**From:** Phil Johnston [mailto:scribepj@bigpond.com]
**Sent:** Tuesday, 25 October 2011 19:35
**To:** RBAInfo
**Subject:** Seeking data on the percentage of credit card users who repay their outstanding indebtedness in a particular month, and a break-up of those who do not

Sharon

I refer to my ‘phone call to you this morning.

After retiring from a 37 year career at CBA, where I dealt with former RBA colleagues in the late ‘70s at what was then known as Note Issue, I now spend part of my time pursuing causes with Govt and bureaucracy that I think have merit.

When I worked in CSB HO in the early ‘80s there was the “80/20 Rule” (Pareto’s Principle) where 80% of profit from savings accounts came from 20% of CBA’s customers.

I suspect that a similar rule apples with credit cards.

*Prima facie* I see merit in adopting the American Express Card convention (may require amending the banking acts) to obligate all credit card providers in Australia to require all their credit card customers to repay their TOTAL outstanding debit balance monthly in arrears, because the banks and the more intelligent and well off credit card users are exploiting the less educated lower socio-economic users who pay hundreds of millions of dollars annually in exorbitant interest margin costs (well above the bank's cost of funds), whereupon the gap between the '*Haves*' and the '*Have Notes*' is further widening.

We are seeing a lot of recent evidence of the *‘Have Nots’* protesting with riots in England a few months ago and ‘Occupy Wall Street’ burgeoning into many large cities.

The primary benefit of holding a credit card should be to enable the user to purchase items without furnishing cash where their credit rating can be instantaneously checked by the merchant.  It should not be for the *less knowledgeable* to be subsidising the *more knowledgeable*, which is presently the case.

I seek data for a particular month (or quarter) which shows:
1.    Number of cards repaid total indebtedness and dollar amount of those repayments.
2.    Number of cards > or =50% of total indebtedness and dollar amount of those > or = 50% repayments.
3.    Number of cards <50% but >5% of total indebtedness and dollar amount of those <50% but >5% repayments.
4.    Number of cards <=5% of total indebtedness and dollar amount of those <=5% repayments.

[Citi’s Visa Westpac charges a $99 annual fee, ‘dangles a carrot’ of no interest on purchases for 6 months, but a Cash Advance Rate of 21.8% p.a.](http://www.creditcardfinder.com.au/best-credit-cards)

[Westpac charges a $45 annual fee, 13.49% p.a. on purchases and Cash Advance Rate of 21.49% p.a](http://www.creditcardfinder.com.au/best-credit-cards)

[Other providers promote rewards programmes and charge higher fees and interest.](http://www.creditcardfinder.com.au/best-credit-cards)

In light of recent unrest from some of the *‘Have Nots’* and because the interest rates applied are well above the providers cost of funds, I believe that the RBA has an obligation to understand the demographics of those customers who are paying for the credit card product and materially contributing to banks profits, and those that are not so contributing.

Hence, if the RBA is unable to provide the above sought data or something similar, because the Banks do not report it to the RBA, would the RBA seek it from the major credit card providers as a one-off.

Cheers

**Phil Johnston aka**[***Bank Teller***](http://muggaccinos.auswide.net.au/muggaccinos/ChoresnCrew/Scribe/Scribe.htm)