

Media Release

Mr Tim Pallas MP

Treasurer

Minister for Economic Development

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GOVERNMENT CALLS FOR ACTION ON CREDIT CARD INTEREST RATES

The Andrews Labor Government is calling on the Federal Government and Australia's major banks to review credit card interest rates, amid growing concerns they are excessive and out-of-step with other interest rates.

Treasurer Tim Pallas was today joined by Finance Sector Union State Secretary Nicole McPherson to call on the major banks and the Federal government to act now to ensure consumers are not exposed to an unreasonable or unfair financial burden from high credit card rates.

It follows a letter issued by the Labor Government to Federal Treasurer Josh Frydenberg and each CEO of the National Australia Bank, ANZ, Commonwealth, Westpac, Bendigo, Bank of Queensland and Macquarie banks seeking an urgent review.

In a recent Senate Standing Committee on Economics Legislation hearing, the Governor of the Reserve Bank, Dr Philip Lowe, expressed frustration that some credit cards continue to charge interest rates upwards of 20 per cent, despite the Reserve Bank's cash rate falling to only 0.1 per cent.

The Labor Government shares the Governor's concern and wants action – by banks, policymakers and regulators – to ensure consumers are not exposed to an unreasonable or unfair financial burden as a result of excessive rates.

Currently, there is only one legislative restriction on credit card interest rates which allows a maximum credit interest rate of 48 per cent – in the current interest rate environment, it is woefully inadequate.

The Labor Government is asking the Commonwealth to investigate the option of mandating a maximum margin between credit card interest rates and the cash rate.

This could be implemented in a similar fashion to the current maximum interest rate which applies for all credit contracts that fall under the National Consumer Credit Protection Act 2009.

Relieving the financial burden of high credit card rates will not only help those people struggling with credit card debt, it will support consumers and boost the economic recovery from the coronavirus pandemic crisis.

Quotes attributable to Treasurer Tim Pallas

"Our banking leaders and the Federal Government must act to ensure consumers are not exposed to an unreasonable or unfair financial burden from high credit card rates."

"Banks have benefited from excessive interest rates for far too long. It's time they do the right thing and start earning back the public's respect."

Quotes attributable to Finance Sector Union State Secretary Nicole McPherson

"It really is open slather when it comes to the credit card market, where interest rates fail to reflect the cash rate."

"Finance Sector Union members are experiencing an increased focus by banks on selling these high-margin products - this can lead to a tragic cycle of spiralling debt for the customer, and stress and pressure on Finance Sector Union members to sell."

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