

DEBT STRESS

DO YOU SUFFER FROM IT?

What is Debt Stress?

Debt Stress is the pressure and distress that many people suffer as a result of a high level of debt. High levels of debt can come about for a range of reasons – some of our own creation, some encouraged by the high pressure sales tactics used by credit providers.

In Australia today growing numbers of people are finding that they can no longer afford the combination of mortgage payments, credit card, store card and/or personal loans which they have accumulated.

If you combine this with the prospect of a rise in layoffs and unemployment as a result of the global financial crisis and a drop in home values, the future does not look good for an increasing number of Australians.

What can we do about it?

Debt Stress can be caused by a number of things. For example:

- Our desire to consume more and more goods (we must have the newest mobile phone or the latest fashion craze).
- The easy access to credit (it seems like every major store can offer you a store card or even credit card).
- Our lack of know how when it comes to money. Many of us are unable to make a simple budget and realistically assess what we can really afford. Sometimes it is very difficult to understand the complicated forms we are asked to sign when we accept a new loan and therefore the full implications of what we have just committed to.

There are a number of things we can do, including:

- Be realistic about what we spend – stop using credit, make sure the incomings exceed the outgoings.
- Lower our expectations – we can't always have everything we want now.
- Save.
- Refuse the store cards or offers of new credit cards and new limits on our credit cards.

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The Finance Sector Union plan:

The Finance Sector Union (FSU) has for a number of years been concerned about the practices of our major lenders (e.g. the major Banks and other credit providers) in pushing more and more debt on Australian consumers. The outrageous type of practices in the USA that have resulted in the crisis in that country are prevented in Australia by a much higher level of government regulation, but there are still some concerns about how our Banks and other lenders operate.

Our members work for these companies and they express their concerns to us about the policies and practices of their employers. Not only because they sometimes feel forced to conduct high pressure sales, but also because they are concerned at the impact on their customers.

Some of the practices which we believe are wrong include:

- High levels of sales targets for employees to reach. These can include daily or weekly requirements for new accounts, credit cards, lending levels, insurance policies or referrals to financial planners. Some of these targets involve customers taking on more debt.
- The bullying tactics which are sometimes resorted to by management to force employees to reach those targets (including threatening to 'performance manage' and possibly dismiss employees for failing to sell all the required products).
- Some major Banks now refuse to pay employees across the board pay rises so their pay can keep up with the increasing cost of living. Many Bank employees will not receive any pay rises unless they are assessed as performing to a required level – this includes the meeting of arbitrarily set sales targets.
- Targets, bullying and the withholding of pay rises unless targets are met all put pressure on Bank employees to push debt products (like credit cards) onto customers.

- Unsolicited offers of new credit cards or increases in credit limits all encourage people who may not really be able to afford it to get more cards and increase their level of debt.

In October 2008 FSU launched the Charter for Responsible Lending in Canberra. FSU has called on the Federal Government to attach conditions to the massive tax-payer funded guarantee for bank deposits and wholesale funding and to end the link between sales volumes of credit products and pay outcomes for finance sector workers. To date no major Bank has been prepared to sign up to the Charter.

Despite the downturn in the economy, very few members report to us that their targets for the 'sale' of credit products have decreased. A web poll at the end of 2008 showed 80% of respondents said their targets had not decreased since the global financial crisis intensified. In fact recent feedback suggests targets have been increased this year.

How you can support this Campaign:

- Return credit cards that you did not request or letters offering you increased limits on your credit card. Include with it a letter outlining your concerns.
- Are you a Bank shareholder? You can write to the Bank expressing your concerns at their practices.
- If you are in difficulty with your level of debt then seek assistance.
- Visit our website for more information www.fsunion.org.au.

FSU has samples letters that you can use to express your concerns to your Bank.

Please be understanding with the employees at your local Bank Branch – they don't make these policies and many of them are worried about their jobs and their mortgages as well.

The FSU will continue to pursue this campaign during 2009. Our goals are to protect the strength and integrity of the finance industry in Australia, to protect jobs in the finance sector and to raise awareness of the dangers of high levels of debt in our community.

FSU Member Rights Centre

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