

Opinion

BLOWING THE WHISTLE ON CREDIT REPAIR

Credit repair has the ability to change people's lives and is a viable service in the third-party channel, but the industry is facing an identity crisis, writes Clean Credit's **John Dickinson**



John Dickinson
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THERE'S A lot of confusion about how credit repair works, or should I say how it's meant to work.

I feel the main reason for this confusion, and perhaps why the industry has a questionable reputation, is due to the behaviour of some so-called credit repair companies.

Let's start by being very clear about what the aim of credit repair should be.

Credit repair is the process of helping people get disputable credit listings removed from their credit file so they are able to move forward with their lives again. The focus should be about helping people.

I won't name and shame anyone in this article, however I'm sure many

reading this who have had a bad experience with credit repair will identify with much of what I'm about to say.

The sad reality is there are a number of credit repair companies whose sole intention is to take money from their clients and then do as little as possible with regard to restoring their credit file.

This behaviour is at best lazy and at worst deceptive and misleading. In many cases, these companies will offer people a guarantee that they can repair their credit file, when in reality no such guarantee can be given.

I've heard of situations where a credit repair company has told its clients they will call the credit

provider that listed the default and see if the listing can be removed.

Ten minutes later, they call the client back and say they can have the listing removed if they pay them a specified fee.

Not only is it amazing that they have been able to run a detailed investigation in a matter of minutes, but they have been able to do so without a signed *Privacy Act*.

I'm confident that no call to the credit provider was made, but upon hearing this news, many people part with their hard-earned money, often never hearing from the credit repair company again.

There are also cases where people are told their credit file can definitely be repaired, but after the fee is paid, they receive nothing more than a very confusing manual telling them to lodge a complaint with Veda Advantage. Can you imagine people's disappointment and outrage?

Even when some credit repair companies attempt to resolve a credit dispute for their client, they will do so by lazily passing the matter onto the ombudsman or Veda Advantage to run an investigation for them.

More often than not, no foundation for removal is offered, so is it any wonder this approach has a poor success rate?

I know that much of the ill-feeling towards the credit repair industry from the ombudsman and credit reporting agencies is due to the many frivolous and unsupported disputes lodged.

The reality is many credit repair companies are not lodging these disputes with the intention of helping their clients – they're doing this just so they can tell their clients they are doing something.

I'm sure many of these companies measure success by the amount of money they get from their clients and not the number of credit files they repair. Is there any wonder the industry is suffering from an identity crisis? It's completely understandable that many mortgage brokers will not deal with credit repair companies.

I'm not saying this is how all credit repair companies behave, and I can state with certainty that there are companies doing the right thing – sadly, just not enough of them.

The problem for the consumer is trying to work out who's who. Let's cover how things should work ...

The first warning sign should be companies that say they can guarantee success and want large amounts of money upfront.

People would be well-advised to approach such companies with extreme caution as these guarantors tend to become empty promises.

In general, the only way to have a default removed from a credit file is to prove that the credit provider did not follow the required process prior to listing.

This process is covered in the *Privacy Act*, the NCCP and ombudsman position statements, and is comprehensive. The responsibilities of credit providers are many, and understanding these responsibilities is the key to effective credit repair.

Due to this, the focus of an investigation should first be with the party that listed the default. This process starts with requesting supporting documents from the credit provider. At this stage, no allegation of wrongdoing is made.

The credit provider is simply informed that we are acting for the borrower and we wish to research the subject listing.

Documents requested can

include a copy of the credit contract, letters or demand notices sent to the client, along with phone records and/or file notes. These supporting documents are then compared with the relevant legislation so a case can be made for the removal of the offending listing.

Due to this, an intimate knowledge of credit reporting and the associated legislation is critical for delivering a positive outcome.

Sadly, few credit repair companies carry the skills and knowledge necessary to conduct a detailed investigation and deal effectively with the listing party, which reflects poorly on what should be a professional industry sector.

Relationships with credit providers are also very important - this approach is generally respected by credit providers and they typically react to the request for documents in a compliant manner as well as being open to the removal of the default, assuming adequate grounds are established. Many credit providers are sick of

dealing with aggressive credit repair companies that demand the listing be deleted before any foundation for removal is established.

These same companies often threaten to report the matter to the ombudsman if the credit provider doesn't comply, knowing this will cost them time and money.

There have been many complaints made by credit providers to the ombudsman due to this sort of behaviour - in fact, the Credit & Investment Ombudsman has openly refused to deal with a number of credit repair companies. Can you blame them?

This pushy approach seldom yields a positive outcome and only drives a wedge between the credit provider and the credit repair industry.

The industry has caught ASIC's attention, and they are currently looking closely at reform.

This attention can only be a good thing, as conformity and consistency is what the industry needs, and this will no doubt come in the form of regulation at some

point in the future. I would hope that credit repair companies who are not behaving correctly will either change their ways or get out of the way so the industry may regain credibility from brokers and consumers alike.

Forming and enforcing effective reform can be a challenge, and ASIC will need to carefully consider how to apply this, as it's important that companies, which are operating in an honest and ethical way, are still able to function within a regulated framework.

If the industry was to disappear completely due to overly restrictive regulation, it would be a great shame, as the ultimate loser would be the consumer.

Only time will tell how reform will unfold. However, I fear that until this is established, more people will be misled and lose money as a result of unscrupulous companies.

I know first-hand how credit repair, when offered correctly, can change lives, and there is no doubt in my mind it is a viable and needed service. ■



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