

Submission on Credit Reporting

Credit reporting should be rolled back to negative credit reporting only to preserve the privacy of citizens. Negative reporting captures only those debts that have gone through due process.

There does not appear to be any reasonable justification for the wholesale spying on individual's finances that is currently being undertaken. The companies doing this are multinational, there are no requirements that the data be retained only within New Zealand and there are no controls over who may eventually acquire the data. e.g a sovereign state could takeover say Veda.

Overall Rational for Positive Credit Reporting

It is not easy to understand the rational behind the Privacy Commissioner allowing positive credit reporting in the first place which involves private corporations gathering up large amounts of citizen data without the individuals concerned having any choice in the matter, let alone being able to give their free and informed consent or to be able to opt in if necessary.

At some point in approving positive credit reporting a presentation appears to have been given to the Commission by an individual from the USA. Frankly there seems to have been no critical analysis of this and the website of the group concerned is liberally besplattered with acknowledgements of corporate money received. There is no acknowledgement that it may not be truly independent presentation. Further it applied to the US which has a large population, state & federal laws, a variety of jurisdictions and major credit scandals (robo mortgage signing for one). We have 4 million people and a country wide interlinked banking and corporate network. Dealings in Invercargill are readily available in Kaitaia.

1. Corporate Reasons for positive Credit Reporting

The reasons appear to be couched as "altruistic" for the community and certain individuals but the reality is that credit reporting companies are profit driven entities who sell all the information gathered to all comers. The main "reasons" given below are manufactured and largely spurious:.

1.1 Enabling individuals to repair their Credit Standing

The vast majority of New Zealanders do not have mortgages and pay credit card and utility bills regularly, The credit they use is minimal or non-existent and collecting their details is highly intrusive and of no benefit to them.

Further in demanding that individuals pay to access that information and then have to go to the hassle of sorting out any incorrect information (and false information is endemic) is wasting their time, burdening them and making it their problem.

I for one, had to spend several hours getting a conversation of mine taken of the record of a person completely unknown to me, after a call was put through to me by a confused operator at a business I worked at because I had the same surname. However, this was insignificant compared to the five mornings the entire office spent listening to a fellow employee trying to take the details of an unknown person off their record (who was no match in age, sex or location) and repeatedly had privacy considerations quoted back to them. Most of this contact goes through poorly trained call centre operators who are following a script.

Corporates who report (Genesis) have their call centre operators telling people "the government makes us do this".

1.1.1 Refusal to consider lesser measures by credit providers

There are a range of lesser measures (individuals for instance could provide copies of their bank statements, wages slips and bills paid over a two year period) that would satisfy a lender's need for assessment. Credit providers should be forced to justify why they are not using these measures

1.2 Preventing Individuals from overborrowing.

I do see the need for certain budget advisors and the like to be authorised to obtain a "mini Chapter 11 - a standstill from credit action for individuals " for a limited time from credit providers and other interested parties for clients who arrive at these services in distress to give time to sort out a payment plan.

Otherwise, this has to be the height of hypocrisy. Banks and other credit providers have had to be bailed out by citizens through their governments in many countries including ours after they failed to act in a responsible manner although they have no trouble stumping up for their own bonus payments.

Nonetheless credit cards companies and fringe lenders are still charging up to 20% interest so they can afford for \$1 in every \$5 to go bad and still break even on that tier of lending. There are also numbers of fringe lenders that operate without any particular handicap or control who are providing credit to those turned away elsewhere. The conclusion is that the less creditworthy still borrow but are open to exploitation.

1.3 Ensuring Responsible Credit offers

Many of the people who receive these offers couldn't be less interested in them. I see no justification for the wholesale collection of data from individuals under compulsion to enhance what are merely marketing campaigns.

1.4 Identity Theft

This is a very real problem for those who encounter it and a separate protocol should be devised (under Reserve Bank supervision?) to enable this to be dealt with. Again, I see no reason for this to enable wholesale data collection.

Much is made of this and figures are quoted as "130,000 have dual identities" but the fine print shows that the vast majority are simply married women who have had a maiden name. There was a figure on the Veda website? (now gone?) that suggested around 130 individuals used multiple names to defraud. The credit companies should provide fine grained information about the actual number of individuals with dual identities where the identity is used to defraud and justification as to why negative reporting is not picking these up. In short the onus should be on them.

2. Other Commentary

2.1 *Asymmetry of Information*

Individuals routinely extend credit to companies by way of unpaid wages, holiday pay, sick leave and redundancy entitlements. Similarly small contractors and other small businesses extend credit for services and goods provided. Few of these individuals are in a position to demand access to the company's credit reports and even if they do the costs can be prohibitive.

Similarly, communities extend credit by default to multi-nationals who depart leaving behind environmental clean-up jobs (tailing dams, polluted wood treatment plants), ACC claimants, unpaid rates and taxes. Companies are regularly folded to avoid tax payments.

2.2 *IRD logging of Debts*

This should not be permitted as it gives the IRD a significant bludgeon to demand the payment of taxes in dispute (by threatening the individual's business or credit standing in the wider community) before all access to statutory remedies have been used. Where there has been a due process resulting in court action then a negative reporting system collects these.

2.3 *Provision of Credit is Minimal or Non-existent or Consumers extend Credit to Suppliers.*

There are a group of providers where because of prepayment, direct debits or monthly charges and the timing of these, the actual provision of credit to the consumer is limited to one month's charges or less before the service can be terminated for non-payment.

Indeed there is significant credit advanced by consumers to these companies who pay no interest nor provide their credit reporting history to those extending that credit.

Telco's

Have a range of prepay options & also the ability (insistence?) to take payment by debiting credit cards and bank accounts. It appears to be industry practice to debit credit cards & bank accounts prior to the actual due date of the bill to enable any accounts with outdated details or insufficient funds to be promptly identified - credit extended is therefore little beyond a month's transactions.

Power Gas & other Utility Companies

Have the same prepay and direct debit options plus fixed monthly payment options. Where there are fixed monthly options estimated charges are usually made for the first month of a two-month cycle and estimated charges usually total two-thirds of the final two-monthly bill. Again given the timing of readings and payments the actual advancing of credit is usually for considerably less than one month's charges and indeed in many cases consumers are actually advancing their funds to the companies.

Rates

Local authorities can recoup rates by the sale of the property concerned.

2.4 *Access to the Information by those who have no Intention of Providing Credit or wish to use this for some form of intimidation*

Employer access to this information for potential employee's is unlimited and it has become virtually mandatory to give consent to a credit check when applying for any job. Employers do not provide credit to their staff but will have the ability to pry unnecessarily into employee's financial affairs.

Allied to this is the small but real possibility that individuals who offend another (investigative journalists?) may be subject to oblique or not so oblique threats around their financial affairs.