



## Financial Counselling Tidbit

April 2013

### **EWON survey finds consumers paying for a free service**

There was some discussion at the EWON's Consultative Council Meeting at the end of last year about the role and conduct of "credit repair agents". Many of you will already be aware of this issue, but we thought it would be useful to provide a summary of the main points relevant to consumers and debtors.

The Energy and Water Ombudsman NSW (EWON) conducted a survey to gain a better insight into why consumers used "credit repair agents". Credit repair agents will, for a fee, attempt to negotiate on behalf of debtors to remove credit listings on the debtor's credit report. As part of their service, credit repair agents will often use EWON to attempt to resolve the debtor's complaint.

The research was conducted to determine why consumers were paying credit repair services instead of simply contacting EWON directly, for free. According to EWON's survey, the average fee for removing a credit listing is around \$950, and the majority of customers have more than one credit listing, making it an expensive service to use.

According to the survey results, most consumers were not aware that EWON was a free service that they could access directly. When given a choice as to whether they wished to continue using the agent or to advocate for themselves, consumers chose to advocate for themselves. The survey found that many credit repair agents engaged in misleading conduct when dealing with consumers, in that they failed to disclose that accessing the Ombudsman was a free service that consumers could use themselves.

The survey also found that many consumers were not even aware that they had a bad credit rating until they applied for finance and were rejected. In practice, this

means that consumers seek out credit repair agents to quickly resolve their credit history problem, which ends up being a more expensive option for them.

As a result of the survey findings, EWON made the following recommendations:

- 1) Direct promotion to affected consumers of the message that free help is available through Ombudsman services and general awareness raising through existing communications and outreach channels.
- 2) Promotion to creditors that they should advise customers whose applications are declined on the basis of credit reports that they can contact Ombudsman services free of cost if they dispute their credit default listing.
- 3) Working with credit reporting entities to negotiate inclusion of reference to Ombudsman services on credit reports and websites etc.

For more information on EWON's survey, go to: [www.ewon.com.au](http://www.ewon.com.au).

### What exactly do 'credit repair' agents do?

Debtors should be wary of 'credit repair', 'credit fix' or 'debt solution' companies that claim they can 'improve' a debtor's credit report; often they will not be able to achieve the desired outcome, but will charge a fee for their services nonetheless.

It can be difficult to remove default listings and other historical information from a credit report unless it is proven to be wrong. For a fee, credit repair agents will attempt to negotiate with creditors or make complaints to the Ombudsman to try to have the listing removed.

Large fees often apply even if the agent is unable to remove the listing. Fees can be as much as \$1000 - \$4000, and are often for services that the debtors could easily do themselves for free, or with the assistance of a financial counsellor.

Signing up for a credit repair service may actually worsen financial problems rather than fix them. If the credit repair agent is unsuccessful, the debtor will be left not only with their poor credit rating, but also with a bill for the credit repair agent's services.

Below is a handy reference table with contact numbers and website links to the various Ombudsman offices.

Type of Debt	Ombudsman
<b>Electricity, gas and</b>	<a href="#">Energy &amp; Water Ombudsman NSW</a>   800 246 545
	<a href="#">Energy and Water Ombudsman Victoria</a>   800 500 509

<b>water debt:</b>	<a href="#">Energy and Water Ombudsman Queensland</a>   800 662 837 <a href="#">Energy and Water Ombudsman Western Australia</a>   800 754 004 <a href="#">Energy and Water Ombudsman Tasmania</a>   800 001 170
<b>Credit cards, finance, bank loans, investment products and insurance debt:</b>	<a href="#">Financial Ombudsman Service</a>   300 780 808 <a href="#">Credit Ombudsman Service</a>   800 138 422
<b>Landline telephones, mobile phones and internet debt:</b>	<a href="#">Telecommunications Industry Ombudsman</a> 1800 062 058

For further information: you can contact Michelle on 9698 7277 or [michelle@rlc.org.au](mailto:michelle@rlc.org.au).

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Please note this information is not a substitute for legal advice in relation to individual circumstances.

If you would like to be added to or to be taken off the mailing list then please email [Elizabeth@rlc.org.au](mailto:Elizabeth@rlc.org.au).

If you know of other financial counsellors we might have missed on the mail out, please encourage them to contact us for future editions.