$20,000, learning first-hand the traps that such Credit Cardholders, often inexperienced and unskilled in financial matters, fell into. **Middle class hit by debt** (SMH – 21 Jan 2009) had a profound impact on this Writer when it was published 14 years ago.

Second 15 minutes

Interviewing four or five young couples that managed to receive financial relief from attending a **Financial Counsellor/s** that assisted instil spending restraint due to the belief that light appeared at the end of that long, dark tunnel. Also, exposing the financial pitfalls that many young **Credit Card Users** have been caught by.

Final 15 minutes

Displaying pie charts and RBA statistical tables that evidence the amount of **Interest and Penalty Fees Revenue** received by **Credit Card Issuers** from the

small cohort of **Persistent Revolvers** annually, whilst interviewing Credit Card savvy employees from amongst Finder, Mozo, RateCity, CHOICE, *Crikey*, The Guardian, The Conversation, **Financial Counselling Australia**, **Consumer Action Law Centre** *et al* to present empirical evidence of the **percentage** and **\$ total** that –

- A) the one in six **Credit Card Users** (described in RBA published reports as **Persistent Revolvers**) pay in **Usurious Interest Rates** and **Penalty Fees** annually; and
- B) two thirds of **Credit Card Users** (described in RBA published reports as **Transactors**) pay towards **Interest and Fees Revenue** earned by the triumvirate within the **Wholesale Supply Side** of **Credit Card Products** (**Credit Card Issuers**, **Credit Card Acquirers** and **Merchants**).

Second ABC TV program - Australian Story program (31 mins) approx. three weeks after the above proposed First Four Corners program

Interviewing well-known Australians that grew up in housing commission etc. coming from humble beginnings and had witnessed first-hand the emotional and financial stress of mis-managed credit cards amongst neighbours, friends or family eg. **Anthony Albanese** (PM), **David Warner** (cricketer), **Cathy Freeman** (athlete), **Julie Collins** (Federal Minister for Housing and the Minister for Homelessness), **Peter Lochert**, Secretary, Depart of Parliamentary Services, Parliament of Victoria.

All of the above well-known Australians would have been asked to watch the afore-mentioned *Four Corners* program and expectedly express the view that Australian **Credit Card Users** should be prepared to use a soon to be legislated new credit card that was *Cap'd* at around 14.4% interest rate and pay a smidgeon **Purchase Usage Fee** for each Purchase, so that no **Credit Card User** is again subjected to **Usurious Interest Rates** and excessive **Penalty Fees** (both **Unconscionable Credit Card Practices**) because **Revolvers** would switch to a **User Pays Credit Card** with a *Cap'd* interest rate (of approx 14.4%) and pay a teeny **User Pays Purchase Fee** and hopefully also a lot of **Transactors** would also, after viewing the **Three ABC TV Programs Spread Over Six Weeks**.

Third ABC TV program - Second Four Corners program (45 mins) approx. three weeks after the above proposed Australian Story program

Eleven or so 4 min approx. interviews with prominent Australians drawn from sporting, entertainment, the *Arts*, politics and business that undertake to apply for and use such a new **User Pays Credit Card** because each believes that all **Credit Card Users** should be prepared to pay a teeny **User Pays Purchase Fee** for the **Three Purchase Benefits Of Tap And Go** so that all Australians *Get a Fair Go*.

5. **The afore-described Three ABC TV Programs Spread Over Six Weeks creative presentation has no downside risk, because owners of the 13,197,629 Credit Cards in Australia (as at Nov 2022) that are not concerned about the plight of *Revolvers*, in particular the 12.58% circa of all Credit Cardholders that are **Persistent Revolvers**, can continue to use their existing Credit Cards that would not be bound by any future interest rate *Cap* or teeny Purchase Transaction Fee.**

The Commonwealth Govt could provide a single purpose website that enables all supportive Credit Card Users to log -

1. his or her intention to apply for a **User Pays Credit Card** and use it as their primary credit card;
2. the date that s/he applies for it; and
3. the date s/he makes their initial Purchase with it.

Favourable news reporting from Australia's other News Networks of the Commonwealth Govt's initiatives to *right a long standing wrong*, and the favourable support articulated by prominent Australians, would also influence Credit Card Users to apply for and use a **User Pays Credit Card**, particularly as the proposed **Purchase Transaction Fee** is *teeny weeny*. A \$100 grocery bill would cost \$100.60.

Healthy take-up would evidence globally that Australia is truly an **Egalitarian Country** and capable of overcoming a longstanding injustice re **Predatory Marketing** and **Numeracy And Literacy Targeting** that no other country has previously sought to correct.

As mentioned in Section 1 above a *Cap'd* interest rate of around 11% above the RBA **Cash Rate** on all Credit Cards issued after requisite Federal Parliament legislation would be a smaller *bitter pill to swallow* for Credit Card Issuers than the **ABA's prohibition (effective by 1 July 2019) on all Credit Card Issuers charging interest on the aggregate of all the previous month's Purchases, even if the monthly payment was only a day late of a dollar short**. Going forward, if the Credit Cardholder was required to pay the aggregate of the earlier month's Purchases of say \$900, but only paid \$800, s/he would be charged interest on the \$100 shortfall and not on the entire \$900 of Purchases which had been the previous unconscionable interest charging practice before the **ABA's Banking Code of Practice that set new stringent standards of practice for banks, their staff and their representatives** – (effective by 1 July 2019). Doubtless that ABA Code of Practice was issued due to Justice Hayne's Royal Commission into 'Misconduct in the Banking, Superannuation and Financial Services Industry'. *Inter alia* the ABA banned the above mentioned shameful practice of charging interest on the aggregate of the earlier month's Purchases, even if the monthly payment was *only a day late or a dollar short*. Several Credit Card Issuers also withdrew the Interest Free Period for the following two months, so the '*interest meter*' was running from the date of each Purchase.

2. Key Initiatives

What are your views on the proposed key supporting initiatives? Are there other initiatives that could be included in the Plan? Please provide an explanation.

Do you have any feedback on the proposed approach for any of the initiatives (as outlined in Attachment B)? Please provide an explanation.

What are the key milestones for particular key initiatives that you would like to see included in the Plan?

Are there any conflicts between milestones or pressure points that need to be taken into account in revising the roadmap?

3. Process for reviewing the Plan

Re your above “Are there other initiatives that could be included in the Plan? Please provide an explanation.” The [Writer](#) refers you to his above response in ‘1. Key principles Key priorities’ above.

What are your views on the proposed review process and engagement arrangements? Please provide an explanation.

Are there any other sections or topics that you would like to see added to the Plan? Please provide an explanation.

Re your above “Are there any other sections or topics that you would like to see added to the Plan?” The [Writer](#) refers you to his above response in ‘1. Key principles Key priorities’ above.