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Media release

For comment, please contact

Josh Fear (02) 6162 4140 0403 424 866 (mob)

Banks to blame for the credit crunch: survey

Three in four Australians believe that financial institutions are responsible for the current debt crisis, according to new research by the Australia Institute.

The findings are made in a new paper, *Where Does the Buck Stop? Community Attitudes to Over-Lending and Over-Spending*, by Josh Fear and James O'Brien.

“Our results point to a strong community belief that lenders and regulators, rather than individual consumers, are responsible for the growing debt problem in Australia,” said Mr Fear, a Research Fellow at the Institute.

Seventy-four per cent of survey respondents agreed that *banks are too willing to lend money to people who can't afford the repayments*.

“The corporate sector has tended to blame individuals for taking on more debt than they can handle, drawing on the doctrine of ‘personal responsibility’ to absolve itself of any culpability for the situation.”

“Our research, on the other hand, suggests that many ordinary Australians hold the corporate sector responsible for the debt problem, and believe that financial institutions have gone too far in promoting the easy availability of credit,” said Mr Fear.

A large majority of Australians are uneasy about the way that credit has been pushed on vulnerable consumers. Seventy-three per cent of survey respondents agreed that *credit cards are often targeted at people who don't understand what they're signing up for*. The common practice of soliciting increases in credit limits was regarded as unethical by many research participants.

The report makes a number of recommendations to improve the way that the credit industry is regulated. These include:

- collecting data on credit solicitations made to Australian consumers by post, online and face-to-face, with a view to eliminating excessive marketing
- strengthening the principle of a borrower's ability to pay in credit legislation
- introducing new rules on what information needs to be displayed on monthly credit card statements – such as how long it will take to pay off the debt if only the minimum repayment is made.

“At a time when our debt is catching up with us, these policy ideas go some way towards alleviating community concerns about over-lending and over-spending,” Mr Fear said.

The report can be read on the Institute's website: www.tai.org.au