**'Zero balance' credit card deals under ASIC microscope**

Credit card promotions touting "zero interest" on balance transfers will go under the microscope as part of a review by the corporate regulator into the $50 billion market.

The probe will assess whether banks are deliberately targeting interest-free promotions at customers who are likely to end up taking longer to pay off their debts.

As part of the review, the country's biggest banks will have to hand over data on their credit card portfolios going back five years, to allow the watchdog to investigate the impact of "zero per cent" balance transfer deals, which critics say can be "debt traps".

Consumer groups have long highlighted the risks of balance transfer deals – now the Australian Securities and Investments Commission will ask banks to supply monthly repayment details on consumer cards, down to the level of individual accounts, going back five years.

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* [**Push for tighter caps on credit card limits**](http://www.smh.com.au/business/banking-and-finance/push-for-tighter-caps-on-credit-card-limits-20170825-gy4crh.html)

A key focal point will be how consumers behave when banks charge no interest on the debt for a set period, typically about one year, before reverting to charging a much higher interest rate of up to 20 per cent.

ASIC senior executive for deposit takers, credit and insurers, Michael Saadat said the probe would look at whether consumers were using such balance transfer deals to consolidate their debts, switch between banks, or if balances were carried for a long period of time, across multiple cards.

"One of the reasons we've chosen a five-year period is so that we can explore the effect of balance transfers on consumer debt levels through time," Mr Saadat said.

He noted a 2015 Senate inquiry that said banks competed on balance transfers, but these could also represent a "potential debt trap".

ASIC is examining how credit card balance transfers affect consumer indebtedness.

"Our review should allow ASIC to conclude whether this risk occurs in practice," he said.

ASIC deputy chairman Peter Kell said last week it would also look at instances where cards were "obviously poorly suited" to customers' needs or their financial behaviour. He also noted banks had "taken advantage" of behavioural biases in the use of credit cards.

ASIC deputy chair Peter Kell believes banks have "taken advantage" of behavioural biases in the use of credit cards.

ASIC will request data from 12 lenders including Commonwealth Bank, National Australia Bank, Westpac, ANZ Bank, Citi, HSBC and Macquarie.

Banks will have to tell the watchdog how quickly their credit card customers are repaying their debts, what they are paying in interest and fees over a five-year period, and ASIC will also look at customers' incomes and expenses.

***The banks know who these deals appeal to, and people who are struggling with debt are quite profitable customers.***

Consumer Action Law Centre's Katherine Temple

Australians have credit card balances worth more than $50 billion, of which about 60 per cent is racking up interest, often at rates of about 20 per cent.

The Consumer Action Law Centre said interest-free "teaser" periods often only apply to a card's balance, not new spending after the transfer, and people with significant debts were often attracted to this type of offer.

Katherine Temple, senior policy officer at the centre, said banks offered these deals knowing that many customers would end up paying much higher rates of interest when the interest-free period ended. Often, such promotions appeal to customers struggling to repay their debts.

"They are taking a punt on you not being able to pay off the balance on time," Ms Temple said. "The banks know who these deals appeal to, and people who are struggling with debt are quite profitable customers."

At the 2015 Senate inquiry into credit card interest rates, some banks defended zero per cent balance transfers as a sign of competition in the market. The biggest credit card lender, the Commonwealth Bank, [**called for the practice to be banned**](http://www.smh.com.au/business/banking-and-finance/cba-calls-for-mandatory-minimum-credit-card-repayments-20151015-gkajfi.html) – though rivals implied it was trying to preserve market share.

ASIC, which expects to report its findings next year, will also conduct research into consumers and why people take out balance transfer deals.

It will also examine the impact of 2012 laws that forced banks to tell customers how many years it would take them to pay off their balance by only paying the minimum repayment. ASIC will play a key role in enforcing [**planned laws**](http://www.smh.com.au/business/banking-and-finance/push-for-tighter-caps-on-credit-card-limits-20170825-gy4crh.html) that will require banks to only able approve credit card limits that can be repaid in a "reasonable" period of time.