A review of the credit application and assessment process from a consumer perspective

Natalie Dall
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A REVIEW OF THE CREDIT APPLICATION AND ASSESSMENT
PROCESS FROM A CONSUMER PERSPECTIVE.

BY

Natalie Dall B. App. Sc. Consumer Science

A Thesis Submitted in Partial Fulfilment
of the Requirements for the Award of

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Edith Cowan University

Date of Submission: 26. 11. 92
USE OF THESIS

The Use of Thesis statement is not included in this version of the thesis.
ABSTRACT

It has been noted by the Consumer Credit Legal Service in Western Australia that there has been considerable debate about the lending practices of financial institutions. It is argued by many Financial Counsellors that lending practices, such as the assessment of credit worthiness using credit scoring, may contribute to the increasing number of consumers who are overcommitted. The Consumer Credit Legal Service has suggested that there is a need to seek information about the lending practices in Western Australia.

The study reviewed the current credit application and assessment process that operates in Western Australia using a case study approach. The data for the project was collected in the form of a series of interviews with credit providers as well as consumers who had experienced difficulty managing their credit commitments. The results identified the problems that consumers have with the current application and assessment process and recommends action to overcome these problems.
DECLARATION

"I certify that this thesis does not incorporate without acknowledgement any material previously submitted for a degree or diploma in any institution of higher education; and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due reference is made in the text."

Signature.
Date. 5th Feb. 1993...
ACKNOWLEDGEMENTS

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I also wish to thank Emma Swart and Alexis Farr at the Consumer Credit Legal Service for their time and resources. I thank them for allowing me to gain access to their clients who were interviewed in the study.

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Chapter 1 INTRODUCTION

1.1 Background

Credit is a widely used commodity in modern society and is often taken for granted as a method of payment for goods and services. Increased competition between lending institutions and changing consumer attitudes towards the use of credit have made credit popular as a convenient way of acquiring goods and services immediately and paying at a later date. It has been suggested by Gallop (1988, p.ii) that over-use or mismanagement of credit often results in a situation where people are unable to cope with their credit commitments.

The situation of overcommitment, where consumers have more debt than they can reasonably repay, seems to be increasing in Australia. The level of concern about overcommitment was demonstrated by the National Consumer Affairs Advisory Council’s National Forum on Consumer Credit which was held in 1988 to investigate the nature and extent of the problem. A Consumer Credit Task Force was also formed during that year in Western Australia to attempt to define the extent of the problem and suggest strategies for reducing overcommitment.
Many factors have been identified as contributing to the increasing numbers of overcommitted consumers. According to Gallop (1988, p.17) the two most important issues that relate to the problem of overcommitment are the "lending practices of some credit providers; and advertising and promotion of credit". Many financial counsellors and consumer advocacy groups share Gallop's opinion that the current methods of assessing credit worthiness may actually contribute to many people becoming overcommitted.

There has been considerable debate about the lending practices of financial institutions especially with regard to the methods used to assess the credit worthiness of potential borrowers. The National Forum on Consumer Credit (1988) was one example of the contribution to the debate. At this forum, representatives from the finance industry, financial counsellors, consumers and advertisers put forward their views of the situation regarding consumer credit and financial overcommitment. However, there has been a lack of Australian research, to date, about the credit assessment methods currently used by financial institutions when making lending decisions and therefore little objective evidence of a relationship between lending practices and overcommitment has been documented.
It would seem that at present there is no consistent method of assessing credit worthiness between financial institutions. Apparently credit providers have their own methods of determining the degree of risk associated with lending to individual borrowers (Gallop, 1988).

It is suggested by Gallop (1988, p.17) that credit assessment involves certain methods, which are considered individually or in combination, and "are regarded as being reliable indicators of whether a borrower is an acceptable lending risk". According to Gallop (1988, p.17) and Huntsman (1988, p.9) the most common methods used to assess credit worthiness seem to be:

- **Credit History**, a record of savings accounts, previous loans and any legal actions associated with credit;
- **Ability to Repay**, an assessment of assets, liabilities, income and expenditure; and
- **Credit Scoring**, an assessment of the statistical likelihood of the prospective borrower repaying the loan based on lifestyle indicators rather than calculations of income and expenditure.
There seems to be conflict between Financial Counsellors and financial institutions over the issues of credit assessment and overcommitment. According to NSW Consumer Credit Legal Service (1991, p.29), Financial Counsellors are people who are trained, or have practical experience, in advising people of ways to deal with their financial problems. Many Counsellors tend to believe that the situation of overcommitment often relates to the poor assessment methods used by financial institutions. The financial institutions however, believe that their methods of assessing the credit worthiness of potential borrowers are adequate and do not contribute to overcommitment.

Evidence presented by Huntsman (1988, p.11) suggests that many credit providers use the credit scoring method of assessing the credit worthiness of their clients. Huntsman (1988, p.15) believes that credit scoring based on lifestyle indicators, is not an accurate indication of a person’s ability to repay credit because it fails to seriously consider their financial capacity to repay borrowings. Levine (1988, p.274) agrees with Huntsman (1988, p.15) and suggests that rational lending decisions can only be made when adequate and accurate information about financial commitments has been provided.
This study aims to review the credit assessment and application process in Western Australia using a case study approach. Discussions with staff of financial institutions and overcommitted consumers, were used to provide up-to-date information about the credit application process. Details of consumer perceptions of this process were sought to gain information about the difficulties consumers have with the current system.
1.2 Significance of the Study

It is important to conduct studies into this area to obtain objective and unbiased data which can be used to add weight to the debate about the role of lending practices in contributing to overcommitment. The participants in this debate so far tend to represent the opposing views of Financial Counsellors and financial institutions and it is likely that they bring into the debate arguments that are biased by their experience. These views may tend to be emotional and subjective.

The information collected from a series of detailed interviews was used as a basis for identifying any problems associated with credit applications and the assessment of credit worthiness. The results were used to gain a better understanding of the problems which exist and were used as a basis for suggesting strategies for tackling those problems.
1.3 **Purpose of the Study**

The purpose of this study was to examine the credit application and assessment process using a case study approach. The study was expected to reveal the perceptions and opinions of a small number of consumers who had experienced some difficulty with credit and representatives of credit providers in relation to the credit application and assessment process. Since the study was intended to gain qualitative data, the results were not be able to be generalised to the whole population. It was anticipated that the collection of detailed information would provide evidence of the problems that exist within the current system.
1.4 Definition of Terms

For the purposes of this study the following terms are defined:

Assets - any item of value owned by an individual.

Bankruptcy - a legal procedure taken when a debtor has no possibility of repaying debts.

Budget - a list of income and expenditure.

Consumer Credit - a written agreement between a borrower and a credit provider which is legally binding.

Credit - a grant of money which will be repaid at a later date. An interest charge is incurred by the borrower.

Credit Cards - a card issued by financial institutions or businesses enabling the holder to obtain goods or services on credit.

Credit Providers - companies licensed to provide credit to consumers.

Credit Reference - an agency which keeps information about an individual's savings accounts, previous and current loans, and bankruptcies.

Credit Scoring - a measure of the statistical likelihood that a person will repay credit.

Debt - an amount of money that is owed on goods or services.

Debt Consolidation - a situation where all debts are absorbed into one large debt and paid off with one repayment.

Default - the failure to meet a credit commitment.

Guarantor - a personal who agrees to meet another person's financial commitment if that person defaults on payments.

Liabilities - any outstanding debts owed by an individual.

Overcommitment - a situation where an individual or family has more debts than they can reasonably expect to repay.
Personal Loan - an amount of finance granted for the purchase of a particular item. It is a specific amount which is extended at a set rate of interest over a period of time with regular repayments.

Revolving Credit - credit card facilities eg Bankcard, Mastercard etc, where charges are made monthly.

Secured Credit - a contract where goods can be taken if the debt is not repaid.
1.5 General and Specific Aims

1.5.1 The general aim is to examine the credit application and assessment process from the perspective of credit providers and consumers who have encountered problems with credit.

1.5.2 Specific Aims

Financial Institutions

1. To identify the method(s) used by selected financial institutions in assessing credit worthiness of consumers.

2. To determine the relative importance of each method in granting credit from the perspective of financial institutions.

3. To identify the type of information that is sought by financial institutions from potential borrowers in relation to each of the credit assessment methods used.

Consumers With Credit Difficulties

4. To obtain evidence of the method(s) used to assess credit worthiness of consumers who have experienced problems with credit.

5. To identify the information provided by consumers who have experienced problems with credit, at the time of their credit application.
6. To evaluate the adequacy of assessment of the consumer's ability to repay borrowings at the time the credit contract was entered.

7. To discover any events which may have occurred after the credit was approved and may have contributed to the consumer's credit problem.

8. To explore the consumer perceptions of the credit application process of people who have experienced problems with the credit application and assessment process.

9. To highlight the problems that may exist related to the credit application process.
2.1 Credit in Australia

Credit is a term that is frequently used in everyday conversation. By definition, consumer credit is described as "finance which attracts interest and is used for consumer purposes" (Gallop, 1988, p.5). This broad definition reflects the diverse nature of credit and the large range of situations to which it applies. Consumer credit refers to borrowings that people make for many purposes such as the purchase of personal items ranging from cars to clothing. Credit enables people to supplement their income in the short term or purchase goods and services immediately rather than at some time in the future. (Australian Finance Conference, 1991, p.16)

2.1.1 Credit Act

The Credit Act, 1984 (WA) specifies the rights and obligations of consumers and credit providers regarding consumer credit transactions. The Act regulates the use of credit by prescribing the nature of contracts as well as specifying contractual requirements. The Act sets out regulations relating to the disclosure of information before the contract is completed and access to information during the term of the contract as well as requirements for provision of notices regarding legal action or provision for relief in times of hardship. (Credit Act, 1984, WA)
The purpose of the Credit Act is to help borrowers make more informed decisions by requiring financial institutions to provide information such as the amount of finance, any credit charges, the total repayment amount, the number of instalments and the rate of interest. The Act also stipulates that all credit providers operating in Western Australia must be licensed. (Credit Act, 1984, WA)

2.1.2 Sources of Credit
Credit can be obtained from a range of financial institutions which offer credit to consumers directly, through credit card facilities, via retailers or motor vehicle dealer networks. Each form of credit differs slightly with variations between institutions of details such as the interest charged on borrowings, the deposit required, fees charged and the time required to repay credit. (Australian Finance Conference, 1990, p.16)
2.1.3 Types of Credit

Gallop (1988, p.5) and Consumer Credit Legal Centre (1991, p.90) describe the types of credit used by consumers and their distinctive characteristics. There are three main types of consumer credit which are regulated under the Credit Act. The Credit Act does not cover housing finance and therefore it has not been included in this discussion. The main types of consumer credit are:

1. Personal Loans
2. Credit Sale Contracts
3. Continuing Credit Contracts

Personal Loans

The NSW Consumer Credit Legal Centre (1991, p.91) suggests that personal loans can be in the form of a direct advance of money and deferred repayment, or a variation of the terms of an existing contract. Personal loans are regulated under the Credit Act if they are for finance under $20,000 and the interest to be paid is more than 14% per year (NSW Consumer Credit Legal Centre, 1991, p.91)

Personal loans are usually a single grant of credit in the form of cash. The credit provider may require security and payments are normally made over a fixed term at fixed interest rates. Refinancing and consolidation loans are included in the personal loan category.
Credit Sale Contracts
Credit sale contracts refer to an agreement to sell goods and services where a charge of interest is made for providing the credit (NSW Consumer Credit Legal Service, 1991, p.91). These contracts are regulated under the Credit Act if the cash price of the goods is less than $20 000 or to buy commercial vehicles or farm machinery for an amount which may be greater than $20 000. (NSW Consumer Credit Legal Centre, 1991, p.91)

Credit sale contracts are usually in the form of a single grant of credit to allow the borrower to purchase specific goods. Security may be required and payments are usually made over a fixed term at fixed interest rates.

Continuing Credit Contracts
Continuing credit contracts refer to the provision of credit from time to time for payment of goods and services, or for cash. Most credit cards such as Bankcard, Mastercard and store credit cards are examples of continuing credit contracts (NSW Consumer Credit Legal Centre, 1991, p.91). They are regulated by the Credit Act, 1984 (WA).
These provide multiple grants of credit and are available up to a set of limits and do not require security. Most retail outlets accept credit cards as a method of payment. Interest charges vary between cards and tend to be higher on store credit cards. The interest charges are either accrued from the time of purchase or charged at the end of the billing cycle allowing an interest free period. The variation of interest charges and the methods of charging interest are often difficult for consumers to understand.

2.1.4 Use of Credit.
Credit has a very prominent role in the modern economy, with most adults making use of at least one or possibly many forms of credit. This is in contrast to the image of credit in the pre-war period where there was a certain stigma associated with the use of credit other than for housing loans. (Gallop, 1988, p.3)

The years after the last world war saw the expansion of technology and manufacturing followed by greater use of credit for purchasing goods and services. This was accompanied by an increase in the variety of credit products. At this time consumer attitudes towards credit began to change and the negative image of credit faded. (Gallop, 1988, p.3)
The deregulation of the banking industry in Australia in 1988 provided the stimulus for increased competition between financial institutions. According to Gallop (1988, p.3) "new credit products and aggressive marketing strategies have evolved as financial institutions vie to claim their market share." It is suggested by Gallop (1988, p.3) that the major retail stores began to actively compete in the credit market after the deregulation by offering revolving credit to their customers.

Table 1 shows the major uses of consumer credit and the type of lender which have been recorded by the Australian Bureau of Statistics as at February 1992.

Table 1

<table>
<thead>
<tr>
<th>Purpose of Loan</th>
<th>All</th>
<th>Credit</th>
<th>Finance Company</th>
<th>Other</th>
<th>Total</th>
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<tbody>
<tr>
<td></td>
<td>Banks</td>
<td>Unions</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Motor Vehicles</td>
<td>156</td>
<td>68</td>
<td>176</td>
<td>33</td>
<td>433</td>
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<tr>
<td>Indiv. Blocks of Land</td>
<td>48</td>
<td>6</td>
<td>4</td>
<td>0</td>
<td>58</td>
</tr>
<tr>
<td>Household &amp; Personal Goods</td>
<td>20</td>
<td>9</td>
<td>7</td>
<td>3</td>
<td>39</td>
</tr>
<tr>
<td>Owner Occupied Housing (Unsecured)</td>
<td>15</td>
<td>18</td>
<td>5</td>
<td>2</td>
<td>40</td>
</tr>
<tr>
<td>Travel &amp; holidays</td>
<td>8</td>
<td>6</td>
<td>3</td>
<td>1</td>
<td>18</td>
</tr>
<tr>
<td>Debt Consolidation</td>
<td>170</td>
<td>44</td>
<td>20</td>
<td>7</td>
<td>241</td>
</tr>
<tr>
<td>Other</td>
<td>120</td>
<td>44</td>
<td>21</td>
<td>2</td>
<td>187</td>
</tr>
<tr>
<td>Total</td>
<td>537</td>
<td>195</td>
<td>236</td>
<td>48</td>
<td>1016</td>
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(ABS Catalogue No. 5642.0)
The figures show that, in terms of personal or consumer finance, banks lend almost twice as much money as finance companies. The purchase of motor vehicles and refinancing or debt consolidation loans seem to be the most common purposes of consumer credit according to the latest figures from the Australian Bureau of Statistics (1992, p.2). Together these account for 66% of credit used by consumers.

Figure 1. shows the most common purposes of consumer credit as a proportion of the total of all loans.
2.1.5 Reasons for Greater Use of Credit

The figures relating to the level of use of consumer credit from the Australian Bureau of Statistics (1992) reveal that there has been a steady increase in the use of credit by consumers over the last decade. According to West (1988) there are several reasons for the expansion of the credit market over the long term, beginning with a growth of the population in Australia. Greater affluence in society has also contributed to the growth in the credit market because it enables people to use credit as a way of increasing savings to invest in assets which will accumulate income.

The Australian taxation system taxes people on their savings which often makes it more worthwhile to borrow rather than save money to buy goods, even though interest will need to be repaid (West, 1988).

More recent growth in the use of credit can be attributed to factors such as, aggressive and competitive marketing techniques which have come about as a result of the deregulation of the banking industry. The advent of the recession in the early nineties has caused many financial institutions to scale down their selling of credit and concentrate on profit (West, 1988).
West (1988, p.75) refers to studies by O'Neil and Valentine (1984) which indicate that there is a link between unemployment and the increased use of credit. There also seems to be a decrease in borrowing when inflation rates rise due to the perception of economic instability.

With the increase in the use of credit, it is expected that there may also be an increase in the level of overcommitment, as consumers make use of the many credit products. The trend toward using credit rather than saving may be related to the increase in the number of people who are experiencing difficulty managing their credit commitments. Financial Counsellors would suggest that consumers find credit appealing, convenient and accessible and can fall into the trap of taking on more credit commitments than they can reasonably manage.

This view is supported by Huntsman (1988, p.17) who comments that the "characteristics of the credit products on offer in the market, and the credit assessment practices which are being used, contribute to financial overcommitment of consumers."
2.2 **Financial Overcommitment**

An individual or family is considered to be overcommitted if they have more credit commitments than they can reasonably expect to repay after taking into account their essential expenditures. Consumers who have been forced to make unacceptable changes to their lifestyle to meet credit repayments, such as going without food or clothing are considered to be overcommitted (Gallop, 1988, p.9).

According to Renouf (1988, p.5) the living standard of overcommitted consumers may be drastically reduced as a result of trying to meet unmanageable credit repayments.

There is no way of deciding whether a consumer or family is overcommitted. It is suggested by Renouf (1988, p.5) that an individual or family is overcommitted if their debt repayments cannot be met using the income they have left after necessary expenses are considered. However, the necessary expenses will vary and will depend on their social environment and priorities. For this reason it is necessary to consider each case individually. In many cases bankruptcy is considered a measure of extreme overcommitment. It should be noted that bankruptcy and overcommitment are not the same thing since a consumer who is overcommitted does not necessarily have to be bankrupt. By the same logic, a person may become bankrupt for reasons other than overcommitment.
2.2.1 Extent of the Problem

The nature of overcommitment makes it difficult to measure the extent of the problem in the community. The statistical information currently available on overcommitment does not give a true picture of the extent of the problem. Bankruptcy figures are often used to indicate the number of extreme cases of overcommitment however, there are many people who manage to avoid bankruptcy and are therefore not included in these statistical records. Records of the number of clients seeking assistance from Financial Counsellors can also be used to indicate the extent of the problem of overcommitment. This is also likely to be an underestimated figure because there are many people who do not seek assistance from agencies such as Financial Counsellors and are therefore not recorded.

The true extent of the problem of overcommitment can really only be estimated because the degree of overcommitment and problems that are encountered as a result of overcommitment are different in every case. At present there is no way of recording all of the cases of overcommitment. The National Consumer Affairs Advisory Council (1988, p.3) suggests that financial counsellors make judgements on overcommitment based on a person’s income, living expenses, the social environment and lifestyle of that person or family. While this is useful in assessing individuals, it does not help to form an overall picture of overcommitment (National Consumer Affairs Advisory Council, 1988).
Statistical evidence such as the number of bad debts, bankruptcies and defaults on payments record the number of extreme cases of overcommitment. However, such data are not adequate in measuring the extent of the problem because they include only consumers who have been formally recorded as having financial difficulty. These figures do not represent the proportion of borrowers who are making payments but are making great sacrifices to their standard of living in order to do so. These consumers can be overcommitted but are not in default on payments and have managed to avoid bankruptcy.

It is reported by Renouf (1988, p.13) that there are many thousands of consumers who are not included in statistical representations of overcommitment. Many people are able to meet repayments by reducing expenditure on necessary items such as food and clothing or relying on charity. They use most of their income to make repayments leaving little for living expenses. Gallop (1988, p.9) agrees with the suggestions made by Renouf (1988, p.13) that some people borrow money from friends or relatives or take out a second loan which effectively compounds their difficulty.
Bankruptcy statistics do not measure overcommitment although they do provide an indication of the extent of extreme cases of overcommitment. Data collected by the Inspector General in Bankruptcy (1991, p.28) reveal that,

"in 1972/73 the ratio of business to non-business bankruptcies was 57% business/43% non-business. By 1985/86 this had changed to 35% business/65% non-business, a ratio of 2 non-business bankruptcies for every 1 business bankruptcy."

The most recent data from the Inspector General in Bankruptcy (1991, p.28) shows that the ratio has continued through to 1990/91. The number of non-business, or consumer bankruptcies, reported in Western Australia has increased significantly over the last six years especially in the 1990 to 1991 period. In 1989/90 there were a total of 8,493 consumer bankruptcies filed, which accounted for approximately 70% of all bankruptcies while in 1990/91 there were 13,091 which also represented 70% of all bankruptcies.
Members of the finance industry claim that the statistical evidence shows that the "proportion of the community experiencing serious financial difficulties is very small" (Armitage, 1988 p.286). It is suggested by Armitage (1988, p.286) that Financial Counsellors and consumer advocates spend a great deal of time assisting people with financial difficulties in their work and therefore are likely to overstate or exaggerate the problem. However, the bankruptcy statistics and reports from Financial Counsellors of increased clients show that the problem of overcommitment is real and that it is in need of attention.
It was reported by Gallop (1988, p.13) that Financial Counsellors and welfare workers were seeing an increase in the number of clients who were in extreme financial difficulty. Apparently the majority of clients were seeking help only when their problem reached crisis point. The report of the Credit Task Force (1988, p.13) reveals that agencies were seeing up to 15 new clients per week and the numbers seemed to be increasing. When consideration is given to the current decline in the economic climate in Australia, it could be reasonably assumed that the problem has increased since the 1988 report. The anecdotal evidence presented in discussions by financial counsellors seems to indicate that there has been an increase in the number of people becoming overcommitted.

The major causes of bankruptcy in Western Australia according to the Inspector General in Bankruptcy (1991, p.26) have been summarised in the following table.

Table 2.

<table>
<thead>
<tr>
<th>Reason</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excessive use of credit and liabilities as guarantor</td>
<td>691</td>
<td>51%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>422</td>
<td>31%</td>
</tr>
<tr>
<td>Marriage break down</td>
<td>89</td>
<td>6%</td>
</tr>
<tr>
<td>Ill health</td>
<td>47</td>
<td>3%</td>
</tr>
<tr>
<td>Gambling</td>
<td>3</td>
<td>0.2%</td>
</tr>
<tr>
<td>Other</td>
<td>115</td>
<td>8%</td>
</tr>
</tbody>
</table>
There has been a great deal of discussion and suggestions put forward by Financial Counsellors and members of the finance industry about the type of person who is most likely to become bankrupt. More specific information from the 1991 bankruptcy statistics and demographic details relating to bankruptcy from the Credit Reference Association of Australia (1987) have been collated to obtain an overview of the type of people who become bankrupt. Statistical reports from a survey of bankruptcy conducted in 1988 by the Credit Reference Association of Australia (1988, p.11) show that 53% of bankruptcies were filed by males, 27% by females and 20% jointly between males and females. The report also shows that 66.4% of people filing for bankruptcy were married.

The statistical information collected by the Inspector General in Bankruptcy (1991, p.31) shows the number of bankruptcies that were reported for different age groups. The information presented in Table 3 below shows that people between the ages of 25 and 35 are most likely to become bankrupt. It is likely that at this age people have many family financial commitments such as a mortgage, children and educational expenses.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>No. of Bankruptcies</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 25 years</td>
<td>336</td>
</tr>
<tr>
<td>25 – 35</td>
<td>917</td>
</tr>
<tr>
<td>35 – 45</td>
<td>819</td>
</tr>
<tr>
<td>45 – 55</td>
<td>381</td>
</tr>
<tr>
<td>&gt; 55</td>
<td>175</td>
</tr>
</tbody>
</table>
Statistical evidence collected by the Inspector General in Bankruptcy (1991, p.16) provide details of the number of bankruptcies according to occupation. The figures have been summarised in the Table 4 below.

Table 4
Consumer Bankruptcies According to Occupation

<table>
<thead>
<tr>
<th>Occupation</th>
<th>No. of Bankruptcies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional, technical and related</td>
<td>29</td>
</tr>
<tr>
<td>Administrative, executive, management</td>
<td>165</td>
</tr>
<tr>
<td>Sales</td>
<td>103</td>
</tr>
<tr>
<td>Primary producers</td>
<td>13</td>
</tr>
<tr>
<td>Miners</td>
<td>6</td>
</tr>
<tr>
<td>Transport and Communication</td>
<td>46</td>
</tr>
<tr>
<td>Trades and labourers</td>
<td>108</td>
</tr>
<tr>
<td>Service, sport, recreation</td>
<td>35</td>
</tr>
<tr>
<td>Armed services</td>
<td>0</td>
</tr>
<tr>
<td>Occupation not stated</td>
<td>59</td>
</tr>
<tr>
<td>Not employed</td>
<td>1001</td>
</tr>
<tr>
<td>Total</td>
<td>1565</td>
</tr>
</tbody>
</table>

Figure 3. Number of bankruptcies in Western Australia in 1991 according to occupation groups.
The chart reveals that by far the greatest number of people to become bankrupt are those who are not employed. This is especially relevant in the current economic situation in Australia where the level of unemployment has reached levels of over 10%. The level of borrowing has remained high despite the fact that many unemployed people do not have a steady income to maintain credit repayments. (Inspector General in Bankruptcy, 1991, p.8)

The relationship between unemployment and overcommitment is especially relevant to this study because of the current high levels of unemployment. It would seem that people who are not employed represent a growing group of people in the community who may need assistance in dealing with their credit commitments.

Submissions presented to the Credit Task Force in 1988 assisted in the preparation of a profile of those people who are most likely to seek assistance from agencies such as financial counsellors, legal services, advice bureaus and welfare groups. Gallop (1988, p.13) reported that "the majority are low income earners or are in receipt of social security benefits". Many clients owed money to a variety of credit providers and were often using credit for essential items such as food or electricity. The middle and high income earners were also found to experience difficulty managing credit however, they were often in a better position to make adjustments to accommodate credit repayments (Gallop, 1988, p.13).
It is reported by Levine (1988, p.271) that contrary to common belief, the people who become overcommitted are "not people who have intentionally or fraudulently overcommitted themselves". Often the people who have trouble managing credit do not have adequate budgeting skills or are easily influenced by advertising campaigns which promote the ease with which credit can be obtained (Levine, 1988, p.271).

2.2.2 Causes of Overcommitment
There have been several suggestions as to the major causes of overcommitment both from statistical evidence and general observation of people who seek assistance in managing their credit. These include, lending practices of financial institutions, credit advertising and credit selling techniques such as solicitation and overselling of credit products (Renouf, 1988, p.16).

It is clearly stated by Renouf (1988, p.14) that one of the major causes of overcommitment is related to the lending practices of credit providers. According to Renouf (1988) and Moon, (1988, p.166ff) credit assessment practices do not adequately consider the borrower's capacity to repay. Factors such as the methods of assessing a borrower's credit worthiness, requirement of security on risky loans, credit selling incentives and inflexible lending practices have been suggested by Renouf (1988), and others, as being largely responsible for overcommitment.
The purpose of credit assessment is to evaluate the risk associated with lending to a borrower. The decision to lend is based on a process of weighting of a number of criteria "which individually or in combination are regarded as being reliable indicators of whether a borrower is an acceptable lending risk" (Gallop, 1988, p.17). The criteria relate to personal details about the borrower and the nature of the loan and are assessed using three main methods being credit history, ability to repay and credit scoring.

There has been a great deal of debate and anecdotal evidence about the issue of credit assessment and the possible role it plays in contributing to overcommitment. The opinion of Financial Counsellors and consumer groups, which is largely based on anecdotal evidence, is summed up by Luck (1981, p.5) with his statement that,

"there is a great deal of evidence to show that credit providers contribute to the problem of overcommitment by being insufficiently vigorous in their assessment of the customer’s ability to service the credit commitment."

More recently it was proposed by Huntsman (1988, p.17) that,

"the characteristics of the credit products on offer in the market, and the credit assessment practices which are being used, contribute to financial overcommitment of consumers".

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The finance industry clearly opposes the view that lending practices contribute to overcommitment. Their view is best summarised by Long (1988, p.12) who stated that "the self interest of the credit provider ensures that the lending policies and criteria are not conducive to overcommitting borrowers".

The promotion of credit as being easily accessible to everyone has been a major factor contributing to overcommitment according to Chambers (1988), Levine (1988) and Kent (1988). An increased awareness of the various types of credit products available is thought to encourage its use according to Bingham (1988).

The deregulation of the banking industry has provided a stimulus for increasing competition in the financial marketplace (Gallop, 1988, p.3). Bingham (1988) describes a number of high pressure selling techniques that are commonly used to encourage consumers into obtaining or extending credit. Some of these techniques include placing pressure on employees to sell credit to as many people as possible and often at high interest rates, approaching consumers to borrow, or encouraging consumers to borrow more than they need. Financial institutions may place conditions on the credit contract such as penalties for early payment or adding charges such as insurance to the amount financed. Refinancing of existing loans so that a greater amount of interest will be charged is another technique that is used by financial institutions. It is
suggested by Bingham (1988) that financial institutions may encourage the use of credit by offering large credit limits on credit cards.

Bingham (1988) reports these techniques are becoming more common in Australia and there is very little regulation of their use. According to Bingham (1988, p.10) the finance industry "often claims that overcommitment does not benefit the industry and asserts that reducing the extent of overcommitment is just as much in the industry’s interest as it is to consumers". The evidence presented by Bingham (1988, p.10) on the selling techniques calls into question the "validity of such a claim". Bingham suggests that overcommitment may actually be profitable in some instances. For example, debt consolidation loans "provide the financier with the opportunity to take a real estate mortgage, sign up a guarantor, to take profit from another financier and to charge a high interest rate to a desperate borrower." (Bingham, 1988, p. 11)

According to Armitage (1988, p.286) there has been difficulty measuring the level of overcommitment in the community. There seem to be discrepancies between the statistical evidence presented in studies by Financial Counsellors and consumer advocacy groups and members of the finance industry. Armitage (1988, p.286) notes that "credit providers point to the statistical evidence that indicates that the proportion of the community experiencing serious financial difficulties is very small". The general
opinion of many financial institutions is that there is not an overcommitment problem in Australia. It would seem from the comments made by Long (1988), Armitage (1988) and others, that financial institutions reject the claim made by Moon (1988, p.166) and Renouf (1988, p.14) that overcommitment is related to poor lending practices by credit providers.

2.2.3 Individual Costs of Overcommitment
It would seem that consumers have a strong desire to repay borrowed money regardless of the personal costs. According to Kent (1988, p.81) consumers who are overcommitted often feel a sense of shame or embarrassment in the recognition that credit commitments cannot be met. In many cases people think of the inability to repay debts as a personal failure which can result in depression or stress for the individual and their family. Renouf (1988) and Kent (1988) agree that overcommitment may result in a number of problems including poor health and the break down in personal relationships.

Health Problems: It is suggested by Kent (1988, p.81) and Renouf (1988, p.5) that illnesses such as asthma, nervous breakdown and heart attacks are common secondary problems of stress and hypertension. An increase in habits such as smoking and alcohol consumption, in an attempt to relieve tension caused by financial difficulties, has been reported by many individuals.
**Personal Relationships:** According to Renouf (1988, p.5) the main underlying problem in relationships associated with overcommitment, is again stress which often results in conflict both within and outside the family unit. Marriage breakdowns often seem to accompany financial difficulty. The real or perceived social stigma associated with overcommitment and the inability to afford social outings may result in a loss of contact with friends. It is suggested by Renouf (1988, p.5) and Gallop (1988, p.15) that relationships may be strained between the consumers and a co-borrower or guarantor.

It is also suggested by Renouf (1988, p.5) that the children in overcommitted families experience special problems. They are often forced to go without toys, clothes or special outings as a result of the family financial situation.

Children's educational opportunities may be reduced and sport and other recreation may be sacrificed. Many children suffer additional anxiety related to their family situation and may feel inferior to their peers which can adversely affect their school work and behaviour.
Material Effects: Property or goods may be seized by a credit provider if the item was used as security over borrowings. Property or goods may also be sold by the overcommitted consumer to raise funds to make repayments. Many people are determined to repay their loans and use a large portion of their income leaving little for necessary items such as food, clothing or electricity. According to Renouf (1988, p.5) the standard of living of people who have difficulty managing their credit commitments may also be reduced, with every available dollar going toward repaying credit leaving very little disposable income. Emergency relief or charity may be sought to make ends meet.

2.2.4 Costs to the Nation

Legal Administration: It is noted by Renouf (1988, p.5) that the processing of bankruptcies is expensive, with even the most straight forward cases exceeding $1500. This money cannot be paid if the person or family has no assets and so the government is forced to pay these costs.

Renouf (1988, p.5) suggests that it is not common for people to be imprisoned for failing to repay debt however, it can happen in Western Australia and the government incurs the cost of imprisonment. Failure to pay court costs and fines can also lead to gaol terms. There is thought to be an increase in theft and general crime when some people become overcommitted and try to make repayments (Renouf, p.5).
Financial pressures often cause family breakdowns such as divorce, violence, property disputes, separation and custody battles which are administered through the family law courts. At least some of the expenses for this process may often be covered by the government or community agencies.

Social Security: The stress of overcommitment can result in marriage breakdown, illness or loss of employment. For many people social security may be their only source of income. (Renouf, 1988, p.5) The situation of overcommitment may also tempt people to fraudulently claim social security benefits to which they are not entitled.

Public Housing: According to Renouf (1988, p.5) the state government has a large problem of unpaid rent for public housing. Some people in financial difficulty may not have enough money left after making credit commitments to pay rent. In many cases when financial institutions sell property which had been signed up as security, the tenants are forced onto public housing waiting lists.

Community and Consumer Services: Kent (1988, p.79) and Renouf (1988, p.5) agree that large amounts of money are spent on emergency relief and charity for people who are overcommitted. Counselling and education programs also require huge amounts of input from both government and business.
There are also costs for the insurance industry. People who are overcommitted may make more claims for health costs and for loss of employment. Property and default insurance also costs the industry with many more claims being made as a result of the current economic downturn (Renouf, 1988, p.5).

2.3 Methods of Credit Assessment

According to Huntsman (1988, p.9) credit providers have generally developed a method of assessing the risk associated with lending to a consumer for each credit product that they sell. Each method uses a set of criteria which dictate what information will be sought from the consumer in order to make lending decisions. (Huntsman, 1988, p.9)

In assessing a potential borrower’s credit worthiness, the lending criteria are weighted according to the impact they have on the final decision of whether to grant credit. According to Gallop (1988, p.17) and Huntsman (1988, p.10) there are basically three methods that are used either individually or in combination, to assess the credit worthiness of borrowers being, a check of credit history, a measure of ability to repay and credit scoring.
2.3.1 Credit History

In determining the borrower's previous experience with credit the credit provider may seek details informally, from previous lenders, or from the Credit Reference Association of Australia. (Gallop, p.17) According to Gallop (1988, p.17) and Bargon (1988, p.151) the Credit Reference Association of Australia keeps records about savings accounts, current or previous loans and any bad debts or bankruptcies. The records do not contain sensitive information such as race or national origins, political, social or religious beliefs or lifestyle or sexual habits. (Bargon, 1988)

Access to the information in the Credit Reference Association of Australia files is restricted to members of the association who must adhere to guidelines covering the use of the information in the files to protect the consumer. Care is taken to maintain accurate records of a person's credit history "for ethical and commercial reasons" (Bargon, 1988, p.4). The information in the files of the Credit Reference Association of Australia must also be accurate and access to the file restricted, in accordance with the privacy provisions under the federal legislation (Browne and McGuire, 1992).
The credit records are kept up to date with the information supplied by credit providers. Moon (1988) calls into question whether financial institutions are providing the Credit Reference Association of Australia with accurate information and whether it is provided often enough to be up-to-date. Moon (1988, p.168) also questions whether credit providers always check with the Credit Reference Association of Australia before making lending decisions.

According to the evidence supplied by Bargon in 1988 (p.149) the Credit Reference Association of Australia receives over 6 million enquiries every year. The enquiries were made by the following groups:

Table 5.
Enquiries to The Credit Reference Association of Australia (1988)

<table>
<thead>
<tr>
<th>Industry Group</th>
<th>% of CRAA Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Companies</td>
<td>28</td>
</tr>
<tr>
<td>Banks</td>
<td>19</td>
</tr>
<tr>
<td>Public Utilities</td>
<td>11</td>
</tr>
<tr>
<td>Retail Stores</td>
<td>10</td>
</tr>
<tr>
<td>Credit Unions</td>
<td>10</td>
</tr>
<tr>
<td>Travel and Entertainment Cards</td>
<td>6</td>
</tr>
<tr>
<td>Manufacturing and Wholesale</td>
<td>6</td>
</tr>
<tr>
<td>Building Societies</td>
<td>3</td>
</tr>
<tr>
<td>Insurance</td>
<td>3</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Credit providers usually obtain the credit report of a potential borrower from the Credit Reference Association of Australia. The credit rating is obtained to assist in deciding the risk of lending to that borrower. Any other credit providers previously used by the consumer may also be consulted for a reference.
The Australian Finance Conference (1991, p.8) and Bargon (1988, p.149) suggest that the information in the Credit Reference Association of Australia files can help to minimise the pressures which may lead to overcommitment by warning credit providers that the potential borrower may already be in financial difficulty.

An example of a Credit Reference Association of Australia Report can be found in Appendix A

2.3.2 Ability to Repay

Financial institutions need to determine whether the potential borrower will be able to repay the loan in full and on time. According to Huntsman (1988, p.14) and Gallop, (1988, p.17) the assessment of ability to repay is determined by considering information about the potential borrower’s income, expenditure, assets and liabilities. Gallop (1988, p.17) stated that "the extent to which the information is requested and assessed varies with the credit assessment procedures used and the type of credit".

It was reported by Huntsman (1988, p.14) that the most common indicator of a person’s ability to repay is their income. Some credit providers set an upper limit of the proportion of this income which can be committed to repaying a loan. The extent of the assessment of expenditure, and liabilities varies amongst different credit providers however, common expenses such as rent, and
other credit commitments are usually noted when assessing a person's ability to repay borrowed money.

The Credit Task Force (1988) survey of credit application forms revealed that there was a great deal of variation in the amount and type of information about an applicant's expenditure details that was requested by credit providers. Gallop, (1988, p.16) suggests that the majority of credit providers only request details of rent and/or mortgage and other credit commitments. It is reported by Gallop (1988, p.16) that information about household and living expenditure was not sought by most credit providers or it was insufficiently detailed to allow borrowers to provide accurate and realistic estimates of their expenses. Those borrowers who do not maintain detailed records of their expenditure would find it difficult to give realistic and informed estimates because many of the application forms evaluated in the Consumer Credit Task Force survey in 1988 did not enquire about expenses in sufficient detail. It is the opinion of Levine (1988) that rational lending decisions can only be made when there is adequate information about the borrower's financial situation.
The opinion of Financial Counsellors and consumer advocates about assessment of ability to repay is summarised by Levine (1988, p.3.) who stated that "many credit providers appear to focus on previous credit history and current cash flow without getting details of current obligations". Levine (1988, p.274) suggested that it would be of benefit to both consumers and financial institutions if a consistent "balance sheet" type form was developed and used by all credit providers. The form could be set out to include information about income and a detailed section of expenses including information about common household costs that may be otherwise overlooked if the form was not sufficiently detailed. Levine (1988, p.274) points out that potential borrowers need to take care to ensure that the information that they provide to financial institutions is accurate. The financial institutions must be responsible and collect adequate information regarding income and expenses in order to assess the ability of the consumer to repay credit.

The Credit Task Force (1988, p.20) reported that there appeared to be,

"a trend in credit assessment towards systems which are quicker and more impersonal. The more traditional evaluation based on a balance sheet analysis (assets/ liabilities and income/ expenditure) has been replaced in some instances by brief, less detailed application forms that do not examine income / expenditure to determine the borrower's actual capacity to repay."
An example of the information used to assess a consumer's ability to repay recommended by Gallop (1988) can be found in Appendix B.

2.3.3 Credit Scoring
Credit scoring is a technique which is used to assess the statistical likelihood that a borrower will repay credit. It is not based on the potential borrower's financial ability to repay credit, but rather uses a number of lifestyle indicators such as marital, employment and residential status which are used to indicate the stability of the borrower. Credit scoring is often analysed by a computer and measures the statistical probability of a particular borrower repaying credit. Gallop (1988) and Paul (1988) report that credit scoring systems are designed from the results of detailed statistical analysis of the records and experience of people who are likely to repay credit.

It can be seen from the example of the non-computerised credit scoring form in Appendix C that points are awarded for the various lifestyle characteristics. The form shows that points are awarded for factors such as the length of time at the same residence and the length of time in the same employment. These factors are considered rather than the actual value of the house or income. High stability factors, or those which indicate good chances of repaying, are awarded high points and those which may indicate a bad risk are given low points according to Huntsman (1988). If
the total score exceeds the pre-determined 'pass' mark, which represents the highest risk the lender is prepared to take, the application is accepted (Paul, 1988).

According to Paul (1988, p.3) the credit providers who use credit scoring believe that it is a more objective and successful method of predicting a person’s ability to repay than many of the traditional methods. It is also claimed that the advantages of credit scoring are first, that it is not threatening or invasive because it does not require consumers to provide details of their financial position and second, that it guards against prejudicial lending practices by being a value-free method of assessment which is based on pre-determined evaluation criteria. (Paul, 1988) and (Moon, 1988).

There has been strong criticism of credit scoring from financial counsellors and other consumer advocacy groups. According to Moon (1988, p.166) the major criticism is that credit scoring systems are designed to assess the statistical likelihood that a borrower will repay rather than whether the borrower actually has the financial means to repay. Gallop (1988, p.19) agrees with the statement made by Moon (1988, p.166) and adds that credit scoring systems, when used alone, fail to adequately consider whether the potential borrower can afford the loan. It is suggested by Gallop (1988, p.19) that credit scoring should only be used in conjunction with an adequate assessment of a person’s financial ability to repay.
It is clearly stated by Moon (1988, p.167) that "credit scoring assessment systems have become one of the major contributors to consumer credit overcommitment". Moon (1988, p.167) states that credit providers are able to target consumers who are most likely to repay to keep their level of bad debts low. However, there are many thousands of consumers who feel so compelled to make repayments that they sacrifice essential items such as food, clothing, educational expenses and socialising.

The views of Moon (1988) are expanded by the Victorian Consumer Credit Legal Service (1987, p.3) who state that "consumer activists allege that credit scoring systems, which ignore an assessment of income and outgoings, are a factor in overcommitment". These activists are likely to indicate that the loan will be repaid regardless of the hardship to the borrower. The Victorian Consumer Credit Legal Service (1987) summarises the argument put forward by consumer advocates by suggesting that there is evidence to suggest that credit scoring may be a cause of overcommitment, or may exacerbate the problem of overcommitment. This view is supported by Bingham (1988), Gallop (1988) and Moon (1988).
2.4 Methods of Revising Credit Application and Assessment Process

There have been many suggestions of ways to deal with the problem of credit assessment. Like the debate about the problem of overcommitment, the suggestions are largely based on personal opinions, anecdotes and vested interests from both financial counsellors and credit providers. Most of the suggestions fall into the areas of information, education, reform and legislation or research.

2.4.1 Information

According to Brown (cited in National Consumer Affairs Advisory Council, 1990) and West (1988, p.72) the retail banking market is not competitive because consumers do not 'shop around' to compare the various prices and products. It is suggested by Brown (cited in National Consumer Affairs Advisory Council, 1990, p.8) that there is a need to make the credit market more competitive and to provide more information to consumers about credit. West (1988, p.72) and Lowe (1988, p.50) agree that information needs to be provided to consumers but stress that it must be clear, simple and accurate. The information needs to be detailed enough to include "product characteristics, product quality including terms and conditions, and product price to enable them to scan the market effectively and to decide what is most appropriate for them." (Mitchell cited in National Consumer Affairs Advisory Council, 1990, p.9)
It is suggested by Gallop (1988) that the problem of financial overcommitment could be reduced if consumers were provided with more information such as how to manage credit, the relationship between credit limits and income, the consequences of overcommitment and sources of help. Mitchell (cited in National Consumer Affairs Advisory Council, 1990, p.9) suggests that an effective and efficient way to provide this information to consumers would be for the government to subsidise consumer organisations to be responsible for informing consumers about matters relating to credit.

A practical suggestion of a way to standardise the lending practices of financial institutions and increase borrowers' awareness of the credit application process is suggested by Levine (1988). Levine (1988) suggests that consumers need more information about credit applications and should be made more aware of the credit assessment process. It is proposed that credit application forms be available in public places such as post offices so that people could collect the form and complete it at their leisure. This would effectively take away the pressure of a formal interview and allow them to thoughtfully consider their financial position before applying for a loan. The consumers would have time to check their financial records and make accurate estimates of their ability to take on a credit commitment. Using this system, many mistakes or omissions could be avoided, which would ensure that credit
providers have adequate and sufficiently detailed information on which to base their lending decisions.

2.4.2 Education
It is reported by Gallop (1988, p.2) that "a lack of knowledge of financial matters" is a factor contributing to overcommitment. With this in mind Gallop (1988) and West (1988) suggest that there is a need for education about the cost of borrowing and the problems associated with indiscriminate borrowing. The concept of education programs directed at the use of credit is important to this study because it is an issue that is often discussed and debated.

2.4.3 Reform and Legislation
There are a large number of recommendations about ways to reduce the problem of lending practices and overcommitment related to government and industry regulation and reform. Many of the suggestions are related to responsible behaviour on the part of both lenders and borrowers. Renouf (1988, p.24) suggests that credit providers need to express a duty of care to accurately assess a borrower’s ability to repay. This includes collecting adequate and sufficiently detailed information in order to make lending decisions, a point which is also discussed by Levine (1988, p.274). It is suggested by Renouf (1988, p.24) that reform of the credit industry needs to be introduced to encourage credit providers to develop products which are more appropriate for the needs of low income earners.
Other suggestions for reform of the finance industry include the establishment of uniform credit laws which cover all credit providers and the development of an industry code of practice covering staff training in selling credit (Renouf, 1988, p.24).

2.4.4 Research

By far the largest number of recommendations about the credit application and assessment process relate to the need for research. Since much of the debate on the issue of lending practices and overcommitment is largely based on anecdotal evidence, it is suggested that more research needs to be conducted to gain accurate, independent and current information. It is suggested by Renouf (1988, p.24) that research needs to be conducted to investigate issues such as the possibility of establishing a code of practice for credit advertising. There is also a need to carry out research on consumers who are in default on payments, the debt collection practices of financial institutions and the laws relating to debt recovery and bankruptcy (Renouf, 1988, p.24).
2.5 Conclusion

The information presented in the literature review indicates that the credit assessment process and its relationship to overcommitment are issues which are often debated. However, there seems to be a lack of research and documented evidence in this area. The statistical information relating to overcommitment does not adequately define the extent of the problem or the factors which cause, or contribute to, overcommitment.

There is a need to investigate the issue of credit to gain an insight into the problem of overcommitment and to collect information about the claims about the role of credit assessment in contributing to overcommitment. There is a lack of qualitative studies in Australia of the effects of overcommitment on consumers or the finance industry.

No descriptive studies have been reported to take a detailed look at the current credit assessment process to gain an understanding of how consumers obtain credit and their general impressions of the various assessment methods that are used. There are a small number of statistical studies relating to overcommitment such as the bankruptcy survey conducted by the Credit Reference Association of Australia (1988) and other bankruptcy statistics from the Inspector General in Bankruptcy (1991). However, there have been no studies which are focussed on the perceptions and opinions of consumers and credit providers.
There is a great deal of disagreement between Financial Counsellors and members of the finance industry about credit assessment and the role it plays in contributing to overcommitment, with the debate being largely based on anecdotal evidence. It is thought that there is a need to conduct a research study to investigate the credit assessment process and overcommitment to provide objective data to this debate. Such a study would provide evidence to highlight the aspects of the current credit application and assessment process that require immediate attention, in order to prevent consumers taking on more credit commitments than they are able to manage.
Chapter 3 RESEARCH DESIGN

The qualitative data for this study was collected in two parts. Part One involved interviews with credit providers and Part Two was interviews with consumers who had sought assistance from the Consumer Credit Legal Service. An additional interview was conducted with a Finance Officer of a motor vehicle dealership to clarify some of the issues raised in discussions with credit providers. The research design has been presented in two parts to separate the different sections of the study.

Part One: Financial Institution Interviews

Part One of the study involved interviews with a sample of six financial institutions including Banks, Finance Companies and Credit Unions. The interviews provided background information regarding the lending practices of financial institutions which was to be used in Part Two of the research project. The information gathered from the interviews with credit providers was used to assist in the design of the interview schedule for Part Two of the study. Much of the information asked of financial institutions was also asked of consumers to check the consistency of the responses.
3.1 Selection of The Sample

Figures presented by the Australian Bureau of Statistics (1992) show that Banks, Finance Companies and Credit Unions are the major providers of consumer credit. The statistical information presented in the literature review shows that Banks are responsible for providing 53% of consumer credit with Finance Companies providing 23% and Credit Unions providing 19%. Other financial institutions provide only 5% of credit to consumers and therefore the first three mentioned provide the focus of the study. On the basis of this data, Banks, Finance Companies and Credit Unions were included in the study.

In order to select the specific representatives who would be interviewed, a list of the members of the Australian Bankers Association, the National Association of Finance Companies and the Credit Union Association was obtained. The staff of the Australian Bankers Association indicated that six of their member Banks provide the majority of credit to consumers. A representative of the The National Association of Finance Companies reported that there are ten Finance Companies which provide consumer credit. The staff of the Credit Union Association indicated that seven Credit Unions provide the most credit to consumers.
The Banks, Finance Companies and Credit Unions identified by the trade associations as providing the majority of consumer credit are listed in Appendix D. From this list a sample of two Banks, two Finance Companies and two Credit Unions were randomly selected.

The State Manager of each selected institution was contacted by telephone to identify the level of management personnel in the institution which is responsible for making lending decisions. It was found that personal loan applications are generally assessed at branch management level for each of the three types of institutions. A list of all metropolitan branches of the financial institutions was compiled. From this list a random selection was made to identify the particular branch manager who would be contacted to participate in the study.

3.2 Data Collection

The Managers who had been selected to be involved in the study were contacted by telephone to seek co-operation in participating in the study. All of the Managers who were contacted agreed to be interviewed and a letter was sent to confirm the date and time of the interview. The letter also requested a copy of the documents such as application forms and customer information brochures that are used by their company in relation to credit applications. All of the Managers provided samples of application forms and other documentation.
The credit provider was asked to participate in a structured interview which was expected to last approximately 30-45 minutes. The interview focused on issues related to credit applications such as the method of assessment and amount and type of information sought from consumers. The relative importance of this information as well as credit provider’s attitudes and perceptions of the credit application process when making lending decisions were discussed.

The interviews ranged in length from 35 minutes to 1 hour and 45 minutes. All of the credit providers showed interest in the study and were willing to be interviewed. It was intended that the interviews would be recorded however, there was a general resistance to the interviews being recorded, with the credit providers suggesting that they could speak more freely if the interviews were not taped. This request of the interviewees was respected. Many of the credit providers saw the interviews as a good public relations opportunity and were interested in dispelling the perception that credit providers are always unfair to consumers.
The confidentiality and identity of the respondents was protected by allocating each an assumed identity such as Bank A or Finance Company B. The assumed identity as used on all written notes. In addition, the identity of the financial institution was obscured from all of the documentation that was collected and the assumed identification incorporated to ensure confidentiality.

The interview schedule was pilot tested on members of staff of three different financial institutions that had not been selected to participate in the study. The pilot sample comprised of people who had experience in approving loan applications who were known to the researcher.

3.3 Instruments

An interview was chosen as it was the most effective way to gather detailed and in-depth information from credit providers. An interview schedule with a series of focused questions was used to gather qualitative data in the interviews. The interview schedule can be found in Appendix E.

A checklist was used to review the type and amount of information contained in the consumer credit application forms that were supplied by credit providers. This checklist was compiled from recommendations of Gallop (1988), the NSW Consumer Credit Legal Service (1991) and Australian Finance Conference (1991).
3.4 Data Analysis

The information obtained from the interviews with financial institutions was analysed in two parts. The first part of the analysis was the review of the consumer credit application forms with the second part being the manual analysis of the notes from the interviews.

It was intended that the recordings of the interview would be transcribed into note form. The notes from the tape recordings along with the notes taken at the time of the interview were be reviewed and interpretations of their meaning made by the researcher. Since the credit providers did not feel comfortable having the interviews recorded, it was necessary to use detailed hand written notes. Each of the credit providers participating in the interviews provided their business card and indicated a willingness to be contacted if there were any queries in relation to the interpretation of the responses.

The information contained in the documents that were collected at the time of the interview were compared with a checklist that was developed from the literature to evaluate the adequacy of the credit application forms in determining the ability of a borrower to repay. It was compiled from similar lists by Gallop (1988), The Australian Finance Conference (1991) and The NSW Consumer Credit Legal Service (1991).
The checklist shows the amount and type of information which is necessary to make an adequate assessment of the financial position of the potential borrower. The results of this review of the consumer credit application forms can be found in Chapter 4.
Part 2: Consumer Interviews

3.5 Selection of The Sample

An important aim of the study was to examine the credit application and assessment process from the perspective of consumers who have encountered problems with credit. The Consumer Credit Legal Service deals with many clients who have encountered problems with consumer credit. The staff at the Consumer Credit Legal Service in Perth indicated that each of their clients has experienced the credit application process and therefore was able to provide detailed information about the process through their own experience.

All of the files at the Consumer Credit Legal Service from June 1991 to September 1992 were examined to select a sample group of consumers who were financially overcommitted. Each of the files at the Consumer Credit Legal Service contains a statistical information sheet which lists the client's reason for contacting the service for assistance. All of those clients who were recorded by the staff of the service as overcommitted were identified. The selection was also based on a set of pre-determined rejection criteria. The rejection criteria are as follows:

- people who do not speak English could not be interviewed due to the problems with communication and the expense and time involved with using an interpreter,
- the study only deals with credit as defined by the Credit Act (W.A., 1984)
- clients who applied for credit in a state or country other than Western Australia were not included in the study since the aim of the study was to review the credit application process in Western Australia; and
- country clients could not be included due to the lack of access to these people.

The original sample consisted of 13 consumers. These people were contacted by the solicitor of the Consumer Credit Legal Service to inform them about the study and to ask if they would be willing to participate in an interview. Five of the sample group were referred to the Consumer Credit Legal Service from Financial Counsellors and it was necessary to contact these counsellors in order to gain permission to speak with their clients.

Three of the consumers who were contacted by Financial Counsellors declined to participate in the study. One of the Financial Counsellors could not be contacted and therefore it was not possible to contact his client. One of the clients of the Consumer Credit Legal Service could not be contacted. Eight of the sample group agreed to participate in the study and these people were contacted by telephone to arrange an interview.
3.6 Data Collection

A semi-structured interview was conducted with the consumers in their own home at a time of their convenience. Two of the interviews were conducted after normal working hours as it was more suitable for the families with small children.

The interviews were expected to take 30 to 45 minutes however, many lasted approximately 30 minutes to 1 and a half hours. It was expected that the interviews would be recorded on cassette however, five of the participants preferred not to have the interview taped. It was not possible to tape the remaining three interviews because of the distraction of children. The participants indicated that they felt more comfortable talking about their personal finances if the interview was not recorded. The participants allowed time for the researcher to take detailed written notes.

The confidentiality of the participants was maintained by allocating each respondent or couple with an assumed identity such as Mrs A or Mr B. These codes were used on the hand written notes to preserve the confidentiality and anonymity of the subjects and have been used in this report when individuals are referred to.
The interview was pilot tested on three Consumer Science students who have completed a unit of consumer studies. It was also tested on several consumers who had past experience in applying for credit. The pilot testing identified any problem areas and ensured that the questions were easy to understand.

3.7 Instruments
An interview schedule made up of open and closed questions was used to stimulate responses on particular issues. The questions were worded so that there was scope for discussion yet the answers were able to be compared with other responses.

The interview focused on issues relating to the consumer's perceptions and opinions of the credit application and assessment process. Questions relating to their feelings at the time they applied for credit and the information they were asked to provide was discussed, as well as the problems they found with the credit application and assessment process. The interviews were informal and relaxed and the participant was allowed time during or after the interview to discuss any of their general concerns about consumer credit. The interview schedule can be found in Appendix G.
3.8 Data Analysis

It was necessary to analyse the information collected in notes from each of the interviews manually to reveal the attitudes and perceptions of the group of consumers related to credit. The problems that the participants had experienced with the credit application process were also revealed in this analysis.

Permission was obtained from each of the participants to develop a short case study describing their individual situations. A copy of the case study was sent back to the participants to check the accuracy of the interpretations of the individual situations. The case studies can be found in Appendix H.
Chapter 4 \ RESULTS

Part One: Interviews With Financial Institutions

4.1 The Sample

Part One of the study involved interviewing branch managers from selected Banks, Finance Companies and Credit Unions. The sample consisted of two representatives of each selected group.

Bank A and Bank B offered unsecured lending up to the value of approximately $20,000. The Finance Companies offered secured lending and the majority of their applications were made for the purchase of motor vehicles. The Credit Unions also offer secured lending with flexible upper and lower limits of finance. Generally the Credit Unions offered personal loans of much smaller amounts than other credit providers.

During the interviews a copy of the personal loan application forms used by the financial institutions was collected and later analysed. The interviews, combined with the analysis of the application forms, provided background information about the credit application and assessment process for the development of the interview schedule for the consumer interviews.
4.2 The Application Process

In the interviews with the financial institutions the various aspects of the application process were discussed. The credit providers supplied details of the stages involved in applying for credit including the interview situation, completing the forms and the analysis of the information provided by the applicant. The information gathered in the interviews regarding the application process has been summarised in Table 6 below.

Table 6

Summary of Information Obtained From Consumers in Relation to a Credit Application

<table>
<thead>
<tr>
<th>Major Purpose of Loan</th>
<th>BANK A</th>
<th>BANK B</th>
<th>FCA</th>
<th>FCB</th>
<th>CUA</th>
<th>CUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>home improvements</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>holidays</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td></td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>motor vehicles</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>other</td>
<td></td>
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<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Interview</th>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td></td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Telephone</td>
<td></td>
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<td>*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Form Filled In by</th>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>credit provider</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>applicant</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td>*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Application Approved By</th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans Officer</td>
<td>*</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Branch Manager</td>
<td>*</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Head Office</td>
<td></td>
<td></td>
<td></td>
<td>*</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Approval Time</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Immediately</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>less than 24 hours</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
</tbody>
</table>

NOTE: Definition of Terms

FCA - Finance Company A
FCB - Finance Company B
CUA - Credit Union A
CUB - Credit Union B
It was agreed by all of the financial institutions who were interviewed that they preferred potential borrowers to have a personal interview to discuss the finance application with a member of staff or the branch manager. During this interview an application form or loan enquiry form is completed. It was found that it was most common for the credit provider to complete the form using the information provided by the applicant rather than the applicant completing the form personally.

Finance Company B and both of the Credit Unions accept personal loan applications over the telephone. Credit Union B reported that 40% of the company's consumer credit applications were made over the telephone. In the case of telephone interviews, the same or a very similar application form was used with the interviewer filling in information obtained from the applicant over the telephone.

Finance Company A stated that 90% of the company's personal finance contracts were arranged through motor vehicle dealers who acted as agents for the Finance Company. It was, therefore, the staff of the motor vehicle dealers who interviewed potential borrowers rather than the staff of the finance company.
At the time of the application, the borrower is required to give permission to the credit provider to check the applicant's previous credit history with the Credit Reference Association of Australia (CRAA). The report from the Credit Reference Association of Australia includes information about the savings accounts, previous and current loans, defaults and bankruptcies of each applicant. The Credit Unions who offered telephone applications must obtain verbal consent from the borrower before contact can be made with the Credit Reference Association of Australia. The credit provider can obtain a credit reference report on a client from the Credit Reference Association of Australia by telephone, fax or directly via an on-line computer link.

Once the application forms have been completed, a staff member of the financial institution manually analyses the information and makes recommendations to the Manager who then decides whether to approve or reject the application. In the case of Finance Company A and Finance Company B motor vehicle dealers or retailers complete the loan applications and the details are faxed, or conveyed by telephone by a member of the staff to the head office of the Finance Company for approval. The answer is then relayed back to the dealer, usually within 24 hours of the application being lodged.
According to the interviewees, the finance industry is very competitive so all of the credit providers who were involved in this study indicated that they aim to have loan applications approved within 24 hours of the application being made. When the application has been approved, a legally binding contract is completed and signed by the applicant and the credit provider. A copy of the contract is given to the borrower. The Banks and Credit Unions involved in the study indicated that the contract becomes legally binding as soon as the documents are signed by both the applicant and the credit provider.

A Finance Officer from a motor vehicle dealership who arranged finance on behalf of Finance Company B indicated that applicants could only cancel their finance agreement during the time before the application is approved. Once the application has been approved the contract becomes legally binding.
4.3 Questions Asked By Credit Providers

All of the credit providers involved in the study seek similar information from consumers who apply for consumer credit. It has been suggested by Gallop (1988) that there are generally four types of questions that all credit providers need to ask of applicants in order to make an accurate assessment of the ability of the applicant to repay personal finance. These include questions regarding their personal details, financial position, credit history and security. These categories of questions can be clearly identified on all of the application forms used by the credit providers who were involved in this project. A copy of the application forms used by the financial institutions involved in this study can be found in Appendix F.

A checklist compiled from the recommendations of Gallop (1988) and Levine (1988) was used to identify the types of questions that are included in each of the credit application forms used by credit providers in the sample. The data collected by means of this checklist can be found in Table 7 below.
**Table 7.**

**Review of Personal Loan Application Forms**

<table>
<thead>
<tr>
<th>PERSONAL DETAILS</th>
<th>BANK A</th>
<th>BANK B</th>
<th>FCA</th>
<th>FCB</th>
<th>CUA</th>
<th>CUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Residence</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Age</td>
<td>*</td>
<td>*</td>
<td>*</td>
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<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Marital Status</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>FINANCIAL POSITION</td>
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<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
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</tr>
<tr>
<td>Housing</td>
<td>*</td>
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<tr>
<td>Personal</td>
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<tr>
<td>Vehicle</td>
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<tr>
<td>Food</td>
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<tr>
<td>Clothing</td>
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<tr>
<td>Childen/education</td>
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</tr>
<tr>
<td>Insurance</td>
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<tr>
<td>Entertainment/leisure</td>
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<tr>
<td>Medical</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Loan repayments</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Living</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

| CREDIT HISTORY            |        |        |     |     |     |     |
| Savings Accounts          | *      | *      | *   |     |     |     |
| Previous Loans            | *      | *      | *   |     |     |     |
| Other Credit Prov's       |        |        |     |     |     |     |
| Defaults                  |        |        |     |     |     |     |
| Bankruptcies              | *      |        |     |     |     |     |
| CRAA                      | *      | *      | *   | *   | *   | *   |

| SECURITY                  | *      | *      | *   | *   | *   | *   |

| CREDIT SCORING            | *      |        |     |     |     |     |

**NOTE:** Definition of Terms

FCA - Finance Company A
FCB - Finance Company B
CUA - Credit Union A
CUB - Credit Union B

The term 'living' used in Table 6 refers to the label that Bank A, Finance Company B and Credit Union B use to encompass expenses such as food, clothing, education, children and medical.

'CRAA' refers to the credit reference report that credit providers obtain on clients from the Credit Reference Association of Australia.
Personal Details

Table 7 shows that all of the financial institutions ask potential borrowers for personal details such as employment and residential stability, age and marital status. This information assists the credit provider to get an impression of the general lifestyle and stability characteristics of an applicant. These personal details relate to the lifestyle and stability of the applicant rather than their ability to repay. The information is also used to check the identity of the applicant enabling the credit provider to obtain the consumer’s credit report from the Credit Reference Association of Australia.

The date of birth of the applicant is sought by all of the credit providers and drivers licence details are sought by Finance Company A and Credit Union A. The Manager of Credit Union A explained that the drivers licence number of the applicant was used to ensure that the report obtained from the Credit Reference Association of Australia is for the applicant and guards against mistakenly obtaining information of another person with the same name as the applicant.
Financial Position

Information related to the financial position of the applicant forms a large part of many of the application forms. Information about the applicant's income, expenditure, assets and liabilities is used to evaluate the ability of the applicant to repay the personal finance. Details about assets and liabilities are also used as an indication of the assets which may be sold if necessary to make repayments which is referred to as asset backed lending.

According to Levine (1988) consumer credit application forms should include information about income, assets and liabilities, but more importantly needs to have a detailed section on household expenses. If the form is not sufficiently detailed, some of applicant's commitments may be overlooked (Levine, 1988).

Questions relating to household expenditure and loan commitments were asked by all of the credit providers involved in the study. Bank B required applicants to provide detailed information about expenditure and listed several specific categories of information on the application form.
Bank A, Finance Company B and Credit Union B grouped expenditure into several broad categories such as 'loan commitments', 'vehicle costs' and 'living expenses'. According to these credit providers the categorisation helps to simplify the application form.

The Branch Managers of Finance Company A and Finance Company B reported that an additional, more detailed expenditure form is available and can be used in cases where the Manager wishes to obtain more information before assessing the risk of lending to the particular applicant. These expenditure forms can be found in Appendix F.

**Credit History**

When a person makes an application for a personal loan, the credit provider has to assess the risk of lending to that person. Credit providers use an applicant's previous experience with credit to assist them in deciding whether the person is likely to repay the new loan. As shown on Table 7, all of the credit providers involved in the interviews indicated that they obtained a report from the Credit Reference Association of Australia for each applicant. Details of the applicants' credit history are obtained routinely by all of the credit providers.
There was a great deal of variation in the amount of information that was sought on the consumer credit application forms regarding an applicant’s credit history. Many of the credit providers did not ask the applicant any questions about their credit history. This seems to show that there is a tendency for the credit providers to rely on the information obtained from the Credit Reference Association of Australia. The responses from the credit providers indicated that they believe that the CRAA reports are accurate, comprehensive and up-to-date. It was reported that the information on the CRAA report was discussed with the applicant only if there was cause for concern such as a previous bankruptcy or court summons.

None of the financial institutions asked applicants on the application form if they had ever made late payments or defaulted on previous loans. The Manager of Credit Union B reported that applicants were not asked about previous experiences with credit because this information was available from the Credit Reference Association of Australia. The Manager also believed that each applicant should be given a fair chance of obtaining finance. In his opinion previous bad experiences should not alter the
consumer's chance of obtaining finance providing they could prove that the loan was within their means. This means that, in approving personal loan applications, the Manager of Credit Union B is prepared to overlook former bankruptcies or a court summons if the applicant can show that the bankruptcy has been discharged and that they are financially stable.

Security
Those credit providers who offer secured lending seek details of the item that is to be used as security on the application form. Details about the item that is being used as security, its resale value and age are sought. According to Finance Company B a motor vehicle must be less than seven years old at the completion of the contract or it cannot be used as security. This requirement was established to ensure that the finance company is able to obtain a reasonable price for the car if it is repossessed to repay finance.

The results presented in Table 7 show that Finance Company A, Finance Company B, Credit Union A and Credit Union B extend finance on a secured basis. These credit providers tend to ask applicants the fewest questions about their expenditure and credit history. In the context of the interview with the credit providers it appeared that expenditure and credit history were considered to be less important in assessing the risk if the loan was secured.
The Finance Companies and Credit Unions seem to rely on the fact that if security was obtained then the item could be redeemed to repay the loan in the case of default.

**Credit Scoring**

Finance Company B was the only credit provider in the study who reported using a form of credit scoring as part of the application process. The Branch Manager of Finance Company B explained that the credit scoring form (which can be found in Appendix F) was only used in conjunction with the standard application form.

The questions asked on the credit scoring form includes similar information to the personal details which are collected by all credit providers on the application forms. Information related to age, employment and residential stability and marital situation are sought on both the application forms used by all of the credit providers and the credit scoring form used by Finance Company B. The credit scoring form shows that high stability factors such as long term residency and permanent employment rate highly. Applicants also score highly if they are married, own their own home, have a professional job, and own a car.
The interviews with credit providers who do not use credit scoring revealed that experienced staff gathered information over time to help them assess the risk of lending to applicants. The information which is collected in an undocumented manner is similar to the credit scoring statistics and helps staff to assess which applicants represent a high lending risk.

4.4 Completion of the Application

Each of the credit providers indicated that all questions on the application form must be answered. According to the Branch Manager of Bank B, "each question on the form has been designed for a purpose and must be answered in order to make an accurate assessment of the applicant’s credit worthiness". It was agreed by a number of credit providers that the staff became suspicious if an applicant did not provide answers to all of the questions. There was a tendency for Loans Officers to wonder if the applicant was trying to hide something. The Branch Manager of Bank A added that occasionally applicants did not wish to provide the names of personal referees. The Bank requires that applicants list people who can be contacted to comment on the character of the applicant or to assist the Bank to locate a client who may move without advising the Bank. It was suggested by the Branch Manager of Bank A that some people did not wish to have other people know about their financial affairs and were reluctant to suggest referees. The Branch Manager indicated that applications would not be processed until these referees were obtained.
It was generally agreed by all credit providers that there were no questions on the application forms that applicants found to be unduly intrusive with a couple of exceptions. It was noted by the Branch Manager of Finance Company B that self-employed people were occasionally hesitant to provide details of their trading figures or profit and loss statements because they found it intrusive. It was reported by the Manager of Credit Union B that there was a tendency for professional women not to reveal their personal details such as marital status, as they believed it should not be necessary in assessing their ability to repay personal finance.

It was agreed by the Managers of Bank A, Bank B, Finance Company B and Credit Union B that some applicants found it difficult to provide accurate details of their income and expenditure. The most common reason for this was that the consumer could not remember the specific details at the time of the interview. The credit providers believed that applicants should be assisted to remember all of their commitments and expenses but care is taken not to prompt them too much in order to ensure that the answers are thoughtful and as accurate as possible.
These credit providers also believed that with experience, they could judge whether the figures provided by the applicant were reasonable for their particular circumstances. The credit providers indicated that there was a tendency to record slightly greater amounts of expenditure on the application form than the applicant estimated if the person had difficulty remembering financial details.

The credit providers indicated that in most cases the details provided by the applicant were checked before the evaluation was made. Details such as employment, income and assets are usually checked by telephone. The extent of the checking that is possible could be questioned given that approvals are usually made within 24 hours of the application being lodged.

The checking of information about matters such as savings accounts and previous loans has been restricted by the introduction of the Federal Privacy Act. The Privacy Act (Guide to the Federal Privacy Act, 1992) prevents credit providers from exchanging information without the consent of the applicant. Before the introduction of the Act credit providers could freely exchange information about credit applications with other credit providers. At present information related to an applicant's savings accounts, previous and current loans and bankruptcies can only be obtained from the Credit Reference Association of Australian and only with the permission of the applicant.
4.5 Perceptions of Importance of Aspects of the Assessment Process

As mentioned previously, there are four components of credit application forms being personal details, financial position, credit history and security. It was agreed by all of the credit providers who were interviewed that no one part of the assessment was more important than another. According to Bank A all aspects of the assessment including personal details, financial position and credit history were important and were used in combination to give a total picture of the applicant.

All credit providers sought personal details and obtained a report from the Credit Reference Association of Australia. These two aspects seemed to be the most important aspects of the assessment for the Credit Unions and to a lesser extent, Finance Companies who participated in this study. Personal details are used to evaluate the overall lifestyle and stability characteristics of the applicant. The interviews revealed that high stability factors are regarded favourably. This information provides an indication of the reliance on a less formal form of credit scoring which is used by the credit providers involved in this study, in particular, the Finance Companies and Credit Unions.
For Finance Company A, Finance Company B, Credit Union A and Credit Union B the details about the item of security that is used to cover the risk of lending seemed to be of primary importance. The details of the item, such as a car or house, were listed, including the value, age and quick sale price of the item. There also seemed to be an emphasis placed on obtaining details about how to contact the borrower if this security was needed in the case of defaults. It was reported by the Manager of Credit Union B that the company has to be careful about covering the risk of lending to borrowers because it is the money of the members of the Credit Union that is being used for loans.

It is suggested by Moon (1988) and Renouf (1988) that financial overcommitment is often related to the lending practices of financial institutions which do not adequately consider the borrower's capacity to repay. In particular, the lack of consideration of the ability to repay together with the requirement of security or a guarantor on risky loans is partly to blame according to Moon (1988) and Renouf (1988). Both Bank A and Bank B offered unsecured lending and appeared to be more thorough in their assessment of the lending risk. The Banks reported using all details obtained from the borrower equally in evaluating the credit worthiness of the applicant.
The results presented in Table 7 show that Bank B placed a greater emphasis on the financial situation of the applicant than did the other respondents. Bank B was particularly thorough in its evaluation of the applicant's expenditure. Bank A sought information about the applicant's fixed costs such as loan repayments and housing costs and labelled one category "living expenses" to include all other variable costs. It was commented by representatives of these Banks that they had to be more conservative in their lending policies because they did not have security to recover payments.

4.6 Assessment For Personal Finance
All of the credit providers who were interviewed indicated that the majority of personal loan applications were assessed by the Branch Manager. Of the financial institutions that were studied, it was common for a Loans Officer to take down details of the application and make a recommendation to the Manager who was responsible for the final decision. Generally the amount and purpose of the loan determines who has the authority to approve the finance. Small amounts may be handled by a Loans Officer while larger amounts would be sent to the Regional or Company Manager.
At present all loan applications are analysed manually and a decision is made based on the 'commercial judgement' and experience of the credit provider using the information on the application form and the Credit Reference Association of Australia report. The information which is used to assess credit applications can be found on Table 7. The loan is either approved or rejected based on the assessment of the risk to the credit provider.

Finance Company A and Finance Company B are currently testing 'credit scoring' based computer assessment systems. At present the computer assessment is used in conjunction with personal assessment by Branch Managers to check their accuracy. According to both Finance Companies the computer assessment systems are able to be manually overridden if necessary. It was reported by these credit providers that computerised assessment systems based on credit scoring statistics rather than considering the ability of the applicant to repay are becoming more popular because of the competitiveness of the industry and the need to process applications quickly. It was suggested by Finance Company B that the computers were needed to handle the volume of applications being received.
Credit applications made over the telephone are assessed in the same way as applications made in person. According to Credit Union B, it is common for people with existing loans to apply for additional finance over the telephone. Since all of their details are already on the original application form, the process is greatly simplified. The details on the existing form may be checked with the applicant to ensure that they are up-to-date.

The credit providers were asked how an applicant would be assessed if they did not have a credit history. The Branch Manager of Bank A indicated that applicants would be required to provide more details of their savings and general spending patterns to enable a judgement to be made as to how the applicant would be likely to accommodate this loan. This information would be included in the 'comments' section of the application form. The Managers of Bank B, Credit Union A and Credit Union B agreed that an applicant who had never used credit before would be regarded positively if they were to apply for a personal loan.
The Lending Manager of Finance Company A reported that applicants with no credit history were required to put down a larger deposit or asset backing in order to satisfy the company that the person would repay the loan. The Manager of Finance Company A suggested that generally it was young people who did not have experience with credit and therefore a large deposit or a guarantor was usually required.

4.7 Determining the Amount of Finance, Interest and Repayments?

Once the application for personal finance has been approved, a rate of interest for repayments is set. The rate of interest is generally based on current market conditions and the degree of risk associated with lending to the particular person. In many cases computers are used to calculate various interest rates and repayment amounts.

It was reported by the credit providers who were interviewed that financial institutions set an upper and lower limit of interest rates based on current market conditions. Each applicant is evaluated individually and a particular rate of interest selected for each credit contract. According to the Branch Managers of Finance Company A and Credit Union B applicants who represent a high lending risk may be charged a slightly higher rate of interest.
All of the credit providers indicated that they have general guidelines for determining the amount of income which can be committed to loan repayments. It was part of the company policy of Bank A to set a guideline which stated that no more than 30% of the applicant’s gross income should be committed to loan repayments. Credit Union A has a policy of determining the repayments which states that no more than 45% of income can be committed to loan repayments. Credit Union B has a flexible policy where the applicant can decide the amount they will repay and the term of the loan. A computer system is used to suggest some possible repayment options. Credit Union A requires that loans under $6000 must have a term of less than four years.

Bank B works on a system whereby an amount of finance and the amount of repayments that sounds reasonable to both borrower and Bank is determined. Apparently, the final decision is based on common sense and the applicant’s individual situation.
4.8 Consumer Credit Insurance

Credit insurance is often taken out by people when they apply for personal finance. Consumer credit insurance is provided by various insurance agencies. It is sold to consumers when they apply for personal finance to cover the cost of repayments in the event of illness or loss of employment. It is not compulsory to take out credit insurance on consumer credit contracts. It was noted from the discussions with the credit providers that the attitudes toward credit insurance vary.

The Branch Managers of Bank A and Bank B indicated that credit insurance was optional. Under the terms of the credit contracts of the Banks, a loan contract would be cancelled automatically in the event of the death of the borrower.

The Finance Companies allowed motor vehicle dealers to arrange consumer credit insurance for their customers. Both of the Finance Companies questioned the value of consumer credit insurance. The Lending Manager of Finance Company A actually reported that Managers of the company actually discouraged people from taking out credit insurance, suggesting that it only adds to the cost of the loan.
The Credit Unions promoted consumer credit insurance quite vigourously. The Manager of Credit Union B estimated that 65\% to 75\% of borrowers took out credit insurance. The Branch Manager of Credit Union A estimated this figure to be 80\% to 90\%. Credit Union A marketed credit insurance strongly with the main selling technique being to tell borrowers that it would cost them as little as 41 cents per day. This is in strong contrast to the attitude of the Banks and Finance Companies.

4.9 **Contact With Consumers After the Loan Has Been Approved?**

The credit providers were asked if they had any contact with clients after the loan had been approved. The responses to this question from all credit providers were that "no contact was made unless there was a problem with the repayments". The Branch Manager of Finance Company B suggested that it was not possible to contact all clients due to the large volume of borrowers. The Branch Manager of Bank A suggested that many clients did not wish to be contacted and preferred to make repayments without interference.

It was common practice for Finance Company A, Finance Company B and Credit Union A to contact clients toward the end of their contract. The purpose of this contact was to enquire if the person was interested in borrowing again. This enquiry was made as part of the marketing policy of these companies.
In the case where the borrower experiences difficulty in making repayments, all credit providers indicated that an attempt is made to negotiate a compromise with the borrower. The Branch Manager of Bank A stressed that the clients need to contact the Bank as early as possible. If contact was made as soon as a problem appears the Bank could reconsider the balance sheet of income and expenditure and possibly make adjustments to the repayments.

In the instance of late payments, the general procedure for all of the credit providers was to telephone the client and find out the reason why the payment had not been made on time. In most cases the client was encouraged to make an appointment to discuss the matter with the credit provider.

It was usual practice for Finance Company A to send out a reminder notice if the payment had not been made within seven days of the due date. Another letter or phone call was made if the payment was still outstanding within 15 days. The Lending Manager of Finance Company B suggested that often payments were late because people genuinely forgot or went on holidays without making arrangements for the payments to be made.
The credit providers involved in the interviews indicated that in cases where the borrower was experiencing financial difficulty, or their circumstances had changed since they took out the loan, the contract may be rewritten or the term of the contract extended. Credit Union B has a financial counselling and budgeting service which is recommended to clients who are experiencing difficulty making payments.

It was agreed by all of the credit providers that after a renegotiation of the payment amount or term of the loan, the problem was usually resolved. If the problem could not be resolved by negotiation, credit providers often found it necessary to take legal action by serving the borrower with a court summons to recover money that was owing to them.

Defaults
It was found from the interviews that many of the respondents were not aware of the number of their clients who default on payments. A general comment from many of the respondents was that the number of defaults had risen to during the 1980s but financial institutions were now attempting to reduce the number of bad debts by introducing more stringent lending policies.
The Branch Manager of Bank A indicated that the number of defaults had increased recently possibly because of the current economic downturn. It was suggested that Financial Counsellors were partly to blame for this increase because they tended to promote bankruptcy as "an easy way to get out of financial difficulty". It was the belief of the Branch Manager of Bank A that there no longer seemed to be a social stigma associated with bankruptcy and it was too often promoted as "an easy option". The Branch Manager also commented that there were some credit providers who would extend credit to high risk consumers who would not usually be approved. It was his view that credit obtained in small amounts was partly to blame for the increasing number of defaults because people were borrowing for items that they should be encouraged to save for.

The credit providers who were interviewed all revealed that they had made changes to their lending practices to try and prevent a continuation of the losses they had sustained in the 1980s. The Branch Manager of Bank A indicated that the bank was now adopting a more critical approach to lending and sought more information from applicants during informal discussions at the time of the interview. Staff training at Bank A includes information on the number of defaults and methods of altering their lending practices to ensure that the statistics do not continue to increase.
The Branch Manager of Bank B suggested that the bad debt ratio had been reduced because less people were borrowing money and those who did borrow were more careful and thoughtful about the implications of borrowing money. In particular he had noticed that the over 55 age group rarely applied for personal loans.

According to the Lending Manager of Finance Company A, one to two percent of its clients were classified as "bad defaults" which means that the company has very little chance of recovering these debts. A further four to five percent of clients make late payments. The Lending Manager of Finance Company A stated that the company was taking more care in their assessment of consumers who applied for personal finance. It was reported by the Lending Manager of Finance Company A that the Finance Company’s policies on lending were constantly being adjusted and updated however, the forms used to obtain information had not changed.
According to the Assistant Branch Manager of Credit Union A, the staff attempted to filter out applicants who presented a high lending risk to the company before they filled in any loan application forms. This filtering was usually done by asking several questions of consumers who telephoned the credit provider to enquire about personal finance. It was the view of the Assistant Branch Manager that the company only extended credit to those people who were highly likely to make repayments. Credit Union A reduced the risk of lending by requiring security on all personal loans.

The Manager of Credit Union B stated that 0.4 percent of their clients defaulted on repayments. It was stated by the Manager of Credit Union B that the company kept this figure low because they were able to arrange for payments to be deducted directly from the borrower's wage or salary. The major reasons for people defaulting on payments according to the Manager of Credit Union B was because of unemployment, marriage breakdown, illness or as a result of other debts.

Credit Union B had adopted a more conservative approach to lending than they had previously and placed a strong emphasis on the need for adequate security. The Manager of Credit Union B agreed with Bank B that more people were being "encouraged" to go bankrupt since there was no longer such a social stigma.
4.10 Summary of Credit Provider Interviews

In summary, the interviews with credit providers revealed a great deal about the lending practices of each of the financial institutions involved in the study.

It can be seen from the results of the interview that Bank A lends to consumers on an unsecured basis up to the value of $20,000. The Branch Manager of Bank A suggested that all applicants for personal finance must be interviewed by the senior loans staff and/or the Manager depending on the amount and purpose of the finance. The application form used by Bank A (see Appendix F) is detailed although it is less detailed than the recommendations of Gallop (1988). The Bank seems to be taking a more critical approach to lending as a result of the increase in the number of defaults in the 1980’s. The staff training at the company now includes information on methods of reducing the number of defaults in the future.

Bank B also lends to consumers on an unsecured basis and therefore tends to be more conservative in lending than financial institutions who require security. The application form of Bank B is very detailed in relation to the financial position of the applicant. The application form used by Bank B closely relates to the recommendations
made by Gallop (1988). Bank B has also sustained losses as a result of consumer credit defaults over the past decade and is currently endeavouring to prevent further losses through defaults by becoming more stringent in their lending policies.

Finance Company A offers secured lending to consumers mainly through a motor vehicle dealership network. Approximately 90% of their business comes from motor vehicle finance. The application form used by Finance Company A is brief with personal stability factors, credit history and security seeming to be most important aspects of the assessment. Finance Company A is currently testing a 'credit scoring' based computer system which will be used to evaluate credit applications.

Finance Company B also offers secured lending mainly for the purchase of motor vehicles through a dealership network. It is one of the largest providers of consumer credit in Western Australia. The application form is generally quite detailed however, it is not sufficiently detailed in the area of the expenditure of applicants. Finance Company B is also currently testing a 'credit scoring' based computer system to increase the speed and efficiency of processing credit applications.
Credit Union A and Credit Union B both offer personal finance to members of their respective unions on a secured basis. Information related to the item of security seems to be an important aspect of credit assessments for these companies.

The interviews with credit providers highlighted the fact that in general, the credit industry is very competitive, with many loan applications being approved in less than 24 hours. There seems to be a general feeling from credit providers that the industry is heading toward computerised assessment in attempt to maintain competitive.

The results show that many of the credit application forms studied were not sufficiently detailed in order to make an accurate assessment of ability to repay. The forms rely heavily on information related to personal lifestyle and stability characteristics as well as security rather than expenditure and savings.

The results presented in this section of the report provide the necessary background information about the credit application and assessment process. Information about the perspective of the finance industry has allowed the second part of the project to be conducted.
Part Two: Interviews With Consumers

The information obtained from discussions with credit providers forms a large part of the results of this study. This information is necessary as it provides an industry perspective which can be compared with the experience of consumers.

Part two of the results represent the consumer perspective of the credit application and assessment process. Further detail of the credit problems experienced by this group of respondents can be found in Appendix H at the end of this report.

4.11 The Sample
The sample consisted of eight clients of the Consumer Credit Legal Service who were considered by the staff of the service to be financially overcommitted, and who agreed to participate in the study. All of the participants were co-operative and discussed their experience with credit openly with the researcher so that people may learn from their experience in the future.

4.12 Demographic Details
Table 8 below gives a brief description of the consumers who were interviewed for the purpose of this project. The table shows the approximate age of the respondents, their place of residence and their occupation.
Table 8.

Demographic Details of Consumers

<table>
<thead>
<tr>
<th>Respondent(s)</th>
<th>Approx Age</th>
<th>Residence</th>
<th>Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mrs A</td>
<td>30</td>
<td>Cannington</td>
<td>Property Consultant</td>
</tr>
<tr>
<td>2 children</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr &amp; Mrs B</td>
<td>55 &amp; 60</td>
<td>Kewdale</td>
<td>Retired Train Driver</td>
</tr>
<tr>
<td>Mr C</td>
<td>30</td>
<td>Mt Hawthorn</td>
<td>Part Time Work in a Pizza Bar</td>
</tr>
<tr>
<td>Mr &amp; Mrs D</td>
<td>30's</td>
<td>Edgewater</td>
<td>Construction / Nursing Agency</td>
</tr>
<tr>
<td>2 children</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr &amp; Mrs E</td>
<td>50’s</td>
<td>Kingsley</td>
<td>Part Time Bus Driver</td>
</tr>
<tr>
<td>Mrs F</td>
<td>40</td>
<td>Armadale</td>
<td>Mother of 3 Children</td>
</tr>
<tr>
<td>3 children</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mr G</td>
<td>28</td>
<td>Greenmount</td>
<td>Unknown</td>
</tr>
<tr>
<td>Mr &amp; Mrs H</td>
<td>30’s</td>
<td>Koondoola</td>
<td>SECWA</td>
</tr>
<tr>
<td>3 children</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

According to the Inspector General in Bankruptcy (1991, p. 31) people in the age group between 25 - 35 account for 35% of non-business bankruptcies in Western Australia. Table 8 shows that half of the people involved in this study are in that age group.

The statistics provided by the Inspector General in Bankruptcy (1988, p.16) show that occupations in administration, sales, trades and labour and transport account for the majority of bankruptcies in Western Australia. The occupations of the study group all fall into these high incidence categories.
4.13 Description of Cases

**Reason For Financial Difficulty**

When interviewed the participants were asked to begin by explaining the details of the problem they were currently experiencing and the reason they had contacted the Consumer Credit Legal Service. The responses to this question were lengthy and answered many of the other questions on the interview schedule. Each of the participants provided a unique and interesting explanation of how they came to be financially overcommitted. The credit provider for the last loan, purpose of finance and reason for financial difficulty for each of the participants has been summarised in Table 9 below.

<table>
<thead>
<tr>
<th>Code</th>
<th>Name</th>
<th>Credit Provider</th>
<th>Type Of Loan</th>
<th>Purpose</th>
<th>Reason For Difficulty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mrs A</td>
<td>Finance Co</td>
<td>Personal</td>
<td>Car</td>
<td></td>
<td>Unemployment</td>
</tr>
<tr>
<td>Mr &amp; Mrs B</td>
<td>Finance Co</td>
<td>Refinance</td>
<td>Home</td>
<td></td>
<td>Dispute F.C.</td>
</tr>
<tr>
<td>Mr C</td>
<td>Finance Co</td>
<td>Personal</td>
<td>Car</td>
<td></td>
<td>No Capacity</td>
</tr>
<tr>
<td>Mr &amp; Mrs D</td>
<td>Finance Co</td>
<td>Personal</td>
<td>Car</td>
<td></td>
<td>No Capacity</td>
</tr>
<tr>
<td>Mr &amp; Mrs E</td>
<td>Finance Co</td>
<td>Personal</td>
<td>Home</td>
<td></td>
<td>Unemployment</td>
</tr>
<tr>
<td>Mrs F</td>
<td>Credit Union</td>
<td>Refinance</td>
<td>Car</td>
<td></td>
<td>Dispute C.U.</td>
</tr>
<tr>
<td>Mr G</td>
<td>Finance Co</td>
<td>Personal</td>
<td>Car</td>
<td></td>
<td>No Capacity</td>
</tr>
<tr>
<td>Mr &amp; Mrs H</td>
<td>Credit Union</td>
<td>Refinance</td>
<td>Debts</td>
<td></td>
<td>No Capacity</td>
</tr>
</tbody>
</table>

**NOTE: Definition of Terms**

* **Unemployment** - consumers became overcommitted as a result of unemployment which meant that they could not repay finance.

* **DisputeFC/CU** - refers to a dispute that the consumer is currently having over an amount of money which they are said to owe to the credit provider.

* **No Capacity** - means that the consumer does not have the financial means to repay the amount borrowed.
It was expected from reviewing literature about overcommitment that excessive use of credit would be the major reason for people becoming overcommitted (Inspector General in Bankruptcy, 1991). The literature points out that the current economic recession in Western Australia and related high unemployment figures could be responsible for many people becoming overcommitted.

The information presented in Table 9 shows that only two of the eight participants were in financial difficulty as a result of unemployment related to the recession. Mrs A was a self employed property consultant before the recession and a decline in business meant that she was no longer able to cope with the repayments on her car loan. Mr and Mrs E both became unemployed after the company they both worked for cut back on their staff and the couple then found it impossible to cope with loan repayments.

Table 9 above shows that three of the eight participants were experiencing financial difficulty after purchasing a car for which they had no capacity to pay. Mr and Mrs D and Mr C told of a situation where they were looking at cars in a car yard but had no intention of purchasing at that time. In both cases the consumers were asked by the salesman if they would be interested in finding out if they could qualify for finance which they agreed they would.
These respondents both signed documentation which they believed was to be used to "see if" they would qualify for finance to purchase a car. Without realising what they were doing, these people had actually signed a credit contract which required them to purchase the car when the finance was approved.

Mr G purchased a car after finance was approved through a Finance Company. He was not able to raise the deposit and it was suggested by the dealer that he sell some of his belongings in order to make the deposit. Mr G was not able to raise the money for the deposit or for the car repayments under the credit contract so eventually the car was sold to recover the outstanding debt. The car dealer arranged the sale of the car but it sold at a greatly reduced price leaving a large amount of finance still owing under the credit contract.

Mrs F and Mr and Mrs B became overcommitted as a result of a dispute with the credit provider. In both cases the people thought they had finalised the loan payments only to be notified that there was a large sum still owing. In each case the amount owing is much more than the consumers can afford to repay. The "pay out" figure refers to the lump sum payment that is made to complete repayment of a loan. In the case of Mrs F and Mr and Mrs B the amount owing and the pay out figure is currently being investigated by the Consumer Credit Legal Service.
The financial difficulty that Mr and Mrs H are experiencing is related to their inability to manage their credit commitments effectively. Mr and Mrs H, and to a lesser extent, Mr and Mrs B, reported that they have taken on more commitments than they can afford to repay. Their income does not cover their living expenses as well as the loan repayments.

The Credit Provider

The credit for six of the participants was provided by various finance companies with the remaining two being provided by credit unions. The credit was used in five cases to purchase cars, to finance or refinance home improvements in two cases and to refinance various existing loans in the remaining case. Five of the eight participants indicated that the decision to apply for credit was well planned. The remaining three consumers revealed that their application for finance was made on the spur of the moment and influenced largely by the emotional appeal of a new car and encouragement from the dealer.
Purpose of Finance

Mrs F approached a Credit Union to arrange finance to allow her to purchase a second hand car. Mrs F indicated that she thought it would be difficult to obtain finance since she was on a pension at the time of her application for credit. She believed that many credit providers would not grant her finance although she could afford to repay a loan. Her friends advised her that a Credit Union would be most likely to grant her finance.

Mr G knew that he could not afford to repay a personal loan when he went looking at cars at a large car yard. He said that the car dealer was anxious to sell him the car even though Mr G could not raise the money for a deposit. Mr G found later that his loan application had been refused by one finance company before it was approved by another which tends to shows that at least one financial institution considered him to be a high lending risk.

Mr and Mrs H had been experiencing financial difficulty for many years after borrowing money to build a house. The couple were encouraged to take out a debt consolidation loan by a Credit Union when it became obvious that they were having continuing difficulty servicing their financial commitments. Both Mr and Mrs H and the credit provider knew that they were not in the financial position to repay their existing loans and therefore were unlikely to be able to afford this loan. The couple had actually refinanced
previous debts five times before encountering their present difficulty.

Changes in Respondents Financial Circumstances

The consumers who participated in the interviews were asked if there was an event or change to their lifestyle that occurred after they were granted credit and which altered their financial position. It was expected from the literature presented by Long (1988) and Armitage (1988) that the responses would show that a change in the person’s circumstances would be the cause of overcommitment in many cases. These changes were likely to be related to unemployment, retirement or an expanding family.

Mrs A and Mr and Mrs E became overcommitted as a result of a change in circumstances. These people found themselves without employment as a result of the economic recession.

According to Mr C, Mr and Mrs D, Mr G and Mr and Mrs H they became overcommitted after signing their last credit contract. It was this additional commitment rather than a change in their circumstances which changed their financial position. Mr and Mrs H did have additional children which added to their financial commitments however, the couple planned to have children before they took out their last loan. Apparently the couple were already in difficulty before the birth of their twins.
The participants were asked if the credit provider took into consideration the changes that may occur to their lifestyle when they approved the loan. It was agreed that in all cases the credit providers seemed to be more interested in finding out details of their credit history rather than how they would be able to accommodate the additional credit commitments. There was a general feeling from the consumers who were interviewed that the credit providers were eager to provide finance to the respondents. This view was reflected by Mr E who explained that the credit provider "bent over backwards to give us the loan".

4.14 Perceptions of the Consumer Credit Application Process

Five of the respondents were confident about applying for their most recent loan. Each of the respondents had been granted credit previously and believed that it would be relatively simple to arrange another loan. However, Mr and Mrs D, Mr C and Mr G were not confident about applying for credit and their application was made with little forethought. In these cases, the people were sure that they would not qualify for finance as they believed that the credit provider would find that they could not afford it, nevertheless their applications were approved.
In all cases the participants were required to be interviewed in person by the credit provider or an agent of the credit provider, such as a motor vehicle dealer. Mr C, Mr and Mrs D and Mr G were each interviewed by motor vehicle dealers who acted as agents for Finance Companies. Mrs A indicated that she was able to complete most of her application details over the telephone since she had previously obtained credit from the same Finance Company. Mrs A only went to the office of the credit provider to sign the credit contract. Mrs F was able to add additional finance to her existing credit contract at a credit union and was not required to go in to the office for a second interview.

The consumers involved in the personal interviews with credit providers were asked if they were given any assistance in preparing for the interview. All of the participants agreed that they were not given any assistance in preparing for the interview. They were not told about the questions they would be asked or the details they would have to recall about their income, expenditure, assets and liabilities. None of the participants were given an application form to take away to complete in their own time and they were not told what documents they would need to bring with them to the interview such as pay slips to provide proof of income or profit and loss statements. The participants agreed that the credit application form was explained to them during the interview and any queries were answered at that time.
It was commented by Mr C, Mr and Mrs D, Mr G and Mr and Mrs H that the calculations made by the credit provider or an agent of the credit provider convinced them that the loan was affordable. These people believed that it was the role of the credit provider to tell them if they were able to repay a personal loan or other personal finance. They admitted that they had not seriously considered their financial position before making the loan application. This group of consumers admitted that they relied on the expertise of the credit provider to tell them if they could afford the repayments.

The participants were asked how the credit provider made them feel during the interview. It was agreed by some of the consumers that the credit provider attempted to make them feel comfortable and relaxed. However, it was commented by Mr and Mrs D, Mr C and Mr G that the Finance Officer who interviewed them at the car dealership seemed pushy and often distracted their attention from the loan application. Mr and Mrs H felt that the credit provider "treated them like children" because they had previously had difficulty in managing their finances.
It was the general feeling of all of the participants that the process of applying for credit was not lengthy. Some of the consumers estimated that it took them only 20 minutes to complete the application form and sign the credit contract. Mr C, Mr and Mrs D and Mr G were interviewed by motor vehicle dealers and felt that the contract was approved so quickly that they did not have enough time to seriously consider the contract they were entering into.

4.15 Information Provided to Credit Providers by Consumers
Most of the consumers who were interviewed had applied for credit previously and were familiar with the types of questions that credit providers ask in relation to credit applications. For this reason none of the participants found any of the questions difficult to answer at the time of their application. Mr and Mrs B and Mr and Mrs E had applied for credit from several credit providers in their life and indicated that they found the information sought by credit providers to be generally standard across the industry.
According to most of the participants the amount of detail on the application forms was acceptable and justified. Mr and Mrs B however, suggested that some credit providers require information which, according to them, is too personal. The couple quoted examples such as requests for information about weekly food expenses and electricity and telephone expenditure as being too personal and "none of the credit provider’s business". In contrast Mr C believed that credit providers do not ask enough questions about expenditure and financial commitments.

It was noted that in all cases the consumers answered all of the questions on the application forms even though Mr and Mrs B thought that some of the questions were too personal. The participants agreed that they answered all of the questions as best they could recall and tried to be as accurate as possible. It was generally felt that this group of people were anxious to provide answers to any questions that the credit provider asked to increase the likelihood of obtaining finance.

Mr C admitted that he had presented false information about his employment status on the credit application form when he told the credit provider that he was employed on a full time basis rather than part time. Mr C indicated that he thought this would increase his chances of qualifying for finance. Mr C also added he believed that it was the responsibility of the credit provider to check the accuracy of the information that he had provided.
All of the consumers who were interviewed had their credit applications approved in less than 24 hours. According to Mr and Mrs D and Mr C, who were not serious about applying for finance, the loan was approved before they had any chance to reconsider or to realise the legal implications of what they had done. These people, along with Mr G, suggested that they would have cancelled the contract if the finance had not been approved before they had time to fully consider their ability to accommodate the credit commitment. These people suggested that consumers need to be given time to think carefully about their financial situation and their ability to make the repayments before signing a credit contract.

Only three of the eight people who were interviewed believed that they were in the financial position to repay the loan. Five of the respondents indicated that they did not believe that their application for finance should have been approved after considering the financial position they were in at the time. Mr C, Mr and Mrs D and Mr G did not believe that they were in a position to be able to afford to repay the finance for the car they were looking at. These people blamed the high pressure sales techniques that played on their vulnerability for convincing them that they could afford the loan when they knew that they could not. These people said that they should never have had their application approved because it was obvious that they already had too many commitments.
4.16 Suggestions of Ways to Prevent Credit Problems

A large amount of the interview time was spent discussing the suggestions that this group had to share as a result of their experience with credit. The consumers who were interviewed in this study were willing to discuss their particular financial difficulty openly in the interest of helping other people to avoid making the same mistakes. All of the participants offered constructive and thoughtful suggestions as to how problems with credit applications and assessment could be prevented in the future. Some of the suggestions offered by the consumers relate to the suggestions in the literature review.

Mrs A offered a number of suggestions, many of which were repeated in discussions with other participants. Every one of the participants believed that credit was "simply too easy to obtain". They agreed that media advertising and promotion of credit made it seem accessible and tempting to people who may not have considered it without such prompting. According to Mr and Mrs B and Mr and Mrs E there is too much emphasis placed on the "want it now" idea in the advertising and marketing of credit. They believe that credit providers encourage consumers to buy now and pay later which is tempting to many people and does not encourage savings.
It was suggested by Mrs A, Mr and Mrs B and Mr and Mrs D that consumers need to be encouraged to save money rather than use credit to purchase goods or services. These people believe that consumers should aim to save at least 50% of the cost of the item they are purchasing and then borrow the remainder instead of saving 10% to 20% of the cost and borrowing 80% to 90%.

As a result of their experience, it was suggested by Mr and Mrs D, Mrs F and Mr G that consumers need to consider their financial situation carefully before they apply for credit to purchase goods or services. The respondents suggested that if consumers had an idea of how much they could afford to allocate to loan commitments before they approached the credit provider, they would be less likely to be persuaded by high pressure selling techniques.

It was noted by Mr and Mrs D and Mr C that consumers need to take care not to be distracted while in the process of making a loan application. Mr and Mrs D strongly suggested that children should not be taken into the office of the credit provider because they are distracting. Mr C suggested that potential borrowers need to be aware of how credit providers operate and to have an understanding of the application and assessment process so that they are not distracted from the task of signing a legally binding credit contract.
It was agreed by all of the participants that consumers need to be aware of what documents they are signing and the implications of their action. Mr C was particularly concerned that many people may not have thought seriously about the implications of signing a credit contract. Mr C told of his experience where he thought the motor vehicle dealer was completing documents to "see if he qualified for finance". Mr C did not realise that he had actually signed a legally binding contract to purchase the car. Mr C strongly suggested that people should not sign any documents until they are sure that they wish to enter a credit contract. He also suggested that people take a copy of the documents to a friend or lawyer to have them checked before signing.

Mrs A raised the important issue of debt recovery practices. She indicated that people in financial difficulty experience a great deal of personal anxiety and stress. Mr and Mrs E agree with Mrs A in expressing concern about the practices of some credit providers who allegedly harassed people who defaulted on repayments. While these respondents acknowledged that the credit providers were within their rights to recover the money owing to them, the consumers were not happy with the way they went about getting this money.
Mrs A, Mr and Mrs D and Mr and Mrs E indicated that they had received very unpleasant telephone calls and personal visits by debt collectors. They reported that this only added to the stress that they already felt. Mrs A told of how the front window of her house had been broken by a debt collector demanding outstanding payments. Mrs A commented that "no amount of bullying would change the financial situation I was in".

Mrs A and Mr and Mrs E expressed concern about the negative effects that credit has had on their lives. They agreed that there is a huge amount of stress related to overcommitment. Mrs A suggested that people in her position need access to counselling during this difficult time. Mr and Mrs E expressed their concern about their future after making the difficult decision to go bankrupt. They worried that it would be difficult to obtain credit in the future. The couple believed that there was still a very real social stigma associated with bankruptcy that they would have to endure.

In all of the interviews, the participants suggested that education was the key to overcoming the problems with the credit application and assessment process. Mrs A suggested that all consumers should be made aware of the application and assessment process and that it should be the responsibility of financial institutions to provide this information to consumers.
Mr and Mrs E agreed with Mrs A regarding the need for information and suggested that school age children need a great deal more information about credit, especially the hazards of using credit. Both of these respondents thought that school children need to be encouraged to save more and to use credit wisely.

Mrs A indicated that more emphasis needs to be placed on traditional principles of "thriftiness" rather than the "want it now" idea. Mrs A suggested that all parents and teachers should teach children, from a very early age, the basic principles of handling money and budgeting. Mrs A indicated that learning about money and budgeting is something that can involve the whole family. Mrs A said that it was important for children to grow up with an understanding that "if you have not got money then do not buy the goods".

According to Mrs A education programs about credit are generally aimed at upper secondary level students. It was suggested by Mrs A and Mr and Mrs H that concepts related to money and credit need to be taught to primary age children and continued through secondary school. This would ensure that these students would have a thorough understanding of how to use credit by the time they leave school.
4.17 Summary of Interviews With Consumers

The results of the discussions with consumers highlighted some important issues. In particular, the difficulties that these consumers experienced with credit were revealed. The results show that many of the people in this group of consumers were concerned about the high pressure sales techniques used by credit providers and their agents. They also expressed concern about the speed with which credit applications are processed and approved which gives them no time to consider the implications of signing a contract or cancelling a contract.

As a result of the problems that this group of respondents had experienced many suggestions of ways to prevent credit difficulties and overcommitment were discussed. These suggestions were largely focussed around the need for greater education of the general public and school children on matters related to credit.
Chapter 5. DISCUSSION AND CONCLUSION

The discussion of the results of this study focuses on the various aspects of credit applications such as the method of assessment, the type of information that credit providers seek from applicants and the relative importance of the methods of assessment. The discussion also highlights the various aspects of credit assessments from a consumer perspective. Details such as the information that consumers provided to credit providers, their perception of the adequacy of the application and assessment, and the problems that this group of respondents experienced are discussed.

5.1 Differences Between Credit Providers and Consumers

The results show a number of contrasts between the information provided by credit providers, consumers and the literature. These differences of opinion relate to the various aspects of the credit application and assessment process including the method of assessment, information used to assess the ability of applicants to repay and the adequacy of the assessment process.
Methods of Assessment
The Finance Companies involved in the study were in the process of installing computer assessment programs which are based on statistical information similar to that which is used in the credit scoring method of assessment. Finance Company B has the computer system in operation at present and aims to increase its use to boost efficiency and speed up the approval process. Finance Company A also uses a computerised assessment system although it is currently still in the testing stages. At present the computers are used in conjunction with manual approvals by members of staff of the Finance Company.

There was a general reluctance expressed by the Banks and Credit Unions involved in this study to move toward computerised assessments in the future to maintain competitiveness in the industry. These credit providers indicated that in many instances the personalised evaluation of individual applicants was the most effective and ‘fair’ method of assessment.
Relative Importance of Each Method of Assessment

The credit providers indicated during the interviews that the financial position of the applicant was of greatest importance. However, further discussions, combined with the review of the application forms, did not support the claim made by many of the credit providers. The analysis of the credit application forms shows that only Bank B sought enough detailed information about the financial position of the applicant to make an effective and fully informed decision about whether the applicant had the ability to repay the credit.

Many of the credit providers were not sufficiently detailed in their assessment of the financial position of applicants to ascertain their ability to repay. The credit providers indicated that the evaluation of an applicant's financial position was of greatest importance and yet they did not collect enough information from which to make an informed judgement. There seems to be an inconsistency between what they say is most important and the information upon which they base their assessment.
It appears that details of the applicant's past history in dealing with credit are more important than their actual capacity to repay the loan. It was found that during an interview with the credit providers, applicants are not asked about their credit history in great detail. This information was obtained in all cases from the Credit Reference Association of Australia. The reliance on the CRAA report has come about as a result of the introduction of the Federal Privacy Act (1991) which restricts direct access to information from other credit providers that they once had.

There seemed to be an underlying assumption that the Credit Reference Association of Australia reports are always comprehensive, accurate and up-to-date. While there is no evidence to suggest that this is not the case, concern was expressed by the consumers who were interviewed that these reports are very negative. In particular it was noted that court summons were recorded on the report even though the case may have been won by the consumer or dropped altogether.
Type of Information Sought from Consumers

Each of the credit providers required consumers to provide personal details which in most cases were used to assist in the evaluation of the overall character of the applicant. Each of the credit providers who were involved in the study placed great emphasis on the lifestyle and stability characteristics of applicants. This suggests that an informal credit scoring type assessment is used by credit providers since stability and security of residency, employment, and marriage are considered. Applicants who are found to have high stability and security are regarded as a low lending risk.

The personal details collected by Finance Company B were also used to assess the applicant using a formal credit scoring assessment. This credit scoring method of evaluating credit worthiness is based on statistical studies that have been conducted over a number of years. The credit scoring form used by Finance Company B shows that married people who own their own home, have a steady job and a new car are most likely to be able to repay finance. (A copy of the credit scoring form can be found in Appendix F)
The review of credit application forms in this study show similarities to the results of a review conducted by Gallop in 1988. The results show that credit providers do not collect sufficiently detailed information about the financial position of applicants in order to make an accurate assessment of their ability to repay credit. It was found in this study, and in that of Gallop (1988) that more details need to be collected from applicants about their expenditure before an adequate and accurate assessment can be made.

Gallop (1988) suggests that expenses should be broken down into several basic categories to ensure that all expenses are considered and estimated accurately. These categories should include, housing, personal, transport, food, clothing, children, insurance, entertainment, medical and loan commitments.

Mr and Mrs B raised the point that they found providing great amounts of information an invasion of their privacy. The Branch Manager of Bank A pointed out that the amount of detail that credit providers seek in relation to expenditure of applicants is the source of on-going debate. The major question faced by credit providers is, how much information needs to be collected in order to assess the financial position of applicants without them feeling that too much information is being requested?
Information Provided By Consumers

The consumers who were interviewed recalled being asked by credit providers to provide personal details and information about their income, assets, loan commitments and expenditure. However, these consumers recalled more vividly the details of loan calculations that they were shown. It seems that the consumer respondents allowed themselves to be tempted by the selling techniques used by the credit providers. At the time of the interview these consumers seemed to concentrate more on the amount of money they would have to contribute to the loan rather than filling in the application form.

The consumers who were interviewed indicated that they understood that the credit provider had to ask them certain questions. It was found that all of the consumers were required to provide answers to all of the questions that the credit provider asked. Some of the consumers suggested that it was difficult to recall some of the financial details in the interview but tried to estimate them as closely as possible. The credit providers were aware of the fact that consumers have difficulty answering questions related to their financial position and care was taken to assist applicants to estimate their financial position accurately.
The accuracy of the answers provided by consumers is questionable since two of the eight participants admitted that they had intentionally given false information to the credit provider in order to have their application approved. These two consumers realised after the application was approved that they had contributed to their credit problems by giving false information to the credit providers. As credit providers assess consumer credit applications based on the information they are given by consumers, there is a need for consumers to recognise the importance of providing accurate information.

The results show that this group of consumers seemed to be confused about the role of credit providers. The group relied on the expertise of the credit providers to tell them whether they could afford a personal loan. The credit providers seemed to be aware of this fact but indicated that is was not their role to tell people if they can borrow money. They saw their role as extending credit to consumers and ensuring that the consumer will repay the credit within a certain period. Both consumers and credit providers in this study agreed that consumers need to understand the role of the credit provider.
Adequacy of the Assessment

The results indicate that on one hand it seems that credit providers are not able to objectively evaluate the consumer’s ability to repay because they do not seek full budget details from the consumer. On the other hand, it seems that the majority of consumers in this study did not evaluate their personal financial situation before approaching the credit provider. Further, some consumers were hesitant about providing detailed information to credit providers or intentionally gave false information.

Many of the credit providers in the study preferred to let the applicant decide what proportion of their income they wished to commit to loan repayments. They suggested that this system was more flexible for the consumer. However, if the consumers were not fully aware of their financial position when applying for credit, they may not be able to accurately estimate how much money they could afford to commit to loan repayments. The consumers then risk becoming overcommitted if they allocate a greater proportion of their income to loan repayments than they can afford.
Events or Changes in Consumer Circumstances

It was found from the interviews with consumers that the difficulty experienced by three of the consumers was related to a change in circumstances which altered their financial position. The change or event could not have been anticipated at the time the loan was taken out. In the remaining five cases, the consumers were apparently already living beyond their financial means at the time of application and did not themselves think that they were in the position to take on a loan when they applied. This finding raises two issues. Firstly, why did these people sign a loan contract knowing that they could not afford it? Secondly, why did the credit provider lend to them if they were not in a position to repay?

The answers to these questions are very complex. The results of this study suggest that consumers may be naive and relatively ill-informed about the credit application and assessment process. Indications are that some credit providers are aware of the consumers' lack of knowledge but provide little information to them before they sign a contract. In some cases, particularly in relation to motor vehicles where commission is involved, the lack of knowledge of consumers is used to the benefit of credit providers to increase business.
The argument from the credit providers who were interviewed was that they could not see into the future and therefore had no way of telling what changes or events may occur after the loan has been approved. The credit providers explained that they could only make a judgement based on the information they have at the time the application was made. However, in five of the eight cases there was no change in the circumstances which caused or contributed to the financial difficulty of the consumers.

The review of the application forms and the comments from consumers indicate that credit providers need to seek more information from applicants in order to make a more accurate assessment of their ability to repay the loan at the time of the application. The study shows that the credit providers place greater emphasis on the applicant's past rather than on their present and likely future situation.

Perceptions of the Credit Application Process

All of the consumers who were interviewed stated that credit was simply too tempting and too easy to obtain. They blamed advertisers and credit providers for encouraging people to buy goods now and pay later. However it could be said that ultimately people are responsible for their own actions and after all it is consumers who have to approach a credit provider to borrow money. Any amount of advertising cannot force a person to apply for personal finance.
According to this group of consumers easy access to credit discourages people from saving and often results in people living beyond their financial means. The participants in the study suggested that there was a great need for education programs to show people what effect overcommitment can have on a person's life.

The general impression from the consumers who were interviewed was that credit should be avoided if at all possible. For this group of people it was too late, but they had all learnt from their unpleasant experience. The consumers were interested in getting the message across to other people that credit can have a devastating effect on a person's life. They expressed concerns about the personal trauma, anxiety and stress that credit had caused them.

**Consumer Credit Problems**

The specific problems that this group of consumers experienced have been written into case studies and can be found in Appendix H at the end of this report.
The cases highlight the difficulties that people have when they have more debts that they can afford to repay. Underlying all of these cases was the damage it caused to their personal and family relationships. These people found that overcommitment had made them frustrated, angry and at times they took this out on family and close friends. The people told of how their social life had been severely reduced as they simply could not afford social events or outings. One couple with a young family were upset that they could not afford to celebrate birthdays and Christmas.

As mentioned by Renouf (1988) in the literature review this group of consumers also spoke of how their credit difficulty had affected their health. There was also a feeling of depression and personal failure associated with the realisation that they were not able to cope with their credit commitments. Although there does not seem to be such a social stigma associated with default and bankruptcy any more, these people were captivated by their own sense of failure and hopelessness. Credit providers suggested that by encouraging consumers to enter bankruptcy, not only is the credit provider unlikely to recover losses but there are also adverse implications for the health and personal well being of consumers.
Summary

In summary, it seems from this study that both consumers and credit providers need to be aware of their responsibilities in relation to credit. This group of consumers were ill-informed about the credit application and assessment process and as a result many of them allowed themselves to be tempted by the accessibility of credit. As a result of their experience they have seen the negative effect that credit has had on their life. This group of consumers were prepared to discuss these negative aspects in the hope that it may prevent others becoming overcommitted. The differences in the perceptions and expectations of both consumers and credit providers could have contributed to some of the problems highlighted in this study.
Chapter 6 LIMITATIONS OF THE STUDY

It was the intention of this study to adopt a qualitative approach to explore the problems that consumers have with credit and to obtain in-depth data about their perceptions and opinion of the application and assessment process. The subjects selected for the interviews were not intended to be representative of the whole population of consumers. The study may be used as a base for seeking directions for further research in this area possibly using a larger more representative sample.

Non-English speaking consumers could not be included in the study because of the lack of funding which prevented the use of an interpreter. These people may have very different and unique problems to English speaking people and so could represent a different sample group. Further research might target this group of people.

The study highlights the nature of the problems of a particular group of people who have sought assistance from the Consumer Credit Legal Service in dealing with their problem. There may be many people who have also experienced difficulty with consumer credit and have sought help from agencies other than the Consumer Credit Legal Service. These people who may have sought the assistance of other agencies have not been included in the sample.
The interviews with both credit providers and consumers were not recorded on cassette as expected. The respondents felt more comfortable speaking about matters relating to credit if the interview was not recorded.
Chapter 7. RECOMMENDATIONS

The results suggest the following recommendations.

7.1 Clarify the Roles of Credit Providers and Consumers in Relation to Consumer Credit.
A major problem identified in this study was that the role of credit providers and their relationship to consumers is not clear in the minds of this group of consumers. Discussions with consumers revealed that there is a tendency for people to rely on the expertise of credit providers to tell them if they can afford credit. Credit providers however, report that they do not see this as their role but rather their business is to extend finance to consumers who request it.

7.2 Encourage Consumers To Assess Their Financial Position
It is recommended that consumers have a clear understanding of their financial position before they approach the credit provider so that they are less likely to rely on credit providers to tell them if they can afford to borrow money. That is, consumers need to be encouraged through community education programs to conduct a 'self-assessment' of the financial position before they approach a credit provider.
In order to assist consumers to consider their financial position before making an application for finance two suggestions have been made. These recommendations have been made after discussions with consumers revealed that three of the group of eight had signed credit contracts without intending to enter a contract.

**Standardised Application Forms**

The findings of this study show that consumers may benefit from the suggestion made by Levine (1988) that a standardised application form be developed for use by all credit providers which contains a detailed section of the financial position of the applicant, similar to that currently used by Bank B. This form should be made freely available to consumers in public places and at all financial institutions and their agents such as motor vehicle dealers and retail stores.

**Cooling Off Period**

It is recommended that financial institutions encourage consumers to take a copy of the application form away from the influence of the credit provider and complete the form as accurately as possible. The suggestion made by Gallop (1988) of a "cooling-off" period is recommended after the application has been lodged with the credit provider to allow a chance to reconsider, is supported by the findings of this study. This cooling off period would act as a safety net for those consumers who sign a contract and then realise that they cannot afford to repay.
7.3 More Detailed Information Sought About Expenditure

The results of this study, together with information presented by Gallop (1988), suggest that credit providers do not seek sufficient information from applicants from which to make an accurate assessment of their ability to repay. Currently financial institutions seem to concentrate on stability and lifestyle characteristics of applicants. The literature presented by Gallop (1988) and others suggests that this stability and lifestyle information alone is not adequate in predicting the ability of the applicant to repay.

It is therefore recommended that credit providers collect greater amounts of detailed information about the financial position of applicants on which to base their assessment of credit worthiness. This means that more emphasis needs to be placed on obtaining more information about expenditure, financial commitments and savings of the applicant. In order to collect more information consumers will need to be educated about the importance of providing such information.

7.4 Less Emphasis on Details of Security

It is also recommended that the financial institutions who offer secured lending concentrate credit applications on the ability of the person to repay rather than obtaining adequate security.
7.5 Further Research To Assess The Impact of Assessments Based on Stability Rather Than Ability to Repay.

The results of this study show that further research to assess the impact of using stability factors to make assessments of credit worthiness is necessary. This is especially important when it is considered that computerised assessments, which focus on stability and lifestyle characteristics, are becoming more widely used. Studies relating to the adequacy of computerised assessment of ability to repay credit are also necessary.

7.6 Events Or Changes In Circumstances

The study has shown that changes in borrower's financial circumstances may occur over the term of the loan. Often these changes cannot be predicted at the time the credit application is approved. However, none of the credit providers in this study sought information from applicants regarding their likely financial future. It is therefore recommended that financial institutions obtain information from applicants about their future plans which may influence their financial ability to repay such as future employment situation, additional children, retirement or medical treatment. By seeking additional information, credit providers are then able to set repayment amounts that the borrower will be able to maintain if such a change occurs.
7.7 Community Education Programs Related to Finance
A major problem highlighted in this study is the lack of understanding that consumers have of the finance industry. The solution to this problem is complex however, education programs directed at both school age children and adults would form part of the solution. It is suggested that education programs aim to encourage consumers to save money to purchase goods or services and to discourage the purchase of items on impulse using credit.

7.8 Explain Credit Application Process More Thoroughly to Consumers
The interviews with consumers revealed that in three of the cases the people had signed documentation which they believed was simply an application to assess their eligibility to qualify for finance. These consumers did not realise that they had signed a credit contract. The finding shows that there is a need for credit providers to take care to explain in detail the documents that they require applicants to sign. The legal implications of signing such documents should also be explained. This is particularly relevant to motor vehicle dealers who act as agents for the financial institutions. It is also recommended that consumers need to be more careful about what documents they sign.
Chapter 8. REFERENCES


Chapter 9. APPENDICES
APPENDIX A

CRAA CONSUMER REPORT

DOE JOHN ARTHUR M P DIANE
SUBJECT BORN - 251062 LIC NO - 4651ZH
EMPLOYMENT - MANAGER BROWNS RESTAURANT 0687R
ADDRESS - 62 ROSE DRUMMOYNE NSW 0587R
PREV ADDRESS - 15 WILLARD UNLEY SA 0283R

CONSUMER STATEMENT
040188 - MY MARRIAGE BREAKUP CAUSED SOME FINANCIAL PROBLEMS. I AM NOW BRINGING MY ACCOUNTS UP TO DATE

ACCOUNT PROFILE

SOURCE MYER STORES NATIONAL AUST BANK AUSTN GUARANTEE CORP
BRANCH ADELAIDE SA (41) SYDNEY NSW (62) EPPING NSW (81)
REPORT DATE 140288 300188 280288
OPENED DATE 090385 120483 270685
TYPE & TERMS REV. VISA CONS MORTG 48M
STATUS CLOSED BY CUSTOMER PAST DUE 30 DAYS PAST DUE 30 DAYS
HIGH CREDIT $2745 $4000 $14020
BALANCE NIL $1867 $ 6323
PAST DUE $ 536 $ 490
BAL. DATE 300188 240188 280288
ACCOUNT # 7732294801 98220043 1090364PN
ACCOUNT NAME JOHN & DIANE JOHN JOHN
PAYMENT 123456789101112 123456789101112 123456789101112
HISTORY -C1211CC C C C 1112221C C C C

CREDIT ENQUIRIES

DATE NAME A/C AMOUNT DTR REFERENCE NO.
200388 ST. GEORGE BUILD SOC NSW RM 38000 MRJ
140987 NAT. BNK CARD CNTR NSW CC 3100 MRJ REVIEW
020887 AUSTN GUARANTEE NSW CM - MRJ REVIEW
130487 RADIO RENTALS NSW R 560 J&D
140685 AUSTN GTEE UNLEY SA CM 13500 MRJ
030385 MYER STORES SA 30 - J&D

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## APPENDIX B

### THE FIRST STEP

Your Simplified Balance Sheet between what you OWE and OWN can be filled in as follows:

<table>
<thead>
<tr>
<th>I OWE</th>
<th>I OWN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owing on House or Unit:</td>
<td>Estimated Market Value Of:</td>
</tr>
<tr>
<td>1st Mortgage</td>
<td>House Or Unit</td>
</tr>
<tr>
<td>2nd Mortgage</td>
<td>Land/Other Real Estate</td>
</tr>
<tr>
<td>Other</td>
<td>Motor Vehicle(s)</td>
</tr>
<tr>
<td>Owing on Land or Other Real Estate:</td>
<td>Furniture &amp; Fittings</td>
</tr>
<tr>
<td>Owing for Motor Vehicles:</td>
<td>Personal Effects</td>
</tr>
<tr>
<td>Owing for Furniture &amp; Fittings:</td>
<td>Other Assets</td>
</tr>
<tr>
<td>Other Loans/Debts:</td>
<td>Cash, Deposits or Debentures:</td>
</tr>
<tr>
<td>Bankcard</td>
<td>At Bank</td>
</tr>
<tr>
<td>Overdraft</td>
<td>Building Society</td>
</tr>
<tr>
<td>Personal Loans</td>
<td>Credit Union</td>
</tr>
<tr>
<td>Hire Purchase</td>
<td>Finance Company</td>
</tr>
<tr>
<td>Store Credit Cards</td>
<td>Government/Semi-Govt.</td>
</tr>
<tr>
<td>Other Credit Accounts</td>
<td>Other</td>
</tr>
<tr>
<td>Other Credit Cards</td>
<td>Shares &amp; Other:</td>
</tr>
<tr>
<td>Other ( )</td>
<td>Investments:</td>
</tr>
<tr>
<td>Other ( )</td>
<td>Insurances (Surrender Value):</td>
</tr>
<tr>
<td>Other ( )</td>
<td>Superannuation:</td>
</tr>
<tr>
<td>Other ( )</td>
<td>Amounts Owed To Me:</td>
</tr>
<tr>
<td>TOTAL OWING</td>
<td>TOTAL OWED</td>
</tr>
</tbody>
</table>

---

Page - 152
### WEEKLY/ FORTNIGHTLY/ MONTHLY *

* select appropriate period

#### INCOME AND EXPENDITURE WORKSHEET

<table>
<thead>
<tr>
<th>INCOME</th>
<th>PRIORITY EXPENSES</th>
<th>OTHER EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your Wages (After Tax)</td>
<td>Home Rent</td>
<td>Non-Annual School Expenses</td>
</tr>
<tr>
<td>Spouse Wages (After Tax)</td>
<td>Home Mortgage Payments</td>
<td>Car Running Costs</td>
</tr>
<tr>
<td>Government Payments</td>
<td>Food</td>
<td>Car Repairs</td>
</tr>
<tr>
<td>Family Allowance</td>
<td>Maintenance/Child Support</td>
<td>Non-Medicare Hospital/Medical/Dental/Ambulance/Chemists Expenses (Net of Insurance Refunds)</td>
</tr>
<tr>
<td>Pension Benefits</td>
<td>Annual Expenses</td>
<td></td>
</tr>
<tr>
<td>*Unemployment Benefit</td>
<td>House Related</td>
<td>Union &amp; Other Subs</td>
</tr>
<tr>
<td>Other Income</td>
<td>Car Related</td>
<td>Alcohol/Cigarettes</td>
</tr>
<tr>
<td>Interest</td>
<td>Education/Child Care</td>
<td>Home Repairs</td>
</tr>
<tr>
<td>Rents from Boarders</td>
<td>Life Insurance/Superannuation</td>
<td>Eating Out</td>
</tr>
<tr>
<td>*Workers’ Compensation</td>
<td>Other</td>
<td>Holiday</td>
</tr>
<tr>
<td>Other ( )</td>
<td>Travelling to Work Fares</td>
<td>Entertainment</td>
</tr>
<tr>
<td>Other ( )</td>
<td>Clothing</td>
<td>Other Personal Expenses</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td><strong>Finance and Credit (Other than Home) Repayments</strong></td>
<td><strong>Gifts</strong></td>
</tr>
<tr>
<td>Loan (Car)</td>
<td></td>
<td>Other Expenses (eg Books, TAB)</td>
</tr>
<tr>
<td>Loans (Other)</td>
<td></td>
<td>Sub-Total</td>
</tr>
<tr>
<td>Bankcard</td>
<td></td>
<td>Other Expenses</td>
</tr>
<tr>
<td>Store Credit</td>
<td></td>
<td>Total Expenses</td>
</tr>
<tr>
<td>Other Credit Cards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>Priority Expenses</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Page 153*
<table>
<thead>
<tr>
<th></th>
<th>CASH DEPOSIT %</th>
<th>1-9%/Unknown</th>
<th>10%</th>
<th>11-12%</th>
<th>13-18%</th>
<th>18%+</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>20</td>
<td>23</td>
<td>29</td>
<td>41</td>
<td>50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>HOME PHONE</th>
<th>Yes</th>
<th>No</th>
<th>Close By</th>
<th>No Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td></td>
<td>35</td>
<td>5</td>
<td>22</td>
<td>5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>APPLICANT'S EMPLOYER</th>
<th>Public Service</th>
<th>Private Sector</th>
<th>Armed Service</th>
<th>Self Employed</th>
<th>Housewife, Widower, Pensioner, Welfare</th>
<th>No Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td></td>
<td>68</td>
<td>38</td>
<td>22</td>
<td>17</td>
<td>38</td>
<td>17</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>APPLICANT'S TIME WITH EMPLOYER</th>
<th>Less than 1 year</th>
<th>1 year - 4 years 5 mths</th>
<th>4 years 6 mths - 8 yrs 5 mths</th>
<th>8 yrs 6 mths</th>
<th>Retired/Housewife</th>
<th>Unemployed with Public Assistance</th>
<th>Unemployed No Public Assistance</th>
<th>No Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td></td>
<td>15</td>
<td>25</td>
<td>31</td>
<td>38</td>
<td>26</td>
<td>26</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>HOME OWN/RENT</th>
<th>Owns-Buying</th>
<th>Lives with Parents/Adults</th>
<th>All Other</th>
<th>No Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td></td>
<td>40</td>
<td>33</td>
<td>-15</td>
<td>-15</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>TIME AT PRESENT ADDRESS</th>
<th>Less than 6 months</th>
<th>6 mths - 2 years 5 mths</th>
<th>2 yrs 6 mths - 4 yrs 5 mths</th>
<th>4 yrs 6 mths - 9 yrs 5 mths</th>
<th>9 yrs 6 mths or longer</th>
<th>No Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td></td>
<td>20</td>
<td>29</td>
<td>31</td>
<td>40</td>
<td>48</td>
<td>20</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>BANK ACCOUNTS</th>
<th>Cheque &amp; Savings</th>
<th>Cheque Only</th>
<th>Savings Only-None</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td></td>
<td>29</td>
<td>25</td>
<td>15</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>EXPERIENCE</th>
<th>No Trace/None</th>
<th>Good</th>
<th>Satisfactory/Slow/Unsatisfactory</th>
<th>Limited</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td></td>
<td>22</td>
<td>30</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

STOP

At this point total the points for characteristics 1-8.

If below 175 reject application.
If between 175 and 251 conduct credit investigation.
If above 251 verify 1 scored characteristic and refer to authorised person for decision.

<table>
<thead>
<tr>
<th></th>
<th>WORST RATING IPA</th>
<th>No Trace/None</th>
<th>Good</th>
<th>Satisfactory</th>
<th>Slow/Unsatisfactory</th>
<th>Limited</th>
<th>No Rating Given</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td></td>
<td>8</td>
<td>21</td>
<td>-3</td>
<td>-44</td>
<td>9</td>
<td>0</td>
</tr>
</tbody>
</table>

Now calculate final score. If 200 or more refer to authorised person for decision.

N.B. Scoring instructions on reverse side.
Appendix D

Selection of Banks, Finance Companies and Credit Unions for Interviews

Statistics from the Australian Bureau of Statistics (Catalogue No 5642.0) show that Banks are responsible for providing approximately 55% of consumer credit. According to staff of the Australian Banker’s Association, the following Banks are responsible for the majority of consumer lending in Western Australia:

Challenge Bank
Commonwealth
R & I Bank of W.A.
Town and Country Limited
Westpac Banking Corporation

According to the Australian Bureau of Statistics (Catalogue No. 5642.0) Finance Companies are responsible for providing approximately 25% of consumer credit. A member of staff of the National Association of Finance Companies revealed that the following Finance Companies provide the greatest amount of consumer credit of all finance companies to consumers in W.A.:

Australian Guarantee Corporation Ltd
AVCO Financial Services
Barclays Finance Holdings Limited
CBFC Limited
Citicorp Australia Limited
Esanda Finance Corporation Limited
G I O Finance
R A C Finance Limited
Royal Australia Finance Limited

The statistical information from the Australian Bureau of Statistics (Catalogue No 5642.0) shows that Credit Unions are responsible for providing approximately 20% of consumer finance in Western Australia. Staff at the Credit Union Association of Western Australia suggest that the consumer credit from Credit Unions is mostly provided by the following companies:

C S A Credit
Fire Brigade Employees’ Credit Union Society
Health Credit
United Credit
University Credit Society Ltd
Westbond Credit Union Ltd
Police and Nurses Credit
Appendix E
Interview Schedule - Credit Providers

1. Could you outline briefly what happens when a person approaches you for a personal loan? (for say, a loan of $7000 to renovate a house)

2. Do you always interview a person who applies for a loan in person or on the telephone?
Yes / No

3. Looking at the application form, it seems that you ask for information related to the applicant’s personal details, current financial situation and credit history. Thinking about the importance of these different types of information could you tell me which is most important and which is least important in the overall assessment of the client?

Most important________________________________________
Least important________________________________________

4. Still thinking about the three types of information about your clients (personal/lifestyle, financial situation and credit history), which do you think is the most effective in judging whether an applicant will repay the loan and which is the least effective?

Most effective________________________________________
Least effective________________________________________

4(a) Does any one of these different types of information stand out as a good predictor of a person’s ability to be able to repay the loan?

4(b) Which is the least adequate predictor of ability to repay?

5. How much time/effort does it take to collect each type of information?

6. The collection of which of these three types of information do you think consumers would find most intrusive? Which is least intrusive? Why?

Most intrusive________________________________________
Least intrusive________________________________________

7. Which of the three types of information is the most difficult for the applicant to provide accurately at the time of the interview? Why?

Most difficult________________________________________
Least difficult________________________________________
8. Which type of information is most difficult for the loans officer to evaluate? Why?

Most difficult

Least difficult

9. Once all of this information has been collected, can you tell me how a decision is made to approve the application?

10. Why does your institution use the particular system that you have just described?

11. Across the whole of the finance industry, what relative emphasis is placed on information regarding personal lifestyle financial situation, credit history when making lending decisions? Which is most emphasised and which is least?

Most emphasised

Least emphasised

11. Is there any information that you collect that is not on the application form?

Yes / No / Sometimes

11(a) If yes, what information is collected?

11(b) How is this information collected?

12. Are there some questions on the application form which must be answered and others which the consumer may decline to answer without affecting their chance of a loan?

Yes / No

12(a) Which questions must be answered? Why?

13. How do you obtain details of an applicant’s credit history?

-- CRAA
-- From applicant
-- From previous credit providers
-- Other

14. Is there any checking of the accuracy of this information about the credit history with either the client or previous credit providers?

Yes / No

14(a) How is this information checked?

15. How is the consumer assessed if they do not have a credit history?
16. Do you provide any assistance to applicant’s to help them work out their expenditure details?

   Yes / No

16(a) If yes, what assistance?

17. When considering the repayments the borrower will make, do you set a bench mark of the amount of income which can be committed to loan repayments? eg 25% Please Explain?

   Yes / No

17(a) Is credit insurance required?

18. Are there any safeguards built into the credit assessment to take into consideration the changes that are likely to occur over the period of the loan such as additional children or the reduction of two incomes to one? Please explain?

   Yes / No

19. Do you (or the institution) have any contact with clients after the loan has been approved?

   Yes / No

19(a) What type of contact do you have?

20. Do you offer any assistance to clients who are having difficulty making repayments?

   Yes / No

20(a) What type of assistance do you offer?

21. Are you aware of the percentage of clients default on repayments?

   Yes / No

21(a) What percentage of clients default on payments?

22. Have you made any changes to your routine lending operations given the difficulties faced by consumers in the current economic climate?
Appendix F

Sample Personal Loan Application Forms
DUPLICATE - BRANCH COPY

SHORT NAME (Refer CIS Man Appendix A page vii)

CARE: DO NOT USE (+ / - & = " IN SHORT NAME

<p>| | | | | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
<td>17</td>
<td>18</td>
<td>19</td>
<td>20</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Purpose (Show actual cost of each item).
Repay existing Personal Loan No. .................................. Gross $ .................................. Less Rebate $ ................... $ .................................. (NET)

Name(s) in full: Mr.................................................. Date of birth .......... / .......... / ..........
Mrs/Miss .................................................. Date of birth .......... / .......... / ..........

Home Address: ...........................................................................................................................................
Postcode: ...........................................................................................................................................

Marital Status: ...................................................
No. of Dependent Children ....................................

Previous Address: ...........................................................................................................................................

Employer: ...........................................................................................................................................

Position Held: ...........................................................................................................................................
Period of Employment ...........................................

If in present employment less than two years, previous employer ...........................................

Next of Kin:

<table>
<thead>
<tr>
<th>Name</th>
<th>Purpose Code*</th>
<th>Additional/Increased Loan Code*</th>
<th>Net existing debt taken over $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Previous P/L borrower Yes/No

Post Code

Interest Tier No.

ABS CODES*  
Industry  
Purpose

LIABILITIES - SHOW NAMES $  
ASSETS $  

House property at  
Household furniture  
Motor Car  

Cheq A/c ID No.  
CSB A/c No.  

CSB A/c No.  

Bankcard/MasterCard/Visa No(s)  
(Limit $ )  

AC  
Bank  

Taxation  
Building Society A/c  

Total Liabilities  
Other Assets-  

Surplus  
TOTAL  

Enquire which bank. If not endeavour to transfer.

INCOME PER WEEK $  
COMMITMENTS PER WEEK $  

Weekly salary or wages (after tax)  
Estimated living expenses  

Regular overtime  
House mortgage repayments  

Pension  
Furniture H/P payments  

Family Allowance  
Car H/P payments  

Other income (give details)  
Other debt repayments (give details)  

Bankcard/MasterCard/Visa  

If house not owned - rental  

Repayments on this loan  

Proposed total commitments  

Surplus  
TOTAL  

Previous borrowings from CBA or CSB (brief details including Loan No.)

CBA .................................. Years. Average balance last financial year  -  Dr/Cr $ ..................  

Limit $ ..................  

Security $ .................
GROSS LOAN AMOUNT .......................................................... $ :--

DEDUCTIONS:  
Credit Charge $ : 
QLD Loan Duty (Not Mortgage Duty) $ : 
Cr to Suspense A/c Net sundry P/L Charges $ : 
NSW Contract Stamp duty $ : 
*Charges vide C/l–6 (Cr Comm A/c) $ : 
FID (Cr State Duty Rec A/c) $ : 

TOTAL DEDUCTIONS $ : 

*Omit when paid by borrower in cash or debited to cheque account 

Net Loan Proceeds credited to cheque A/c/CSB A/c/KSA No. ............................................................ $ : 
in the names of ............................................................................................................................................ 

W1 & W9 or W59a/b Compiled By ............................................................ Checked By ............................................................

Funds Position

<table>
<thead>
<tr>
<th>Required</th>
<th>Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Price</td>
<td>Net Amt of Loan</td>
</tr>
<tr>
<td>Surplus</td>
<td>Trade-in</td>
</tr>
<tr>
<td></td>
<td>Bank A/c's</td>
</tr>
<tr>
<td></td>
<td>Cash</td>
</tr>
</tbody>
</table>


| BUSINESS ACQUIRED |
|-------------------|------------|
| No. of A/c | Amount  |
| From (Name of Bank, B/Soc, etc) |
| CBA        | $        |
| CSB        | $        |

COMMENTS AND REFEREES REPORT (refer C/l–25C/26)

1. APPLICANT(S) IDENTIFIED (refer C/l–25C/29) (state method) ............................................................ 

2. EMPLOYER Name ............................................................ Contact ......................................................... Tel No. ............................................. 

Report ............................................................

3. CREDIT REFEREE(S) Name ............................................................ Contact ............................................................ Tel No. ............................................. 

Report ............................................................

4. PERSONAL EQUATION ............................................................

5. INCOME/TAXATION (Self-employed Persons Only) Has taxation been paid to date

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>19........... $</th>
<th>YES [ ] NO [ ]</th>
</tr>
</thead>
<tbody>
<tr>
<td>for Preceding</td>
<td>19........... $</td>
<td>If not, please comment in 6 below</td>
</tr>
<tr>
<td>2/3 years</td>
<td>19........... $</td>
<td></td>
</tr>
</tbody>
</table>

6. APPROVING OFFICER'S COMMENTS (to include comments on the conduct of previous borrowings, stability of employment and residence and ability to meet all commitments)
## PERSONAL DETAILS

### BANK B

<table>
<thead>
<tr>
<th>BRANCH</th>
<th>DATE</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Customers’ Full Names</th>
<th>Surname</th>
<th>Given Names</th>
<th>Date of Birth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Residential Address</th>
<th>Years There</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Previous Address</th>
<th>Years There</th>
</tr>
</thead>
<tbody>
<tr>
<td>(If less than 3 years at present address)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Telephone</th>
<th>Home</th>
<th>Work</th>
<th>Martial Status</th>
<th>Age of Dependents</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Occupation/ Employer/Address</th>
<th>Years There</th>
</tr>
</thead>
<tbody>
<tr>
<td>(If self employed show nature of business)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Previous Employer</th>
<th>Years There</th>
</tr>
</thead>
<tbody>
<tr>
<td>(If less than 3 years with present employer)</td>
<td></td>
</tr>
</tbody>
</table>

| Name and Address of nearest relative not living with you | |
|---------------------------------------------------------|

<table>
<thead>
<tr>
<th>WEEKLY/FORTNIGHTLY/MONTHLY EXPENDITURE $</th>
<th>WEEKLY/FORTNIGHTLY/MONTHLY INCOME $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HOUSE</strong></td>
<td><strong>NET wages/salary</strong> (Gross MINUS Tax)</td>
</tr>
<tr>
<td>Mortgage Payments</td>
<td>Pension/s and/or Superannuation</td>
</tr>
<tr>
<td>Rent/Board</td>
<td>Spouse’s NET income</td>
</tr>
<tr>
<td>Rates and Taxes</td>
<td>Family Allowance</td>
</tr>
<tr>
<td>House/Contents Insurance</td>
<td>(i.e. child endowment)</td>
</tr>
<tr>
<td><strong>LIVING EXPENSES</strong></td>
<td><strong>OTHER INCOME</strong></td>
</tr>
<tr>
<td>House Keeping</td>
<td>Rents</td>
</tr>
<tr>
<td>( \text{SEC} )</td>
<td>Interest</td>
</tr>
<tr>
<td>Phone</td>
<td>Dividends</td>
</tr>
<tr>
<td>Entertainment Expenses</td>
<td>Other</td>
</tr>
<tr>
<td><strong>MOTOR VEHICLES</strong></td>
<td><strong>Family Maintenance Income</strong></td>
</tr>
<tr>
<td>Licence</td>
<td><strong>TOTAL NET INCOME</strong> (A) $</td>
</tr>
<tr>
<td>Insurance</td>
<td>LESS TOTAL EXPENDITURE (B) $</td>
</tr>
<tr>
<td>Fuel</td>
<td>UNCOMMMITTED INCOME (A-B) $</td>
</tr>
<tr>
<td>Maintenance</td>
<td></td>
</tr>
<tr>
<td>Drivers Licences/RAC/Parking</td>
<td></td>
</tr>
<tr>
<td><strong>EXISTING LOANS</strong></td>
<td></td>
</tr>
<tr>
<td>Motor Vehicle</td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td><strong>CREDIT CARDS</strong></td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
</tr>
<tr>
<td>Medical Hospital Fund</td>
<td></td>
</tr>
<tr>
<td>Life Insurance</td>
<td></td>
</tr>
<tr>
<td>Superannuation</td>
<td></td>
</tr>
<tr>
<td><strong>OTHER</strong></td>
<td></td>
</tr>
<tr>
<td>School Fees</td>
<td></td>
</tr>
<tr>
<td>Family Maintenance</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURE</strong> (B) $</td>
<td></td>
</tr>
<tr>
<td>LIABILITIES</td>
<td>$</td>
</tr>
<tr>
<td>--------------------------</td>
<td>---</td>
</tr>
<tr>
<td>Owing on house to:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Owing on vacant land to:</td>
<td></td>
</tr>
<tr>
<td>Owing on motor vehicle/s</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
</tr>
<tr>
<td>Owing on furniture to:</td>
<td></td>
</tr>
<tr>
<td>Overdraft with:</td>
<td></td>
</tr>
<tr>
<td>Other loans with:</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
</tr>
<tr>
<td>1.</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
</tr>
<tr>
<td>Credit Cards</td>
<td></td>
</tr>
<tr>
<td>1. (Credit Limit</td>
<td></td>
</tr>
<tr>
<td>2. (Credit Limit</td>
<td></td>
</tr>
<tr>
<td>3. (Credit Limit</td>
<td></td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td>$</td>
</tr>
</tbody>
</table>

DEDUCT TOTAL LIABILITIES

SURPLUS ASSETS OVER LIABILITIES

Contingent liabilities by way of guarantees or other contingent liabilities of each customer

__________________________________________________________________________

Have you had any legal proceedings taken against you for debt, or been bankrupt, insolvent or assigned your estate?
If so give details

__________________________________________________________________________

Referees the Bank may contact (include address, telephone number and relationship)

Personal

__________________________________________________________________________

Business
(if any)

__________________________________________________________________________

I/we declare that the information supplied hereon is true and correct.

__________________________________________________________________________

Signature  Signature
### Dealer Information

- **NAME**: [ ]
- **CONTACT & PHONE No.**: [ ]

### Asset Information

- **MAKE / YEAR**
- **NEW / USED**
- **MAN / AUTO**
- **MODEL**
- **REG. No.**
- **BODY**
- **Chassis / Ser. No.**
- **ENGINE No.**

### extras

- **DETAILS OF TOWING UNIT IF GOODS TOWABLE**

### Trade in

- **MAKE / YEAR**
- **MAN / AUTO**
- **ENG. CAP.**
- **MODEL**
- **BODY**
- **ENGINE No.**

### Customer Information

- **SURNAME / CO. NAME**: [ ]
- **GIVEN NAMES**: [ ]
- **TITLE**: [ ]
- **STREET**: [ ]
- **SUBURB**: [ ]
- **STATE**: [ ]
- **POSTCODE**: [ ]
- **YEARS AT THIS ADDRESS**: [ ]
- **MAILING ADDRESS?**
  - **YES**: [ ]
  - **NO**: [ ]
- **D.O.B.**: [ ]
- **MARITAL STATUS**
  - **YES**: [ ]
  - **NO**: [ ]
- **DEP. %**: [ ]
- **DEPENDANTS**: [ ]

### Home - Owner Information

- **MORTGAGE / LANDLORD**
  - **VALUE**: [ ]
  - **BALANCE**: [ ]

### Occupation Information

- **PRESENT EMPLOYER**
  - **ADDRESS**: [ ]
  - **YRS.**: [ ]
  - **POSITION**: [ ]
  - **NET MONTHLY WAGE**: [ ]
- **PREVIOUS EMPLOYER**
  - **ADDRESS**: [ ]
  - **SPOUSE’S EMPLOYER**
  - **ADDRESS**: [ ]

### Closest Relative - not living with applicant

- **NAME**: [ ]
- **ADDRESS**: [ ]
- **RELATIONSHIP**: [ ]
- **PHONE No.**: [ ]

### References - Bank

- **NAME**: [ ]
- **BRANCH**: [ ]
- **CHECKS?**: [ ]
- **SAVINGS?**: [ ]
- **BANKCARD?**: [ ]

### Accountant

- **NAME**: [ ]
- **ADDRESS**: [ ]
- **PHONE No.**: [ ]

### H.P. Lease, P. Loans

- **COMPANY NAME**
  - **ACCOUNT No.**: [ ]
  - **ADDRESS**: [ ]
  - **CURR. FIN.**: [ ]
  - **TYPE**: [ ]
- **COMPANY NAME**
  - **ACCOUNT No.**: [ ]
  - **ADDRESS**: [ ]
  - **CURR. FIN.**: [ ]
  - **TYPE**: [ ]
- **COMPANY NAME**
  - **ACCOUNT No.**: [ ]
  - **ADDRESS**: [ ]
  - **CURR. FIN.**: [ ]
  - **TYPE**: [ ]

### References

- **TRADE**
  - **ADDRESS**: [ ]
  - **PHONE No.**: [ ]
- **TRADE**: [ ]
  - **ADDRESS**: [ ]
  - **PHONE No.**: [ ]
- **PERSONAL**: [ ]
  - **ADDRESS**: [ ]
  - **PHONE No.**: [ ]

### Insurance

- **COMPANY**
  - **BRANCH**: [ ]
  - **POLICY No.**: [ ]
  - **EXPIRY DATE**: [ ]
  - **INSURANCE COVER**: [ ]
- **COMPANY**
  - **BRANCH**: [ ]
  - **POLICY No.**: [ ]
  - **EXPIRY DATE**: [ ]
  - **INSURANCE COVER**: [ ]
- **COMPANY**
  - **BRANCH**: [ ]
  - **POLICY No.**: [ ]
  - **EXPIRY DATE**: [ ]
  - **INSURANCE COVER**: [ ]
### Dealer Standing

<table>
<thead>
<tr>
<th>ITEM</th>
<th>NEW</th>
<th>USED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neighbourhood</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phone</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marital Status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time on Job</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank Account</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit Evaluation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lived Prev. Address</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL INDICATOR**

Employer / Previous Employer:

---

### Neighbourhood

**Homo**

---

### Bank Account

**Accollnt**

---

### Credit Evaluation

**Contract DIP**

---

### Rent Collector:

**Collector**

---

### Bank Opinion:

**Opinion**

---

### Trade References:

**References**

---

### Finance

<table>
<thead>
<tr>
<th>FINANCE COMPANY</th>
<th>DATE OF CONTRACT</th>
<th>ACCOUNT No.</th>
<th>TERM</th>
<th>MONTHLY INSTALMENTS</th>
<th>PRESENT BALANCE</th>
<th>CURRENT OR P.L.F.</th>
<th>COMMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tbody>
</table>

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### Security

<table>
<thead>
<tr>
<th>SECURITY</th>
<th>INCOME PER MONTH NET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rs</td>
<td>CUSTOMER $</td>
</tr>
<tr>
<td>Ss</td>
<td>SPOUSE $</td>
</tr>
<tr>
<td>% adv. to book</td>
<td></td>
</tr>
<tr>
<td>wholesale value of traded unit</td>
<td>$</td>
</tr>
</tbody>
</table>

**CONDITIONS / COMMENTS**

---

### Current Advances

**CURRENT ADVANCES $**

---
PERSONAL FINANCIAL STATEMENT

NAME .................................................................................................................. DATE OF BIRTH: .................................. LICENCE No: ..............................

NAME: ........................................................................................................... DATE OF BIRTH: .................................. POSTCODE ...........

ADDRESS: ..................................................................................................... HOME PH No: ................................ BUS PH No: (s) .........................

FINANCIAL STATEMENT

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>REFER NOTES</th>
<th>$</th>
<th>ASSETS</th>
<th>REFER NOTES</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>BANK OVERDRAFT</td>
<td>1</td>
<td></td>
<td>CASH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CREDIT CARDS PAYABLE</td>
<td>1</td>
<td></td>
<td>INVESTMENTS</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>MORTGAGES – PERSONAL</td>
<td>3 &amp; 4</td>
<td></td>
<td>REAL ESTATE – PERSONAL</td>
<td>3 &amp; 4</td>
<td></td>
</tr>
<tr>
<td>MORTGAGES – INVESTMENT</td>
<td>3 &amp; 4</td>
<td></td>
<td>REAL ESTATE – INVESTMENT</td>
<td>3 &amp; 4</td>
<td></td>
</tr>
<tr>
<td>LEASING OUTSTANDING</td>
<td>4</td>
<td></td>
<td>FURNITURE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LOAN AGREEMENTS</td>
<td>4</td>
<td></td>
<td>MOTOR VEHICLES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTHER (ITEMISE)</td>
<td></td>
<td></td>
<td>OTHER (ITEMISE)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TOTAL LIABILITIES

TOTAL ASSETS

NOTE 1 – BANK & CREDIT FACILITIES (OVERDRAFT, BANKCARD, AMEX, ETC.)

<table>
<thead>
<tr>
<th>NAME OF LENDER</th>
<th>LOCATION</th>
<th>LIMIT</th>
<th>BALANCE O/S</th>
<th>HOW SECURED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$</td>
<td>$</td>
<td></td>
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<td>$</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

NOTE 2 – INVESTMENTS (SHARES, IBD’s, DEBENTURES ETC.)

<table>
<thead>
<tr>
<th>TYPE OF INVESTMENT</th>
<th>INSTITUTION</th>
<th>AMOUNT</th>
<th>MATURITY</th>
<th>LISTED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$</td>
<td>19</td>
<td>YES/NO</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$</td>
<td>19</td>
<td>YES/NO</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$</td>
<td>19</td>
<td>YES/NO</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$</td>
<td>19</td>
<td>YES/NO</td>
</tr>
</tbody>
</table>

NOTE 3 – LAND & BUILDINGS

MORTGAGEE | PROPERTY ADDRESS | MARKET VALUE | 1st MORTGAGE | 2nd MORTGAGE |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
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</thead>
<tbody>
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<td>$</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

NOTE 4 – LOANS (INCLUDING HIRE PURCHASE, PERSONAL LOANS, LEASING & MORTGAGES)

<table>
<thead>
<tr>
<th>NAME &amp; ADDRESS OF LENDER</th>
<th>TYPE OF LOAN-SECURITY</th>
<th>ACCOUNT No</th>
<th>BALANCE O/S</th>
<th>MTHLY PAYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$</td>
<td>$</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>$</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

SIGNATURE:........................................... DATE:........................................

WITNESS:................................................... DATE:.....................................
**LOAN A/Cs. (Incl. those recently paid out)**

<table>
<thead>
<tr>
<th>Bank/Company Name</th>
<th>Branch</th>
<th>Mth. Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bank/Company Name</th>
<th>A/C No.</th>
<th>App. Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$</td>
</tr>
</tbody>
</table>

**CREDIT CARD, BANK CARD, STORE CHARGE A/Cs**

<table>
<thead>
<tr>
<th>Bank/Company Name</th>
<th>A/C No.</th>
<th>App. Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$</td>
</tr>
</tbody>
</table>

**MONTHLY DISPOSABLE INCOME — Convert to Monthly Amounts (Annual divided by 12)**

<table>
<thead>
<tr>
<th>INCOME</th>
<th>EXPENSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nett Income/Applicant $</td>
<td>Mortgage/Rent $</td>
</tr>
<tr>
<td>Spouse's Nett Income $</td>
<td>Rates, Water, Elec. etc. $</td>
</tr>
<tr>
<td>Other Income — Specify $</td>
<td>Loan Accounts $</td>
</tr>
<tr>
<td>Monthly Surplus $</td>
<td>Bank Card, Credit etc. $</td>
</tr>
<tr>
<td></td>
<td>Other $</td>
</tr>
<tr>
<td></td>
<td>Total Expenses $</td>
</tr>
</tbody>
</table>

Applicants Signature(s): .......................................................... Date ....

**ADDITIONAL INFORMATION**
## PERSONAL LOAN APPLICATION

### Applicant:

- **Surname / Partnership / Firm:**
- **Christian / Partners Names:**
- **Occupation / Type of Business:**
- **Year of Birth:**
- **Marital Status:**
- **Age of Dependents:**

### Address:

1. **Of Address:**
   - **Postcode:**
   - **For Mls/Year:**
   - **Telephone Number:**

2. **Previous Address:**
   - **Previous Employer:**

### Reason for loan:

- **Type of Business:**
- **Employers Address:**
- **For yrs:**
- **For mth:**

### Amount Required:

- **Cash Price:**
- **Less Equity (Cash/Trade):**
- **Sub Total:**
- **Add Registration and 3rd Party:**
- **Comprehensive Insurance:**
- **Consumer Credit Insurance:**
- **Amount Required:**

### Add:

- **Amount Required:**
- **Plus Stamp Duty:**
- **Other Statutory Fees (specify):**

### Repayments By:

- **monthly payments of:**
- **other duty:**
- **total monthly payment:**

### Personal Details:

- **Property Information:**
  - **House**
  - **Unit**
  - **Business**
  - **Owner**
  - **Mortgaged**
  - **Rented**

### Name & Address of Mortgagee / Landlord

- **Name:**
- **Address:**

### Banking Details:

- **Account Name:**
- **Bank No.:**
- **Branch:**

### Nearest Relative

- **Name:**
- **Address:**
- **Phone No.:**

### Private Reference

- **Name:**
- **Address:**
- **Phone No.:**

### Business References

1. **Give details of current and previous business:**
2. **Give details of purchase, personal loans, monthly budget accounts, store accounts etc.:**
3. **Credit Card - Company:**

### Dealer/Contractor

- **Name:**
- **Address:**
- **Phone No.:**
### Statement of Income and Expenditure:

*Note: Where possible, self-employed applicants are to provide previous two years balance sheets or tax statements.*

<table>
<thead>
<tr>
<th>Monthly Income (after Tax):</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self</td>
<td></td>
</tr>
<tr>
<td>Husband/Wife</td>
<td></td>
</tr>
<tr>
<td>Other:</td>
<td></td>
</tr>
<tr>
<td><em>(Show Details)</em></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Monthly Expenditure:</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board/Rent</td>
<td></td>
</tr>
<tr>
<td>Living</td>
<td></td>
</tr>
<tr>
<td>Finance Repayments</td>
<td></td>
</tr>
<tr>
<td>Bankcard/Credit Cards</td>
<td></td>
</tr>
<tr>
<td>Life Assurance</td>
<td></td>
</tr>
<tr>
<td>Other (motor vehicle costs etc.)</td>
<td></td>
</tr>
<tr>
<td>This application</td>
<td></td>
</tr>
<tr>
<td>Surplus</td>
<td></td>
</tr>
</tbody>
</table>

### Statement of Assets and Liabilities:

*(Excluding this application)*

<table>
<thead>
<tr>
<th>Assets:</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheque Account Balance/Deposits as at</td>
<td>/</td>
</tr>
<tr>
<td>Savings Account Deposits as at</td>
<td>/</td>
</tr>
<tr>
<td>Value of Home/Land in name of</td>
<td></td>
</tr>
<tr>
<td>Value of other Property in name of</td>
<td></td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td></td>
</tr>
<tr>
<td>Life Assurance Policies F/V</td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td></td>
</tr>
<tr>
<td>Other Assets (specify)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities:</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Overdraft/Loan as at</td>
<td>/</td>
</tr>
<tr>
<td>Owing on Finance/Credit A/cs, Bankcard etc.</td>
<td></td>
</tr>
<tr>
<td>Mortgage on Home/Land</td>
<td></td>
</tr>
<tr>
<td>Mortgage on other Property</td>
<td></td>
</tr>
<tr>
<td>Other Liabilities (specify)</td>
<td></td>
</tr>
</tbody>
</table>

| Surplus                      | $ |

Accountant / Tax Agent

---

I/We the applicant(s) named and described above propose to make to you an offer to enter into a Contract for Loan with you for the amount and on the terms set out above or for an amount and on terms similar thereto.

I/We understand that you would not be willing to consider such offer without first receiving this Declaration and Warranty from me/us and accordingly and in order to induce you to consider such offer I/We DECLARE AND WARRANT that the above information is, to the best of my/our knowledge and belief, true and correct.

This Declaration and Warranty will not form part of my/our offer nor will it be incorporated into any Contract for Loan resulting from your acceptance of my/our offer but forms an entirely separate contract between me/us and you upon which I/we wish you to rely and I/we indemnify you and shall keep you indemnified against any loss, damage or liability you may suffer or incur by reason of any breach of my/our Declaration and Warranty contained herein or any of them or by reason of them or any of them not being absolutely true and correct in all respects.

I/We am/are not undischarged Bankrupt(s) nor are there any unsatisfied Judgements against me/us.
**Business References:**

### Finance Company References including:

<table>
<thead>
<tr>
<th>Company and Branch</th>
<th>Goods</th>
<th>Contract No.</th>
<th>Comm. Date</th>
<th>Opening Balance</th>
<th>Repayments</th>
<th>Current Balance</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
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</table>

**Total Outstanding:** $

---

**Finalised Account Details:**

---

**Other:**

1. Company Name —
2. Account Established —
3. Av. Amount per month —
4. Payment Terms —
5. Comment on Conduct of Account —

---

**Bank Reference:**

<table>
<thead>
<tr>
<th>Bank Reference:</th>
<th>Bank:</th>
<th>Branch:</th>
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</thead>
<tbody>
<tr>
<td>(If show full position)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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**Other References:**

(Credit Agency Reports etc.)
General Remarks: (Include comments on confirmation of employment, income and house equity, character and willingness to pay and security if applicable)

Recommended:  
Approved:  
Date: / /19

Esanda (Division)
Approval Anticipated/Approved/Recommended/Declined

Settlement/Payment Details:

<table>
<thead>
<tr>
<th>Payee</th>
<th>Amount</th>
<th>Prepared</th>
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</thead>
<tbody>
<tr>
<td>Bank Cheques</td>
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</table>

<table>
<thead>
<tr>
<th>Payee</th>
<th>Amount</th>
<th>Prepared</th>
</tr>
</thead>
<tbody>
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<td>Proposal Prepared</td>
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<tr>
<td>Premium</td>
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<tr>
<td>From Loan</td>
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<tr>
<td>Provided in Cash</td>
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<tr>
<td>Consumer Credit Insurance</td>
<td>$</td>
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<tr>
<td>Comprehensive Insurance</td>
<td>$</td>
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<tr>
<td>Stamp Duty</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Legal Fees, etc.</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td>Warrant for Total</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

Forwarded  
Divided  
(1) appropriate sections

Loan Application  
Memorandum of Contract for Loan Credit Contract (Original & Copies) (if applicable)  
Guarantee / Other Security Documents (if applicable)  
Drawing Voucher  

Periodical Payment Authority  
Proposal Forms  
Warrant (Amounts paid in cash)
Complete for Hire Purchase (or equivalent) Contracts, covering New and Used Cars only, in name of an individual or family partnership only. Complete for Hire Purchase (or equivalent) Contracts, covering New and Used Cars only, in name of an individual or family partnership only.

To be forwarded to. Region whether approved or declined.

This Index is intended as a GUIDE to assist officers in deciding whether to eliminate excessive credit checks for applicants who meet certain credit assessment criteria.

**WORKSHEET**

<table>
<thead>
<tr>
<th>BSB No.</th>
<th>Date</th>
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<tbody>
<tr>
<td>D 1</td>
<td>1/9</td>
</tr>
</tbody>
</table>

Place an "x" in the appropriate box, extend the number of points, and total the extended points

1. Marital Status:—
   - married: 61
   - single: 21
   - widowed, divorced, separated etc.: 2

2. Residence:—
   - owns or is buying a home: 158
   - rents accommodation: 1
   - boards, lives with parents etc.: 5

3. Time at present less than 12 months
   - residence: 1
   - less than 12 months but was at previous residence 3 yrs or more: 161
   - 12-35 months: 161
   - 3 years or more: 203

4. Time in present less than 12 months
   - employment: 1
   - less than 12 months but was at previous employment 3 yrs or more: 92
   - 12-35 months: 92
   - 3 years or more: 142
   - retiree (not social security recipient): 60
   - unemployed or social security recipient: 1

5. Occupation, current or prior to retirement:—
   - professional/managerial: 109
   - skilled and white collar: 91
   - unskilled: 1
   - self employed; all apart from professional: 1
   - unemployed/social security recipient: 1

6. Car is:—
   - new: 127
   - used: 2

7. Deposit ratio Is:—
   - less than 20%: 1
   - 20%-30%: 3
   - over 30%: 144

8. History:—
   - previous SGA, SGB contracts: 83
   - previous SL, RR, NX, LA contracts: 1
   - Region when no history or LE indicated (except for country branches — see overleaf): 1

**TOTAL**

**HOW TO USE THE INDEX**

1. "SL", "RR", "NX" or "LA" rating on Esanda check: a FULL CREDIT ASSESSMENT including all credit checks is required.

2. Score of 430 or more: perform MINIMUM checks on the applicant (see definition overleaf).

3. Score between 300 and 430 AND EQUITY RATIO LESS THAN 110%: perform MINIMUM checks on the applicant (see overleaf for definition and Equity Ratio work pad).

4. Otherwise conduct a FULL CREDIT ASSESSMENT including all credit checks.

In the box below write A if offer accepted, D if declined.
DEFINITIONS OF OCCUPATION GROUPINGS

If the applicant is retired base the classification on his/her occupation prior to retirement.

PROFESSIONAL/MANAGERIAL

Professional Executive, or Supervisory — accountants, airline pilots, architects, dept. heads, editors, engineers, foremen, armed forces and policemen (sergeants and above), branch officer or sales managers, supervisory personnel and members of professions.

SKILLED & WHITE COLLAR

Skilled or equivalent — motor mechanics, carpenters, bricklayers, and other skilled tradesmen, firemen, heavy equipment operators, office machine operators, technicians, salesmen and occupations involving considerable training, skill, or education.

UNSKILLED

Others — occupations involving little skill or training including actors, barbers, barman, taxi drivers, cooks, dancers, labourers, local truck drivers, loggers, waterside workers, musicians, waiters, carnival workers, dishwashers, garbage collectors, masseuses, parking lot attendants, and watchmen.

DEPOSIT RATIO

This is defined as "The DEPOSIT as a percentage of the TOTAL AMOUNT FINANCED" (i.e. CASH PRICE plus additional amounts financed).

MINIMUM CHECKS

This is the minimum number of enquiries necessary to confirm:

a) applicant’s bona fides
b) ability to pay

SHOULD ANYTHING ADVERSE BE REVEALED FULL CREDIT CHECKS ARE REQUIRED

EQUITY RATIO WORK PAD

New Units: \[
\frac{\text{Cash Price plus other amounts financed} - \text{Deposit}}{\text{Recommended Retail List Price x 0.8}} \times 100 = \% 
\]

Used Units: \[
\frac{\text{Cash Price plus other amounts financed} - \text{Deposit}}{\text{Trade Price}} \times 100 = \% 
\]

NOTE

THE PRICE OF THE VEHICLE AND THE NATURE AND AMOUNT OF THE DEPOSIT must still be checked, (i.e. Dealers Guide must be consulted), and aligned with Schedule of Terms. For outside schedule transactions normal approval requirements still apply.

COUNTRY BRANCHES ONLY

Where application indicates previous. History and the amount involved is within the Manager's Authority and the applicant is personally known, or no doubt exists as to his ability to meet the liability, no check is necessary. In these cases enter 83 points against item 8.
Please complete neatly by hand and take/send to any branch, joint enquiries (except married couples) must each complete a form.

1. (a) Are you an existing member of United Credit Union Ltd.?
   (b) Is your spouse a member of United Credit Union Ltd.?

2. PURPOSE OF LOAN:

   PERSONAL DETAILS:

   SURNAME
   GIVEN NAMES
   DATE OF BIRTH
   Drivers License No.
   MAIDEN/SINGLE/SEPARATED/DEFACTO
   No. of Dependents

   CURRENT ADDRESS
   POSTCODE

   PREVIOUS ADDRESS
   POSTCODE

   ARE YOU KNOWN BY ANY OTHER NAMES: YES/NO
   IF YES, WHAT NAME(S):

   ARE YOU RENTING □ BUYING □ BOARDING □ LIVING WITH PARENTS □ OR A HOME OWNER □
   IF RENTING OR BOARDING, WHO IS LANDLORD?

   EMPLOYMENT DETAILS:

   1. CURRENT EMPLOYER
      OCCUPATION
      ADDRESS
      POSTCODE
      SECTION/DEPARTMENT
      PHONE No.
      YEARS-MONTHS

   2. CURRENT EMPLOYER
      OCCUPATION
      ADDRESS
      POSTCODE
      SECTION/DEPARTMENT
      PHONE No.
      YEARS-MONTHS

   SELF EMPLOYED

   PERSONS ONLY
   ACCOUNTANTS NAME:
   PHONE No.
   ESTIMATED ANNUAL INCOME $:

   ** ALSO PLEASE PROVIDE LAST TWO YEARS BALANCE SHEETS, PROFIT AND LOSS STATEMENTS AND TAX RETURNS **

   WHAT ARE YOUR MONTHLY REPAYMENTS
   Estimated living expenses (including Rates, Taxes, Insurance etc.)
   House mortgage repayments
   Loan Repayment
   Car loan repayment
   Bankcard/Mastercard/Visa
   Rent or board
   Maintenance
   Existing U.C.U. loan
   PROPOSED U.C.U. LOAN

   Total expenditure

   WHAT IS YOUR MONTHLY NET INCOME
   Monthly salary/ waged (after tax)
   Spouse's monthly salary/wages (after tax)
   Regular overtime
   Pension
   Family allowance
   Other income/give details
   (i.e. rent, interest etc.)
   Total Net Income
   Less total expenditure
   Surplus

   STATEMENT OF FINANCIAL POSITION:

   LIABILITIES:
   Lenders Name
   TOTAL OWING $
   ASSETS
   Address
   VALUE $

   Mortgage
   Residential Home
   Personal Loan
   Investment Property/Land
   Car Loan
   MOTOR VEHICLES: Make Model Year
   Credit Cards; (Limit $  )
   (Limit $  )
   Charge Accounts
   Caravan/Boat/Motorcycle
   Existing United Loan
   Furniture
   Other
   United Savings/Investments
   Other
   Banks
   Building Societies

   TOTAL LIABILITIES
   TOTAL ASSETS
United strongly recommends you protect your loan repayments against your inability to repay your loan. The standard Consumer Credit Insurance policy option 1, covers your repayments against sickness, accident and loss of life, where option 2 offers the additional protection of covering your loan should you become unemployed and option 3 covers loss of life. Full policy wordings and rates are available from your Loans Office.

Please tick cover required

Option 1. Standard Consumer Credit Insurance Policy with NO Unemployment Insurance
Option 2. Standard Consumer Credit Insurance Policy with Unemployment Insurance
Option 3. Standard Consumer Credit Loss of Life Policy

PROPERTY SECURITY OFFERED

PROPERTY ADDRESS

TITLE PARTICULARS

PORTION OF

LOCATION

LOT

ON

STRATA PLAN/DIAGRAM

CT VOL FOL

INSPECTION ARRANGEMENT (NAME & PHONE No.)

CHATEL SECURITY OFFERED

EG. CAR/BIKE/CARAVAN

MAKE

MODEL

YEAR

REG. No.

VIN No./CHASSIS No.

ENGINE No.

IF CAR: No. OF CYLINDERS 4/6/8

AUTO/MAN

EXTRAS:

COLOUR

FINANCE DETAILS

PURCHASE PRICE $ TRADE-IN DETAILS MAKE

LESS TRADE-IN $ MODEL

OTHER DEPOSITS $ YEAR

LOAN REQUIRED $ PROPOSED INSURANCE CO.

SELLER/DEALER

NAME:

ADDRESS:

PHONE:

OTHER SECURITY OFFERED

PROPOSED GUARANTOR

NAME

ADDRESS

RELATIONSHIP TO BORROWER

FINANCIAL HISTORY DETAILS

HAVE YOU EVER BEEN DECLARED BANKRUPT: YES NO

IF YES ARE YOU DISCHARGED: YES NO

HAVE YOU EVER HAD A SUMMONS OR LEGAL PROCEEDINGS TAKEN AGAINST YOU: YES NO

REFERENCES

NEAREST RELATIVE NOT LIVING WITH YOU

SURNAME INITIALS ADDRESS (IN FULL)

TEL. No.

FRIEND OR RELATIVE

BUSINESS REFERENCE

PREVIOUS CREDIT HISTORY

COMPANY

BRANCH

GOODS

MONTHLY PAYMENT

DATE FINALISED

DECLARATION

I hereby solemnly and sincerely declare that the information set out in this enquiry is true and correct in every particular and I have no financial commitments, debts or obligations other than those which are fully stated, and that I am aware that the information given and representations made by me in this enquiry have been given and made to enable the Credit Union to determine whether or not it would approve and grant a loan to me and I acknowledge that I have given such information and made such representations in order to induce the Credit Union to approve any application for a loan which I may subsequently make. I understand that the Credit Union may verify information given above and if found to be false shall be sufficient reason for the rejection of the enquiry. I also understand that this enquiry does not constitute an offer or acceptance of credit in terms of the Credit Act 1984, or any other applicable act or ordinance relating to the provision of credit. The representations made by me in this enquiry do not and will not constitute part of any contract for a loan that may subsequently come into existence between the Credit Union and me.

We irrevocably authorise United Credit Union Limited and United Travel Pty Ltd to check and verify any information declared by me/us together with all such information which may come to the attention of United Credit Union Limited and United Travel Pty Ltd whilst in the process of checking and verifying information declared by me/us.

SIGNATURES

DATE DATE
**LOAN ASSESSMENT**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Absolute Caveat</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Goods Mortgage</strong></td>
<td></td>
</tr>
<tr>
<td>Price Check W$ R$</td>
<td></td>
</tr>
<tr>
<td><strong>Satisfactory Co-Borrower/Gntor.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Charge Over Fixed Deposit</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Payroll Deduction</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Joint Names (Both to sign)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Other Lenders payouts (in Writing)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Other (e.g. Loan Protection Insurances)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>RECOMMENDATION COMMENTS</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Disbursements**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Loan Estab. Fee</td>
<td>$</td>
</tr>
<tr>
<td>Consumer Credit Insurance</td>
<td>$</td>
</tr>
<tr>
<td>Administration Fee</td>
<td>$</td>
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<tr>
<td>Legal Fees</td>
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<td>Registration Fees</td>
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<tr>
<td>Other</td>
<td>$</td>
</tr>
<tr>
<td><strong>TOTAL LOAN APPROVED</strong></td>
<td>$</td>
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**COMPUTER INPUT**

Date: __/__/____

Signature Title Date

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<thead>
<tr>
<th>RECOMMENDATION COMMENTS</th>
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<tbody>
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<th>Signature Title Date</th>
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<table>
<thead>
<tr>
<th>REPAYMENT INFORMATION</th>
<th>REPAYMENTS OF $ PER W / F / M AND 1 REPAYMENT OF $</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL ESTIMATED INTEREST</strong> $</td>
<td><strong>TERM</strong> MTHS/YRS <strong>DISPLAY RATE</strong> %</td>
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<tr>
<th>L12 ONLY</th>
<th>LINK TO S</th>
<th>CYCLE DUE DATE</th>
<th>3rd/17th</th>
<th>AUTO TFR TO L12 FROM</th>
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**FUNDING SLIP**

**CHEQUES/TRANSFER**

<table>
<thead>
<tr>
<th>MEMBER NAME</th>
<th>MEMBER No.</th>
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<tbody>
<tr>
<td><em>PAYEE</em></td>
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<td>*TRANSFER TO MEM. No.</td>
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**DISBURSEMENTS:**

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<th>GL A/C</th>
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<td>Establishment Fee</td>
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<td>Stamp Duty</td>
<td>129.370.1</td>
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<tr>
<td>Loan Protection</td>
<td>120.370.8</td>
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<tr>
<td>Legal Fees</td>
<td>120.370.10</td>
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</tbody>
</table>
**LOAN ASSESSMENT (OFFICE USE ONLY)**

**ALPHA CHECK:** BY ____________________________  DATE MEMBER JOINED U.C.U. ____________________________

<table>
<thead>
<tr>
<th>SAVINGS BALANCES</th>
<th>INVESTMENTS BALANCES</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
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</table>

**FULL UNITED LOAN HISTORY**

<table>
<thead>
<tr>
<th>LOAN TYPE</th>
<th>T/OUT</th>
<th>OPENING BALANCE</th>
<th>CURRENT BALANCE</th>
<th>REPAYMENT</th>
<th>GOODS/SECURITY</th>
<th>EST. NET EXPOSURE $</th>
<th>RATING</th>
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<tbody>
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**THIS ENQUIRY**

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<th>TOTAL PROPOSED</th>
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</table>

"00" MESSAGE

__________

**CRA YES/NO** (COMMENT ON: ADVERSE, PROVIDE EXPLANATIONS/VERIFICATION - GIVE REASON IF CRA NOT DONE)

__________

**OTHER FINANCE REFS**

<table>
<thead>
<tr>
<th>T/OUT</th>
<th>CB</th>
<th>CB</th>
<th>REPAY</th>
<th>SECURITY</th>
<th>RATING</th>
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**EMPLOYMENT CONFIRMATION**

<table>
<thead>
<tr>
<th>EMPLOYED SINCE</th>
<th>AS</th>
<th>FULL TIME/PART TIME</th>
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</table>

**NET INCOME** $ __________

**CONTACT NAME:** ____________________________

**ACCOUNTANTS DETAILS (IF SELF EMPLOYED)**

<table>
<thead>
<tr>
<th>CONTACT NAME:</th>
</tr>
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<tbody>
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</table>

**LATEST FINANCIALS HELD**

<table>
<thead>
<tr>
<th>MTHS ENDED</th>
<th>NET PROFIT $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(A)</td>
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</tbody>
</table>

**PLUS ADDBACKS - DEPRECIATION $**

<table>
<thead>
<tr>
<th>OWN WAGES $</th>
<th>OTHER $</th>
<th>TOTAL $</th>
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<tbody>
<tr>
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</tbody>
</table>

**TRUE NET PROFIT (A + B) $** __________

**ACCOUNTANTS COMMENTS/OPINION**

__________

**CAPACITY RATIOS**

<table>
<thead>
<tr>
<th>TOTAL OF ALL LOAN COMMITMENTS, INCLUDING THIS LOAN, RENT AND MAINTENANCE $ (A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL NET INCOME $ (B)</td>
</tr>
</tbody>
</table>

**COMMENTS (REFER LOAN POLICY)**

__________

**REVS CHECK**

OPERATOR NUMBER: ____________________________  REGO No. ____________________________  CHASSIS No. ____________________________

RESULT OF CHECK: ____________________________

__________
## Loan/Overdraft Enquiry

### Membership Number

<table>
<thead>
<tr>
<th>MEMBER</th>
<th>SPOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Surname</strong></td>
<td><strong>Surname</strong></td>
</tr>
<tr>
<td><strong>Given Names</strong></td>
<td><strong>Given Names</strong></td>
</tr>
<tr>
<td><strong>Marital Status</strong></td>
<td><strong>Marital Status</strong></td>
</tr>
<tr>
<td><strong>Date of Birth</strong></td>
<td><strong>Date of Birth</strong></td>
</tr>
<tr>
<td><strong>No. of Dependents</strong></td>
<td><strong>No. of Dependents</strong></td>
</tr>
<tr>
<td><strong>Present Address</strong></td>
<td><strong>Present Address</strong></td>
</tr>
<tr>
<td><strong>Years There</strong></td>
<td><strong>Years There</strong></td>
</tr>
<tr>
<td><strong>Previous Address</strong></td>
<td><strong>Previous Address</strong></td>
</tr>
<tr>
<td><strong>Years There</strong></td>
<td><strong>Years There</strong></td>
</tr>
<tr>
<td><strong>Telephone No.</strong></td>
<td><strong>Telephone No.</strong></td>
</tr>
<tr>
<td><strong>Drivers Licence No.</strong></td>
<td><strong>Drivers Licence No.</strong></td>
</tr>
</tbody>
</table>

Is spouse a member of this Credit Union? **YES / NO**

### Employer

<table>
<thead>
<tr>
<th>MEMBER</th>
<th>SPOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employer</strong></td>
<td><strong>Employer</strong></td>
</tr>
<tr>
<td><strong>Years There</strong></td>
<td><strong>Years There</strong></td>
</tr>
<tr>
<td><strong>Occupation</strong></td>
<td><strong>Occupation</strong></td>
</tr>
<tr>
<td><strong>Telephone No.</strong></td>
<td><strong>Telephone No.</strong></td>
</tr>
<tr>
<td><strong>Previous Employer</strong></td>
<td><strong>Previous Employer</strong></td>
</tr>
<tr>
<td><strong>Years There</strong></td>
<td><strong>Years There</strong></td>
</tr>
</tbody>
</table>

### Loan/Overdraft

<table>
<thead>
<tr>
<th>MEMBER</th>
<th>SPOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Loan / Overdraft</strong></td>
<td><strong>Current Loan / Overdraft</strong></td>
</tr>
<tr>
<td><strong>Total Loan / Overdraft</strong></td>
<td><strong>Total Loan / Overdraft</strong></td>
</tr>
</tbody>
</table>

### Specific Purpose of Loan

**PLEASE INDICATE AN APPROXIMATE DATE ON WHICH LOAN FUNDS ARE REQUIRED**
Nearest relative or friend in W.A. (excluding spouse) - Address - Tel No

Personal - Business Reference (excluding above) - Address - Tel No

---

DO YOU REQUIRE SICKNESS - ACCIDENT INSURANCE?
Are you guarantor for another persons contract?
Have you ever been summoned for a debt?
Have you ever been bankrupt?
Are you currently on Workers Compensation?


---

CONsolidation loans: If this loan is to pay out current commitments, please obtain written confirmation of payout figures.

Security offered:
- Lien SHC Contract of Sale
- Chattel Mortgage
- Charge and Caveat
- Fixed Deposit (Health Credit)

Details required for motor Vehicle
<table>
<thead>
<tr>
<th>Make</th>
<th>Model</th>
<th>Year</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Price</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less trade</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Deposit</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add Loan Payout (if applicable)</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Amount required</td>
<td>$</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

An invoice is required.

Housing or Home Improvements
<table>
<thead>
<tr>
<th>Purchased 19</th>
<th>Price $</th>
<th>Land $</th>
<th>Constat. $</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Mortgage to:</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2nd Mortgage to:</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other encumbrances to:</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Borrowings:</td>
<td>$</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Address:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificate of Title No:</td>
<td>Folio:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Guarantor:
Name:
Address:
Occupation:
Employer:
Years:
Date of Birth:
Relationship to Member:
## FINANCIAL STATEMENT OF APPLICANT AND SPOUSE

### ASSETS

<table>
<thead>
<tr>
<th>Quick Sale Value</th>
<th>Details of</th>
<th>EXPENDITURE (fortnightly)</th>
<th>LIABILITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Payable to</td>
<td>Current Amount</td>
</tr>
<tr>
<td>Home Purchase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Mortgages</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent/Board</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor Vehicle(s)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boat-Caravan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Loan(s)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bankcard(s)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visa/Mastercard</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Credit Cards</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Store Accounts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>T.V. Rental/Purch.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hosp./Med. Fund</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Superannuation /Life Insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Living Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### BALANCE SAVINGS

<table>
<thead>
<tr>
<th>Balance</th>
<th>Savings</th>
<th>Bank/Society and Branch</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>HEALTH</td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Build. Society</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$</td>
<td>TOTAL of Cash Funds</td>
<td></td>
</tr>
</tbody>
</table>

### FORTNIGHTLY INCOME

<table>
<thead>
<tr>
<th>Gross</th>
<th>After Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self</td>
<td></td>
</tr>
<tr>
<td>Spouse</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$</td>
</tr>
</tbody>
</table>

I hereby solemnly and sincerely declare that the information set out in this enquiry is true and correct in every particular and I have no financial commitments, debts or obligations other than those which are fully stated, and that I am aware that the information given and representations made by me in this enquiry have been given and made to enable the Credit Union to determine whether or not it would approve and grant a loan to me and I acknowledge that I have given such information and made such representations in order to induce the Credit Union to approve any application for a loan which I may subsequently make.

I understand that the Credit Union may verify information given above which if found to be false shall be sufficient reason for the rejection of my enquiry. I also understand that this enquiry does not constitute an offer or acceptance of credit in terms of the Credit Act 1984, or any other applicable act or ordinance relating to the provision of credit. The representations made by me in this enquiry do not and will not constitute part of any contract for a loan that may subsequently come into existence between the Credit Union and me.

Date: 1/19
Signature:
PRIVACY PROTECTION OF INFORMATION

GENERAL FORM 1

IMPORTANT NOTICE TO ENQUIRER(S) FOR CREDIT. (Section 18E(8)(C Privacy Act 1988) Please read carefully.
The Credit Union may give information about you to a credit reporting agency, but only limited kinds of information allowed by the Privacy Act 1988 (Commonwealth). This includes:

* identity particulars - this only includes your name, sex, date of birth, current known address, two immediately previous addresses, your current or last known employer, and your driver's licence number.
* the fact that you have enquired for credit and the amount.
* the fact that the Credit Union is a credit provider to you.
* when the credit provided to you has been discharged.

STATEMENT BY ENQUIRER(S) FOR CREDIT.

Please read carefully before signing. Where more than 1 applicant, each applicant to sign.

1. Type of Credit Tick which box applies. The credit I am applying for is:
   - Wholly or primarily for a domestic, family or household purpose (consumer credit)
   - Wholly or primarily for another purpose (commercial credit)

2. Giving Information to a Credit Reporting Agency (Section 18E(8)(C) Privacy Act 1988) - (optional)
The Credit Union has informed me that it may give certain personal information about me to a credit reporting agency.

3. Exchanging Information With Other Credit Providers (Section 18N(1)(b) Privacy Act 1988).
I agree to the Credit Union checking personal information about me with any credit provider named in my credit enquiry, and with other credit providers that may be named in my credit report issued by a credit reporting agency, for any of the following purposes:
   - to assess my credit worthiness;
   - to assess an enquiry by me for credit;
   - to help me avoid defaulting on my credit obligations; and
   - to notify a default by me.

I understand that this information can include any information about my credit worthiness, credit standing, credit history or credit capacity that credit providers are allowed to give or receive from each other under the Privacy Act 1988.

4. Access to Commercial Credit Information (Section 18L(4) Privacy Act 1988) - (optional)
In order to assess my enquiry for credit, I consent to the Credit Union obtaining a report containing information about my commercial activities or commercial credit worthiness, from a business which provides information about the commercial credit worthiness of persons.

5. Access to Consumer Credit Information for a Commercial Credit Enquiry (Section 18K(1)(b) Privacy Act 1988).
If my enquiry is for commercial credit, I consent to the Credit Union, in order to assess my enquiry, obtaining from a credit reporting agency a credit report about me containing consumer credit information.

6. Access to Consumer Credit Information by Trade Insurers (Section 18K(1)(e) Privacy Act 1988). - (optional)
If my enquiry is for commercial credit, I consent to a trade insurer obtaining a credit report about me containing consumer credit information, in order to assess whether to insure the credit provider for the credit given to me, or the risk of providing insurance, or to assess the risk of a default by me on this credit.

I hereby declare that the above statement and particulars are true and accurate and are to be regarded as part of any subsequent contract with the Credit Union. I authorise you to make any enquiries you deem necessary for confirmation of the above particulars and for credit assessment.

Signature: ____________________________  Signature: ____________________________

NAME (Please Print) ______________________  NAME (Please Print) ______________________

LOAN PROTECTION INSURANCE - ELIGIBILITY DECLARATION

I declare that:
(a) I am actively at work and regularly performing all the duties of a permanent occupation of at least fifteen hours work per week for remuneration, or
(b) if a student, employer of housewife and I am regularly performing all the usual duties of such, or
(c) the sole reason that (a) or (b) does not apply is because of vacation, strike, lay-off or a temporary minor illness, and I further declare that:
(d) I do not suffer from AIDS or an AIDS related disease, nor have I ever shown a positive result to an AIDS HIV test; and
(e) I do not have a malignant tumour nor have I been treated for a malignant tumour during the last two years.

Signature of applicant borrower ____________________________

Declared and Signed at: ____________________________  this __________ day of ____________ 19
Appendix G

Consumer Interview Schedule

The purpose of my study is to find out about people's experiences in applying for credit. I am interested in talking to you about your personal experience with credit and the attitudes and perceptions that you have formed of the application and assessment process. I am particularly interested in personal loans which may include credit cards or store cards but does not include housing loans or mortgages.

1. Could you briefly tell me about the last personal loan you applied for?

<table>
<thead>
<tr>
<th>creditor / creditor type</th>
<th>type of loan</th>
<th>purpose of loan</th>
</tr>
</thead>
</table>

2. How would you describe the circumstances surrounding your application for a personal loan? Was it a spur of the moment decision or well planned?

3. Can you remember how you felt before you contacted the financial institution to discuss the last loan that you applied for?

- confident
- excited
- nervous
- scared
- frustrated
- relaxed
- tense
- other

4. Did the credit provider give you any assistance in preparing for the application? eg something to take home, or tell you what to bring.

   Yes / No

4(a) What type of assistance were you given?

5. Did you have a personal interview with the credit provider when you made your application?

   Yes / No

6. Could you describe the interview situation?

   Who interviewed you
   Where did the interview take place
   How long did it last
7. How did the credit provider make you feel during the interview when you were applying for the loan?

-- relaxed
-- comfortable
-- nervous
-- tense
-- intimidated
-- important
-- special
-- other

8. Did you get an application form to fill in before the interview?

   Yes / No

9. Looking back to the time when you applied for the loan, can you remember whether you found it difficult to provide answers to the questions?

   Yes / No / Do Not Remember

9(a) What kinds of questions did you find to be difficult to answer?

9(b) Why were the questions difficult to answer?

-- lack of preparation
-- unexpected questions
-- irrelevant
-- difficult to interpret questions
-- very detailed information was required
-- other

10. Do you think the answers you gave at the time of the interview were very accurate or were they rough estimates?

10(a) Can you remember which type of questions were answered accurately and which were rough estimates?

11. Did it seem like you were asked for a lot of information?

   Yes / No

12. Which type of questions seemed to be asked in the most detail?

13. Did the credit provider ask you to provide information which you thought was too personal?

   Yes / No / Do Not Remember

13(a) What type of information did you think was too personal
13(b) Did you provide the information that was requested even though you thought it was too personal?
Yes / No

13(c) Were there any questions which you declined to answer?
Yes / No

14. How long did it take to have your application approved?

15. Looking back to the time you took out the loan, do you think that you were in the financial position to be able to repay the personal loan?

16. If you were the person in charge of approving loans, do you think you would have given yourself the loan at that time?

17. Do you think that the credit provider had the expertise to judge whether you could repay the loan?
Yes / No

17(a) To what extent did you rely on the "expertise" of the credit provider to tell you if you could repay or not?

18. Were there any events or changes to your lifestyle that occurred after you were granted credit which altered your financial position? (eg children, loss of employment, retirement, etc) If so, what were they?

19. Did this change cause or contribute to your financial difficulty?
Yes / No / Partly

20. Could this change or event have been expected or anticipated at the time of application?
Yes / No / Do Not Know

21. Did the credit provider consider these changes to your lifestyle that were likely to occur when deciding whether to grant you the credit?
Yes / No / Do Not Know

22. From your personal experience can you see any problems with the current credit application and assessment process?

23. Do you have any suggestions as to how these problems can be avoided in the future?
Mrs A is a self employed building consultant. She has two children aged 4 and 2 years and lives in a small house in Cannington.

In January 1989, she approached a Finance Company for a personal loan to buy a car to use for work. Mrs A had previously obtained finance from this particular company and so when she telephoned them about another loan they seemed eager to help. All she had to do was go into the office and sign the contract. At the time Mrs A was seven months pregnant but did not think this would affect her ability to repay the loan as she was planning to continue working after the baby was born.

Mrs A began making repayments until late 1989 when the economic recession caused her business to decline and many of her clients failed to pay her accounts. Mrs A approached the Finance Company and managed to negotiate with them to pay a reduced amount and extend the term of the loan. She was able to cope with these repayments for a short time but fell behind again. She approached the Finance Company a second time to try and reduce the repayments and save her from going bankrupt.

The finance company did not agree to her request and threatened her with legal action if she did not make the repayments. The case went to the Commercial Tribunal three times to discuss her capacity to repay. It was found at the Tribunal that she did not have the capacity to repay and her car was repossessed. In the following weeks, Mrs A received many telephone calls from the finance company requesting payment of the personal loan. Mrs A offered to pay a small amount each month but still the finance company were not willing to accept her offer. Mrs A is now making small payments on the principle.

Mrs A also had a loan with another finance company at the time for a fax and photocopier machine. When it became evident that Mrs A was having difficulty making repayments on the loan, she received a very unpleasant visit from a debt collector acting on behalf of the finance company. According to Mrs A, the man came to her house and shouted accusations at her which upset both her and her children. In his anger the man smashed the front window of her house and continued to shout at her through the window. The man threatened her that he would physically enter the house if she did not let him in. Mrs A reported the incident to the police.
The man stayed at her house until the police arrived and gave them a statement before Mrs A was able to speak with them. The man denied breaking the window and said that it was already broken when he arrived. Mrs A was not able to have the man charged as she had no way of proving that he broke the window.

Mrs A contacted the finance company to tell them about the incident and the broken window. Within days they had arranged for the window to be fixed and agreed to allow her to pay a reduced amount of the loan until her business improved. According to Mrs A the finance company made this apology to prevent her from publicising the incident.

At present Mrs A is making repayments which cover the interest and a very small amount of the principle on her car loan. The loan for the fax and photocopier has been paid out in full. Mrs A believes that the clients who owe her money will soon pay and she will be able to complete the repayments.
Mr B is a 59 year old man and has a few months left at his job as a suburban train driver before he retires. Mrs B does not work in paid employment and chooses to manage the family home in Kewdale.

In the past Mr and Mrs B have taken out many personal loans for motor vehicles and home improvements. Recently they have added a swimming pool, patio, a car port, an additional room and a hot water system to their house.

Mr and Mrs B decided in 1991 that they would take out another loan from a finance company to refinance their existing loans and make one simple repayment. They chose to take out the loan with Finance Company H because they believed it was impersonal unlike the Credit Union in which they had their savings account.

Mr and Mrs B understood that the loan from Finance Company H had been paid out by finance company V until they received a letter from finance company H. The letter stated that there had been a disclosure error on the contract and that Finance Company H may not be entitled to the credit charges under the loan contract. However, there was still an amount owing on their loan. Many other clients of Finance Company H received a similar notice.

The letter advised the couple that they had two payment options which included paying the total amount including interest of $8000 immediately or $5000 without interest. Taking the second option they may not have to actually pay the outstanding interest charges depending on the findings of the Tribunal. Mr and Mrs B elected to take the second option of $5000 and took out a loan with Finance Company V for that amount.

Mr and Mrs B were advised by the Manager of Finance Company H to seek legal advice before the case went before a Commercial Tribunal. The couple are currently seeking advice from the Consumer Credit Legal Service on whether to pay the amount of money requested by the Finance Company.

Mr B has since retired from his job at Westrail with a lump sum superannuation payment. With this payment the couple have paid out their existing loan with Finance Company V and have made allowance to pay Finance Company H depending on the outcome of the Tribunal hearing.
Mr C is in his early thirties and works part time in a pizza bar. He lives with his defacto wife in a house in a suburb north of Perth.

Mr C and his partner decided to buy a second hand car. Ms C had always bought her cars privately and they decided that it would be wiser to buy their new car from a large and reputable used car yard. The couple had selected a suitable station wagon at a car yard, but decided to continue looking around in case they saw a better car.

While looking at Car Yard X the couple found a Mitsubishi Magna sedan that they liked and agreed to take it for a test drive. On arriving back at the car yard they were approached by the sales person who enquired if they had arranged finance to purchase a car. Mr C told the salesman that they had actually found the car they wished to purchase at another car yard but they did not think they would be able to obtain finance. The salesman invited them to discuss the possibility of obtaining finance with the Finance Officer at the car yard.

Mr C knew that he could not afford to buy the car but thought an "obligation free" discussion with the Finance Officer could not do any harm. Mr C was told that in order to conduct an enquiry as to whether they could obtain finance, they would need to put down a particular car and an amount of finance on the forms. The Finance Officer suggested that they use the example of the Magna since they had taken it for a test drive.

Mr C was asked some questions regarding his residential and employment stability as well as his income and other loan repayments. Mr C had earlier asked his friend at the pizza bar to provide a statement saying that he worked there full time.

Mr C was still under the impression that the dealer was conducting an enquiry only when he signed the documents. Almost immediately the Finance Officer told Mr C that they had qualified for finance although they were a very high risk and consequently the rate of interest would be high. It was then that the couple realised that they had signed an actual agreement to purchase the car. It was not the car that they wanted and they could not really afford it.

The couple left the car yard less than 20 minutes after they had entered it with a new Mitsubishi Magna and a credit contract which they could not afford.
Mr and Mrs D live in a nice house in a new suburb on the northern outskirts of Perth. They have two children aged 5 and 7 years. Mr D is currently working full time on the construction of Perth’s new train system while Mrs D works part time for a nursing agency.

Mr and Mrs D were feeling depressed about their car which had just been repaired after an accident. They decided to look at some new cars to cheer themselves up but had no intention of buying because they could not afford it.

The couple went to a large car yard and became interested in looking at a Toyota Tarago as it would be ideal for their circumstances if they were to be buying a car. They were persuaded to take the car for a test drive and were impressed with the style and handling of the car.

On returning from the test drive, Mr and Mrs D and their 4 year old daughter were coaxed into the finance office. Mrs D remembers commenting at the time that there was no point going into the office as they could not afford to buy the car. Mr D thought it wouldn’t hurt to listen to what the man had to say.

Once in the office the Finance Officer impressed them with numerous calculations and asked them some questions about their current financial commitments. Mr and Mrs D were asked to sign a document but were assured that this did not mean that they had to buy the car as it was stipulated on the form “subject to satisfactory finance approval”. The couple were a little confused by this but did not think that they would be approved for finance anyway.

Mr and Mrs D left the office when their daughter became restless. When they arrived home, they went over the details of their budget and once again concluded that they could not afford to buy a new car. They decided to telephone the car yard in the morning and cancel the deal.

Meanwhile the Finance Officer at the car yard had telephoned the Finance Company and dictated the details of the application form. The finance was approved and the contract became legally binding. When Mr D telephoned in the morning they found that it was already too late. To get out of the deal Mr and Mrs D had to pay a cancellation fee which worked out to be 15% of the value of the car. The couple then had to sign another contract for finance for the new amount of $5000 and to get them out of the first agreement.
Mr and Mrs D believe that the finance application should never have been approved as it was obvious that they would be taking on more commitments than they could repay. One of the salesmen at the car yard at the time, agrees with the couple and has since resigned from his job. Together they believe that in transferring the details of Mr and Mrs D's financial commitments to the Finance Company, the Finance Officer may have missed out some important details.

Mr D obtained a copy of the application form from the car dealer and took it to another Finance Company to find out whether it would be approved based on their assessment criteria. The Finance Company advised that they would not have approved the finance.

After resigning from the car dealership, Mr S telephoned Mr and Mrs D and suggested that they contact the Ministry of Consumer Affairs. The Ministry referred them to the Consumer Credit Legal Service for assistance on the legal aspects of their case.

Mr and Mrs D have made repayments for over a year on a car that they have never been able to use. They have received numerous upsetting telephone calls and letters from the Finance Company about their repayments. At present their case is still being looked at by the Consumer Credit Legal Service.
CASE STUDY E

Mr and Mrs E were living comfortably in their own home in the outer northern suburbs of Perth. They both had good jobs with the same company and steady incomes. The couple had applied for personal and housing finance previously from a finance company and were confident about applying to the bank for a personal loan to add a carport to their house.

Like many other working couples their two incomes were suddenly cut off when they were both made redundant as a result of the poor economic climate associated with the recession. The couple found it increasingly difficult to make repayments to the Finance Company for their existing loans. At one stage the Manager of the Finance Company came to their door and demanded payment. The couple were forced by the Manager to take out a loan with their daughter but this loan was later cancelled and the Manager lost his job over this and other similar incidents.

Eventually they were forced to sell their house. According to Mr and Mrs E the housing market at the time was depressed and consequently their house was sold at a very reduced price. The money received for the sale of their house was used by the Finance Company to contribute toward the loan repayments.

After the sale of their house, the couple moved their belongings to a caravan park where they lived for five years. Mr E managed to obtain part-time work and attempted to negotiate with the credit providers to reduce their payments. The Bank agreed to accept a payment of $40 per week. They also made a small repayment to the Finance Company however the Finance Company continually harassed them to pay more.

The harassment continued until eventually they were issued with a court summons. Mr and Mr E sought the assistance from the Consumer Credit Legal Service who were able to have the summons dropped. Even though the summons was dropped, the couple still have legal costs to pay.

After much thought, Mr and Mrs E decided to see a Financial Counsellor about their future options. The couple have now made the painful decision of applying for bankruptcy. They believe that it is the only way that they will be able to end this nightmare of harassment and personal trauma. The prospect of bankruptcy to them is exciting in a sense and a relief but it is also depressing when they think about their future after they are discharged from the bankruptcy.
CASE STUDY F

Mrs F is a mother of three who lives in a quiet suburb in the foothills of the Darling Ranges. Five years ago she decided to apply for a personal loan to purchase a second hand car.

Mrs F was on a pension at the time and did not think it would be very easy to obtain finance. She decided to try her luck with a Credit Union because she had heard that they would be her best chance. Mrs F took her sister along for support as she had previously applied for credit with this company.

Mrs F’s loan application was approved and she was able to purchase a small Datsun car. A few years later she realised that this car no longer met her needs and she decided to sell it to buy a station wagon. The Credit Union agreed to allow her to add the cost of the new car to the existing loan.

Mrs F made her regular repayments and was approaching the end of the term when she received a letter from the Credit Union. The letter told her that she owed $2000 instead of the $600 that she thought she owed.

Mrs F contacted the Credit Union to find out about the sum of money and was met with a resistance of unanswered telephone calls and a general unwillingness to provide any explanation. Mrs F sought the assistance of the Consumer Credit Legal Service to try to understand this pay out figure. The solicitor at the Consumer Credit Legal Service is currently conducting enquiries with the company to try and resolve the problem.

Meanwhile Mrs F’s car will soon need expensive mechanical repairs and she would like to trade it in on another car. Her attempts to obtain finance elsewhere have been refused because of the amount outstanding on the Credit Union loan which has been recorded on her CRAA file.
Mr G is a young man living in a large house in the eastern hills area of Perth. He has an interest in cars and often goes to look at new cars in car yards.

On day while looking at cars, Mr G was taken by a sporty Mazda and conveyed his interest to the dealer. The dealer was eager to sell the car to Mr G although Mr G explained that he could not afford the car.

Mr G was encouraged to speak with the Finance Officer and discuss the possibility of obtaining finance to purchase the car. The finance officer convinced Mr G that he would be able to afford the $24,000 car in 5 years. Mr G was still hesitant and explained that he did not have enough money for the $1400 deposit.

Mr G left the office to wait for a reply from the dealer about the finance arrangements. Later the same day the dealer telephoned to say that the finance had been approved. Mr G found out later that the dealer had contacted Finance Company X first about the finance arrangements and the application was rejected. The dealer then contracted Finance Company Y and told them that the application had been approved by Finance Company X but that he preferred to do business with Finance Company Y. Finance Company Y approved the loan based on the dealers word and did not check any of Mr G's application details of his credit history.

The dealer told Mr G that the deal could go ahead when Mr G raised the money for the deposit. He suggested that Mr G sell some of his belongings which Mr G agreed to do. The following Tuesday the items which Mr G was going to sell were stolen from his house. Mr G telephoned the car yard to explain that he would not be able to make the deposit and would like to cancel the deal. The Finance Officer suggested that when the insurance company reimbursed Mr G for the stolen goods he could use that as the deposit for the car.

The Finance Officer suggested that Mr G write an undated cheque to the car yard for the amount of the deposit, then notify them when the insurance payment came through and they could bank the cheque. Mr G agreed to this suggestion however, the plan further complicated by the fact that the insurance company offered Mr G replacement of the goods rather than money. The Finance Officer then told Mr G to sell the goods at a hock shop in the city, which Mr G refused to do.
Mr G advised the car yard to sell the car to recover the costs as he was not going to be able to repay the loan. The car was auctioned and sold for $16,000 which was much less than its original value of $24,000. Mr G now owes approximately $8000 on a car which he does not have. The car dealership is currently undergoing court action over this and other similar deals.
Mr and Mrs H live in a rented house in Koondoola with their 5 year old daughter and 17 month old twins. Mr H earns a good income plus overtime working for SECWA.

In 1985 the couple took out a housing loan to build a house that was being offered as part of a low cost housing package by a developer at the time. Soon after the couple took out this loan, they found themselves running up large credit card accounts. It seemed to Mr and Mrs H that the credit providers were keen to continue extending their credit limits on the cards and they were tempted to spend more than they could afford.

During the next couple of years Mr and Mrs H also purchased a car. According to Mr H they did not really think about their future and how they would cope with all of their commitments at the time. It soon became evident that their debts were too difficult to manage and the decision was made to consolidate their debts into one by taking out a new personal loan.

Within a year Mr and Mrs H decided to sell their house as they were not happy living in that area. Once again they found their finances difficult to manage as the payment they received on the house was not enough to cover their commitments. The couple began to use their credit cards to pay for household expenses such as fuel, clothing and food.

The couple approached a Credit Union who offered to refinance their loan again but this time required additional security to cover their lending risk. Mr H's mother agreed to put up her house as security. The family are currently seeking the assistance of the Consumer Credit Legal Service to relieve Mr H's mother of this commitment.

The couple have cut up their credit cards in an attempt to discourage them from buying goods on credit that they cannot afford. Mr H would like to use a credit card for work related expenses, but he cannot get one.

The cycle of debt repayment and refinancing has continued to a point where Mr and Mrs H have consulted a Financial Counsellor to help them budget their finances more effectively. They have tried several budgets but have not always been able to follow them because they are so strict. The budgets do not allow any money for luxuries such as birthday and Christmas presents or eating out.