

Muscling in on heavy handed collectors

Australian borrowers continue to report harassment at the hands of debt collectors, despite efforts by the industry and regulators to deal with the problem.





A recent phone-in day, conducted by the Australian Competition and Consumer Commission and the Australian Securities and Investments Commission, found persistent allegations of collectors overstepping the guidelines widely accepted by the industry.

The phone-in day was held in July to gauge the level of consumer concern in the community about debt collection practices. It was followed by a debt collection industry forum in September. The forum provided a vehicle for constructive and open discussion of the major issues affecting both consumers and the industry, with a view to achieving outcomes that will minimise consumer detriment from debt collection practices.

These initiatives follow the joint release by the ACCC and ASIC of a debt collection guideline in 2005, designed to set parameters for those in the industry to follow. The publication has been widely accepted by many in the industry, which has taken steps to ensure those involved in debt collection are able to conduct legitimate business

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without abusing the rights of those they are seeking to recover debts from.

The debt collection sector has made significant efforts to improve trader conduct and professionalism in recent years. Despite the efforts of the majority of businesses, the phone-in day and debt collection forum findings suggest there is still some way to go. A number of debt collectors and creditors

continue to adopt unlawful practices when seeking to recover debts.

The ACCC has not seen a reduction in the number of complaints since the guideline was published in 2005.

Of the 145 calls received during the phone-in day, around half reported problems with third-party collectors acting as agents or assignees. The most common complaint was of harassment and coercion.

During the campaign, a number of trends emerged. Among the most obvious were disputes about the debt, difficulty accessing information about the debt, multiple collectors approaching the consumer, incorrect identification of who was actually responsible for the debt and the inflexibility of collectors when negotiating payment plans.

Debt collection issues appear likely to affect a larger number of Australians in the coming years as the impact of recent lending practices leads more consumers to the point where they can no longer meet their financial obligations. According to a speech by Reserve Bank Governor Glenn Stevens in September, gross household

debt has grown from around 50 per cent of average annual household income during the early 1990s to 160 per cent in 2008.

The results of the recent activities provide much food for thought for all concerned. The ACCC and ASIC will closely analyse the data collected to ensure they are doing everything possible to increase compliance with best-practice guidelines, while taking action against those clearly disregarding the rights of debtors.

Those seeking more information are encouraged to contact the ACCC for a copy of the publications *Debt collection guideline: for collectors and creditors* and *Dealing with debt: your rights and responsibilities*. Both are available at www.accc.gov.au or by calling 1300 302 502.

