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A Report on

**UNSOLICITED CREDIT CARD
LIMIT INCREASE OFFERS**

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Executive Summary

Introduction

Consumer Affairs Victoria (CAV) commissioned Sweeney Research to conduct market research to determine the incidence and frequency of Unsolicited Credit Card Limit Increase Offers (UCCLIOs) being sent to consumers and what the outcome is for those consumers who accept UCCLIOs.

A UCCLIO is an offer to current credit card holders for an increase on their card limit, where the card holder has not sought, or inquired, about an increase. In many cases these offers claim to be 'pre approved' and there is little or no requirement for the cardholder to provide any information before the increase is activated.

The study involved online surveys with Victorian consumers who have a current credit card in their name. Those who had received a UCCLIO from their credit provider (n=1128) qualified for the survey and were asked a series of questions about their credit behaviour and the UCCLIO they received. Those who had not received a UCCLIO (n=207) did not qualify to complete the full survey however they were asked a series of classification questions to allow us to explore any differences between those who are being targeted with UCCLIOs and those who are not.

The quantitative stage was supplemented with eight qualitative in-depth interviews with respondents from the online survey who had accepted a UCCLIO. This stage of the research was designed to explore the motivations for accepting UCCLIOs and the financial consequences impacting the consumer.

Credit behaviour

The ownership and use of credit cards is very common. Approximately two in three (68%) Victorians have a credit card in their name with the majority having just one or two credit cards in their name.

In terms of credit card repayment behaviours there is a mixed approach with more than half (56%) claiming they pay the full balance owing each month. A smaller but still sizeable proportion (14%) of consumers indicate that they only make minimum repayments on their credit card. For others they will either pay a proportion of the balance on the due or pay a proportion when they have cash.

Credit cards are largely used for the conveniences they offer such as not carrying cash, making purchases online or over the phone and to accrue reward points. There is also a perception that making purchases on a credit card makes it easier to keep track of finances.

For some, making a purchase on a credit card "doesn't feel like spending real money" (i.e. until you see the statement). For these consumers it is unlikely they would consider the debt associated with accepting a UCCLIO. This was also reflected in the qualitative research with some participants talking about how a credit card can "get you into trouble because it enables you to buy things which you can't really afford".

Prevalence of UCCLIOs

The practice of sending unsolicited credit card limit increase offers is widespread with more than four in five (84%) Victorian credit card holders receiving this type of offer from their credit provider.

Although it does not appear that any particular segment of the community is being targeted with these offers; no segments are being excluded either. The incidence of receiving unsolicited offers was prevalent among those who are unemployed (84%), studying (83%), or hold a Health Care Card (82%).

While these percentages are not necessarily higher than those who are employed, not studying or not holding a health care card, the fact that these consumers *are* being offered credit limit increases shows that credit providers are sending UCCLIOs to those who may not be able to afford the extra credit (or debt).

A sizeable proportion of those who have received a UCCLIO chose not to accept it because they are already in enough debt (16%) and consider they would have trouble paying the increased debt (7%). This further highlights that credit providers are sending these offers to consumers whose financial situation does not support the additional debt.

Accepting UCCLIOs

A substantial proportion of Victorian consumers have accepted a UCCLIO from their credit provider. More than half (56%) of those who have received an unsolicited credit limit increase have accepted the offer on at least one occasion.

Those who accepted the offers were more likely to be found among those who only make minimum repayments on their credit card (64%) and those who have three or more credit cards (73%). These consumers are also more likely to have accepted multiple UCCLIOs suggesting that the short term lure of 'extra credit' seems to be most attractive to those living in a constant state of maintaining debt and only making minimum repayments. Consumers with one credit card in their name were less likely to accept UCCLIOs (47%).

The majority (87%) of those who have accepted a UCCLIO accepted the full increase offered to them and on average the value of the credit limit increase offer is double the original credit limit.

Triggers for accepting UCCLIOs

The key motivation for accepting a UCCLIO is to have access to more credit or funds to facilitate bigger purchases. This may not be an immediate need and many admit that they accept the credit increase 'just in case' they need extra credit in the future. It offers the security of knowing they have access to extra funds in the case of an emergency such as car repairs or any other unforeseen expense.

The extra credit is used for a variety of purchases including day-to-day expenses such as household bills, car related expenses, entertainment and grocery shopping as well expenses such as travel and home renovations i.e. showing a disparity from what some people 'said' they would use the extra credit for (emergencies).

Those who only make minimum monthly repayments on their credit card show a high occurrence of using the additional credit to pay an outstanding debt suggesting that the credit increase is seen as a means of 'spreading the load'. These consumers also report a high incidence of using the extra credit to withdraw cash and therefore attracting additional interest and charges.

UCCLIOs promote credit that otherwise would not have been considered and are often accepted just because they are on offer and not because there is a real need for the additional credit (i.e. take it while I can as I may need the credit in the future and the bank may not approve it then).

Credit limit increase offers are also seen to be an easy way to access credit and whilst some consumers see this to be an advantage this convenience encourages consumers to overlook the associated risk of increased debt. If the process of applying for increased credit required more active involvement from consumers it would possibly lead to greater consideration of whether the credit is actually required (and/or affordable).

For some consumers, these types of offers act as an endorsement from the bank that they have a good credit history and are 'worthy' of the increase. This leads to acceptance of increased credit (and debt) which may not be affordable as there is the belief that the banks would not send offers if they did not think the debt could be repaid.

Impacts and outcomes of accepting UCCLIOs

It is evident from this research that the acceptance of UCCLIOs does create financial burden for some consumers. The lure of "free money" and the ease in which it can be obtained through these offers encourages consumers to overlook the financial implications of spending the credit increase i.e. the repayments they will be required to make and the interest that will be applied if they cannot meet the repayments.

"I have just managed to pay off the card and decreased the limit back to its original amount and do not want to get in that situation again."

Those most at risk of financial stress as a result of accepting a UCCLIO are those who only make minimum repayments on their credit card or pay a proportion of the balance.

Almost half (45%) of consumers who only make minimum credit card repayments believe they are worse off after accepting a UCCLIO (cf. 10% of those who pay their balance in full each month). Increased debt and over spending is cited as the main reason for being worse off after accepting a UCCLIO.

Those who only make minimum repayments are also more likely to regret accepting the increase offer (41% regret accepting the UCCLIO). These feelings were also seen in the qualitative case studies where participants spoke in terms of 'regret' or 'wishing they hadn't taken it up.' Only a small proportion of those who pay their credit card balance in full each month regret accepting the increase (7%).

A sizeable proportion of these consumers who only make minimum repayments also agree that they are struggling to make re-payments after accepting the increased credit (28% strongly agree/agree cf. 14% for the total sample) and are struggling to meet other financial commitments because of the extra credit card debt (31% strongly agree/agree cf. 13% for the total sample).

Those that pay the full amount of their credit balance each month appear to be more likely to accept future increase offers than those who only make minimum repayments. It is clear that those with lower financial management skills who do not clear their debt each month are negatively impacted by these offers as it perpetuates their debt cycle and hence they are less likely to accept UCCLIOS in the future.

For those who are unlikely to accept future increase offers, it appears they have 'learnt their lesson' after accepting previous UCCLIOS and do not want to accrue more debt, which is what they foresee if they accept future increase offers. The additional credit is seen to be a temptation that will lead to financial burden.

Looking Forward

It is evident from this research that receiving and accepting UCCLIOS is prevalent and that in many cases these credit increases are being offered to and accepted by consumers who may not be able to afford the additional debt. It is also noted that consumers are accepting these offers without fully considering the repayments required if they spend the full credit limit resulting in a sense of regret...

"I accepted the increased card limit, when I really shouldn't have, and at the time struggled to pay back the monthly payments. I'm still currently paying the balance off but I'm now in a better financial position and make weekly payments and I'm now well on the way to repaying the debt and no longer use my card."

This research shows that the current "responsible lending messages" contained in UCCLIOS are not cutting through with consumers and there is a need to enhance these statements to more directly alert consumers to the risks of accepting increase offers if they do not expect to pay the balance in full each month.

In a broader sense, simply educating consumers around financial risk (e.g., the long term effect of only paying minimum balance on credit card debt) could also assist people to make more informed decisions around credit and accepting these types of offers.

Background

An Unsolicited Credit Card Limit Increase Offer (UCCLIO) is an offer to current credit card holders for an increase on their card limit, where the card holder has not sought, or inquired, about an increase.

In many cases these offers claim to be 'pre approved' and there is little or no requirement for the cardholder to provide any information before the increase is activated.

It is a breach of section 63A of the Trade Practices Act (TPA) to send out a credit (or debit) card unless requested, or unless the card is a replacement for a card previously issued.

The Consumer Credit Review (initiated in 2005) recommended that section 23 of the Fair Trading Act 1999 (Vic.) be amended so it applies to unsolicited credit card limit increases – not just unsolicited credit cards. The Victorian Government supported this recommendation however the amendment is yet to be introduced.

A number of other recommendations were made in the review including the recommendation to conduct further research into credit advertising practices and the link between credit advertising and responsible use of credit.

To date two major research projects have been conducted in-line with this recommendation.

- The Consumer Action Law Centre (CALC) has released the paper - *'Congratulations, You're Pre-Approved!'*.
 - This research looked at 21 UCCLIO letters and applied theories developed from previous research in the fields of marketing, consumer behaviour, behavioural economics and cognitive psychology, to describe likely ways in which UCCLIOs influenced consumer behaviour and decision making.
 - The report identified that 'important information' and product disclosure contained in UCCLIOs was consistently of a smaller font, hidden within the form, or couched in positive terms of the benefits of credit. The likely outcome of this is that consumers have insufficient information on the credit product when they accept the offer to increase their limit.
- Qualitative research was also commissioned by Consumer Affairs Victoria (CAV) to explore the impact of credit card advertising on consumer decision making and behaviour.
 - The research found one of the main reasons people take up new credit cards or increase their limits is unsolicited offers. These direct approaches also appeared to have more impact among those consumers who relied on their credit cards to make ends meet or to stretch their finances between pay periods.

From the previous CAV research, two segments of consumers were identified in relation to credit advertising and UCCLIOs specifically:

- The ***discerning*** consumers are clearly aware of the implications of accepting an increased limit and tended to ignore these types of offers.
- The ***susceptible*** consumers tend to see the UCCLIOs as an opportunity to have access to the goods and services they desire. This group is very susceptible to advertising messages used by financial institutions.

Following on from this research, CAV commissioned Sweeney Research to conduct further research to determine the incidence and frequency of UCCLIOs being sent to consumers and what the outcome is for those consumers who accept UCCLIOs.

The following document reports the findings of this study.

The Research Objectives

The **overall aim** of this study was...

To understand the outcome for Victorian consumers who have accepted an Unsolicited Credit Card Limit Increase Offer (UCCLIO).



The specific objectives were as follows...

<p>Determine the prevalence of UCCLIOs</p>	<ul style="list-style-type: none"> Measure the incidence and frequency of UCCLIOs being sent to credit card holders Determine the proportion of UCCLIOs accepted and rejected Profile the social demographics of those who receive and those that don't receive UCCLIOs Profile the social demographics of consumers who have accepted and consumers who have rejected UCCLIOs
<p>Identify the nature of UCCLIOs received</p>	<ul style="list-style-type: none"> Explore the types of offers being made and how they are received Determine the average value of increases being offered and what proportion of the original limit this reflects Establish whether consumers recall the UCCLIOs containing any warnings or advice about the responsible use of credit and what their awareness is of these warnings
<p>Understand the triggers and barriers for accepting a UCCLIO</p>	<ul style="list-style-type: none"> Understand the motivations for either accepting or rejecting the UCCLIO Identify the decision steps involved in accepting or rejecting the UCCLIO
<p>Understand the end results for the consumer after accepting a UCCLIO</p>	<ul style="list-style-type: none"> Identify how the increased credit limit has been used by the consumer – has it resulted in increased debt? Determine how the debt and repayments are being managed by the consumer Understand the financial impact to the consumer by accepting the UCCLIO

Table 1: Quantitative Sample Structure

	#	%
Total Sample	1128	100%
Gender		
Male	530	47%
Female	598	53%
Age		
18-24 years	122	11%
25-34 years	190	17%
35-44 years	238	21%
45-54 years	245	22%
55-64 years	190	17%
65+ years	143	13%
Employment Status		
Employed	775	69%
Unemployed	38	3%
Looking after the home	71	6%
Studying	58	5%
Retired	186	16%
Location		
Metro	844	75%
Regional	284	25%
Health Care Card Status		
Health care card holder	263	23%
Main language spoken at home		
English	967	86%
Other	161	14%

Methodology

This study comprised two stages of research.

- Quantitative online surveys were conducted with a representative sample of the Victorian community to determine the incidence and frequency of UCCLIOs being sent to consumers.
- Qualitative in-depth interviews were then conducted with a selection of respondents from the online survey to further explore what the outcome is for those consumers who accept UCCLIOs.

Quantitative Online Surveys

The study involved online surveys with Victorian consumers who have a current credit card in their name. The total sample included 1,128 surveys with consumers who had received a UCCLIO from their credit card provider.

In addition to these surveys, those who had a credit card in their name but had not received a UCCLIO (n=207) were asked a series of classification questions to enable profiling of those who received UCCLIOs versus those who do not.

To qualify for the survey respondents had to:

- Be aged 18 year or older;
- Hold at least one credit card in their name, that has been active for at least 18 months; and
- Have received at least one UCCLIO from their credit card provider.

The survey was programmed and hosted by Sweeney Research and the sample for the survey was provided by an online panel management company - Online Research Unit.

The sample was drawn from a panel that is representative of the Victorian community in terms of age, gender and location (metropolitan Melbourne and regional Victoria).

Survey invitations were emailed to respondents. Invitations contained an Internet link to the survey, enabling respondents to complete the survey at their own leisure.

The main survey was completed in February 2009. An additional boost of 18-24 year olds (additional 99 surveys in the age segment) was completed in June 2009.

Table 1 provides an outline of the final quantitative sample structure.

Table 2: Qualitative Sample Structure

Interview	Segment	Location	Age	Gender	Working Status
1	Susceptible	Metro	35-39 years	Male	Working Full-time
2	Susceptible	Metro	65+ years	Female	Unemployed
3	Susceptible	Metro	35-39 years	Female	Working Full-time
4	Susceptible	Metro	18-24 years	Male	Studying Full-time
5	Susceptible	Regional	35-39 years	Female	Working Full-time
6	Susceptible	Regional	65+ years	Male	Working Part-time
7	Conservative	Metro	35-39 years	Female	Working Full-time
8	Conservative	Regional	40-44 years	Female	Working Part-time

Qualitative In-depth Interviews

The quantitative stage was supplemented with eight qualitative in-depth interviews with respondents from the online survey who had accepted a UCCLIO. This stage of the research was designed to explore the motivations for accepting UCCLIOs and the financial consequences impacting the consumer.

The interviews were one hour in duration and were conducted by an experienced qualitative moderator. The interviews were conducted the Sweeney Research office in Albert Park and respondents received a \$100 incentive for their time. Interviews with regional respondents were conducted via telephone.

All respondents recruited for the qualitative stage had accepted at least one UCCLIO.

Six interviews were conducted with consumers considered to be 'susceptible'. This segment was defined by the following criteria.

- Have three or more credit cards;
- pay a minimum or proportion of the credit card balance owing;
- have accepted more than one UCCLIO; and
- accepted the full amount of the credit limit increase offered.

Two interviews were conducted with respondents classified as 'conservative'. This segment was defined by the following criteria.

- Have one or two credit cards;
- Accepted less than the limit increase offered by their credit provider; and
- Pay off their credit card balance on time each month.

Table 2 provides further details of the respondents recruited to participate in the qualitative interviews.

Questionnaire Structure

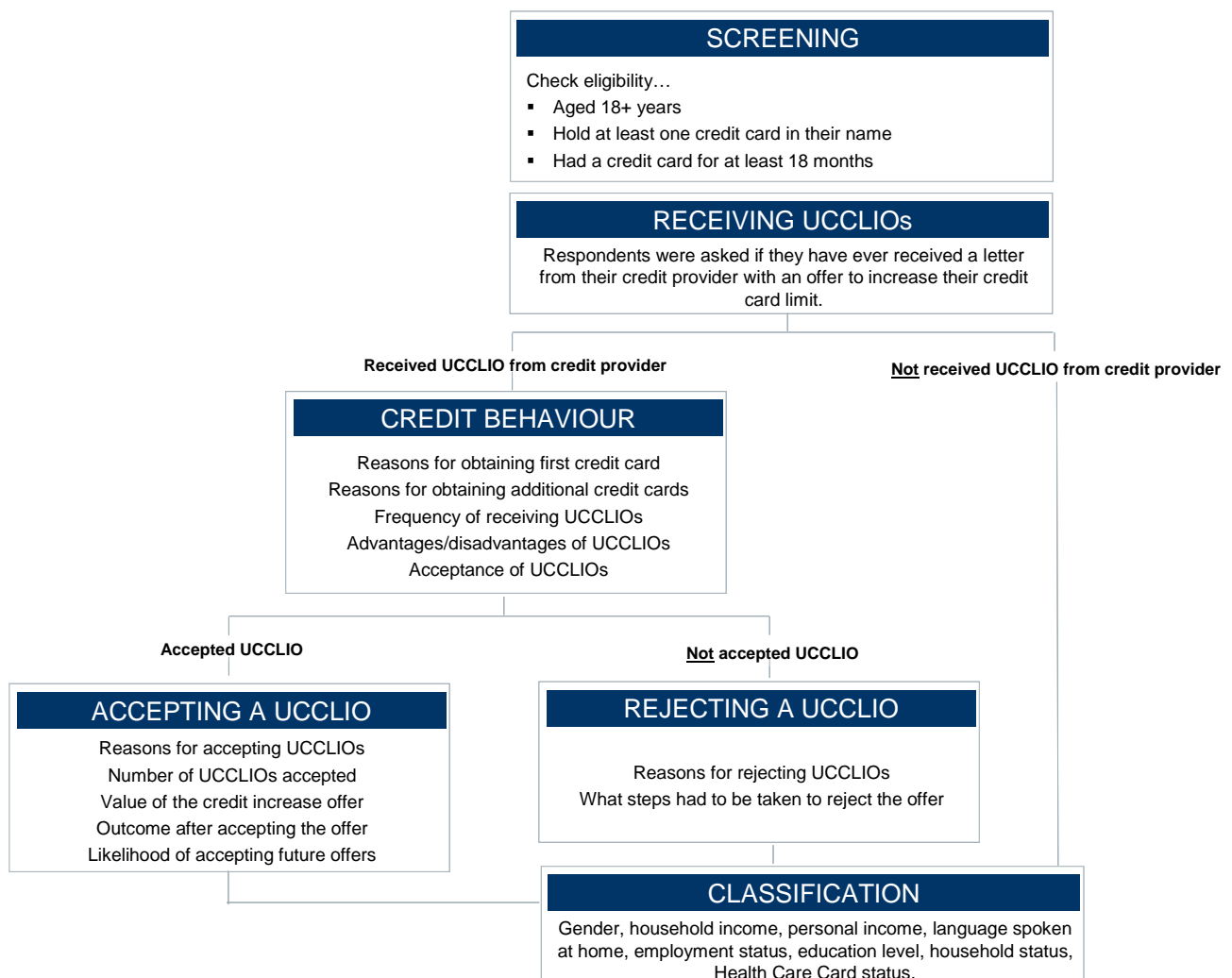
The diagram below outlines the structure of the online quantitative questionnaire.

Firstly, respondents were screened to ensure they met the qualification criteria. Respondents were then asked to recall if they had ever received an unsolicited offer from their credit provider to increase their credit limit.

Examples of unsolicited offer letters were shown to ensure respondents understood the type of offer to which the survey was referring to. These example letters have been appended (Appendix II).

Those who had received a UCCLIO from their credit provider (n=1,128) qualified for the survey and were asked a series of questions about their credit behaviour and the UCCLIO they received.

Those who had not received a UCCLIO (n=207) did not qualify to complete the full survey however were asked a series of classification questions to allow us to explore any differences between those who are being targeted with UCCLIOs and those who are not.



Reading this Report

Before we begin the main body of the report, there are a few points to make regarding the analysis and presentation of the data.

- Where proportions do not add up to 100%, it is due to computer rounding (eg. 99% or 101%).
- Throughout the report, results which are significantly above average are highlighted in **bold green** text; results which are significantly below average are highlighted in **bold red** text.
- 'Don't know' and 'no answer' responses have been excluded from some questions and therefore the bases are variable.
- Small bases sizes (below 30) have been highlighted with an asterisk (*). This data should be viewed as indicative data only.
- Throughout the report, quotes from respondents have been used to highlight certain points. These have been extracted either from verbatim questions in the quantitative survey or from the qualitative interviews.

The Detailed Findings

Section 1: Credit Behaviour

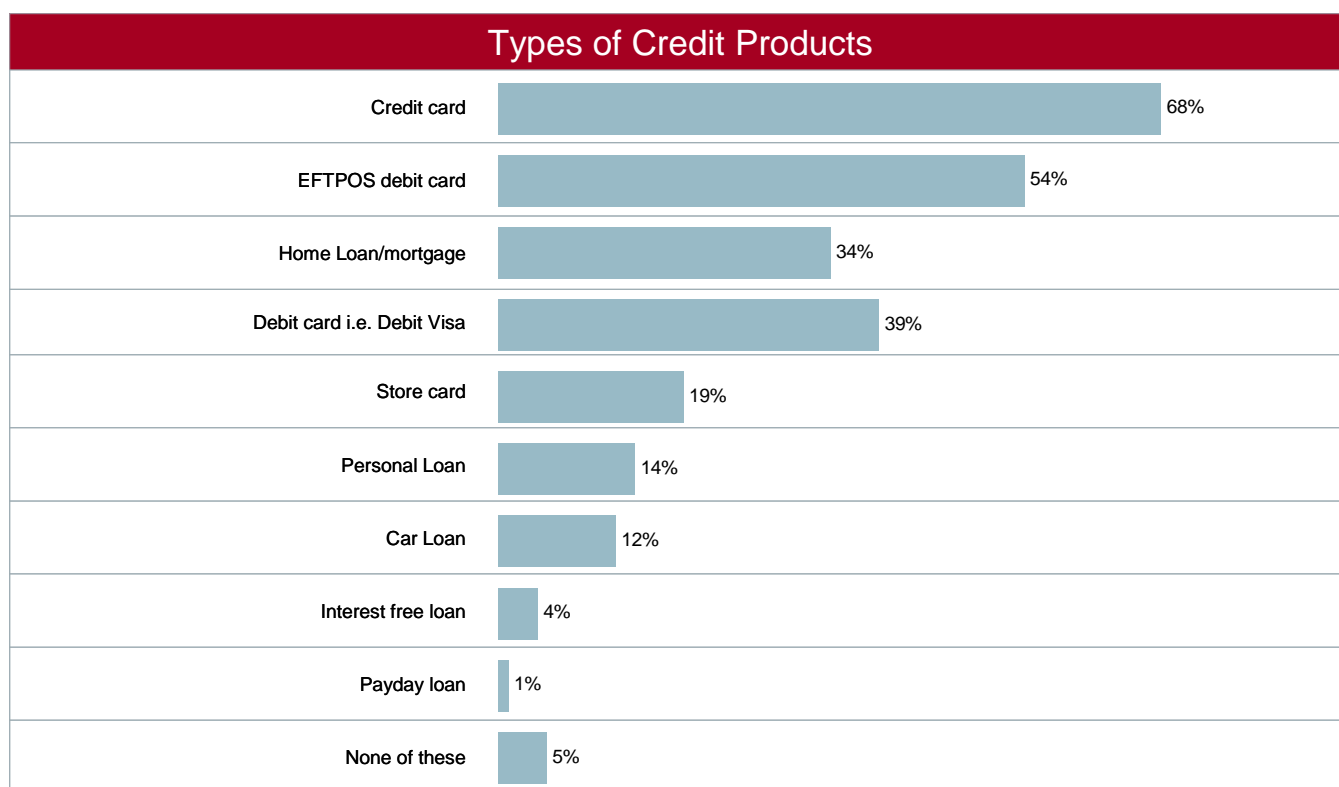
Usage of Credit Products

As part of the survey screening, respondents were asked to recall the various types of credit products they have in their name. This could be either solely in their name or jointly with a partner.

These screening questions were asked of all survey contacts.

More than two in three Victorians (68%) have a credit card in their name. Those aged 45 to 54 years had the highest penetration of credit cards (76%). The incidence of credit cards amongst Victorians aged 18-24 years was significantly lower (47%).

On average, respondents held approximately 2.9 of these credit products in their name.



Base: Total contacts (2201)

Q. Which of the following financial products do you currently have in your name? They could be either solely in your name or jointly with a partner.

Table 3: Number of Credit Cards

	(Base #)	One %	Two %	Three or more %
Total	(1313)	46	34	20
Gender				
Male	(603)	39	36	25
Female	(663)	51	33	16
Age				
18-24 years	(128)	56	29	15
25-34 years	(229)	50	31	20
35-44 years	(270)	50	33	18
45-54 years	(288)	40	37	23
55-64 years	(216)	41	39	20
65+ years	(182)	44	34	23
Credit Card Repayment Behaviour				
Pay full amount on time	(736)	50	31	18
Make minimum payment on time	(138)	42	31	27
Pay proportion of balance on time	(319)	39	38	23
Pay proportion of balance when have cash	(120)	43	45	12
Employment Status				
Employed	(860)	41	35	24
Unemployed	(44)	52	32	16
Looking after the home	(85)	62	28	9
Studying	(58)	62	29	9
Retired	(219)	48	36	16
Location				
Metro	(936)	43	35	22
Regional	(330)	52	32	16
Household Income				
Household income up to \$35K	(183)	63	31	6
Household income \$35K-\$65K	(295)	47	37	16
Household income \$65K-\$100	(316)	44	34	21
Household income \$100K +	(293)	31	36	32
Health Care Card Status				
Health care card holder	(306)	55	33	13
Main language spoken at home				
English	(1087)	46	34	19
Other	(226)	44	32	23

Number of Credit Cards

Approximately half (46%) of Victorian credit card holders have just one credit card in their name. Females are more likely than males to restrict themselves to one credit card (51% of females have one credit card in their name cf. 39% for males).

One in five credit card holders have three or more credit cards in their name. High income earners, that is those with a household income above \$100,000, are most likely to have three or more credit cards in their name (32%) as are those who have previously used a credit card balance transfer (33%).

Those on low income (household income below \$35,000) and those looking after the home or studying are also more likely to only have one credit card in their name.

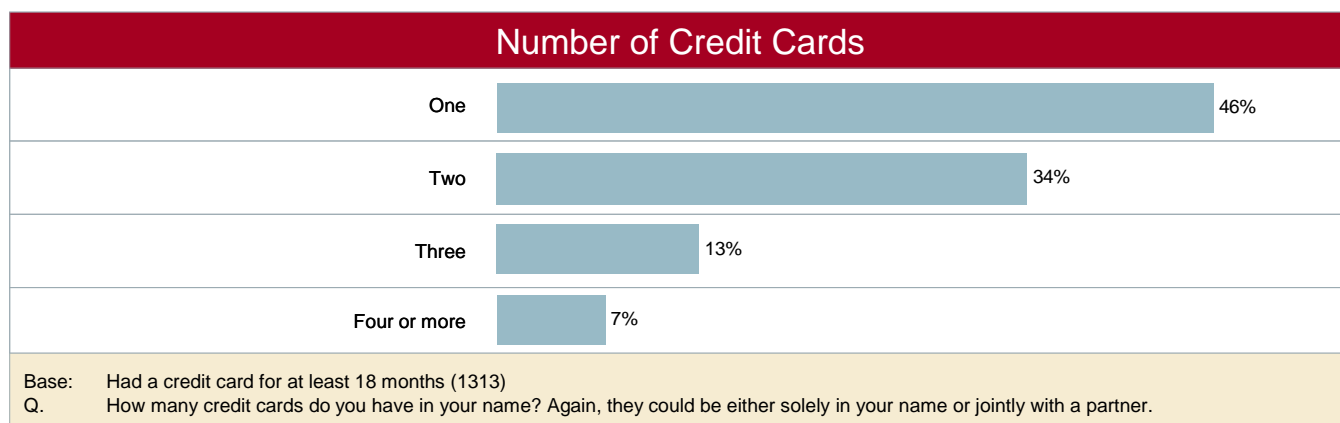


Table 4: Incidence of Using Balance Transfers

	(Base #)	Have Used Balance Transfer %	Have Not Used Balance Transfer %
Total	(1313)	29	71
Gender			
Male	(603)	30	70
Female	(663)	29	71
Age			
18-24 years	(128)	36	64
25-34 years	(229)	38	62
35-44 years	(270)	34	66
45-54 years	(288)	27	73
55-64 years	(216)	23	77
65+ years	(182)	18	82
Number of Credit Cards			
One credit card	(604)	19	81
Two credit cards	(448)	33	67
Three credit cards	(170)	44	56
Four or more credit cards	(91)	54	46
Credit Card Repayment Behaviour			
Pay full amount on time	(736)	19	81
Make minimum payment on time	(138)	48	52
Pay proportion of balance on time	(319)	41	59
Pay proportion of balance when have cash	(120)	38	62
Employment Status			
Employed	(860)	33	67
Unemployed	(44)	41	59
Looking after the home	(85)	26	74
Studying	(58)	31	69
Retired	(219)	14	86
Location			
Metro	(936)	31	69
Regional	(330)	26	74
Household Income			
Household income up to \$35K	(183)	20	80
Household income \$35K-\$65K	(295)	27	73
Household income \$65K-\$100	(316)	34	66
Household income \$100K +	(293)	35	65
Health Care Card Status			
Health care card holder	(306)	22	78
Main language spoken at home			
English	(1087)	29	71
Other	(226)	31	69

Credit Card Balance Transfers

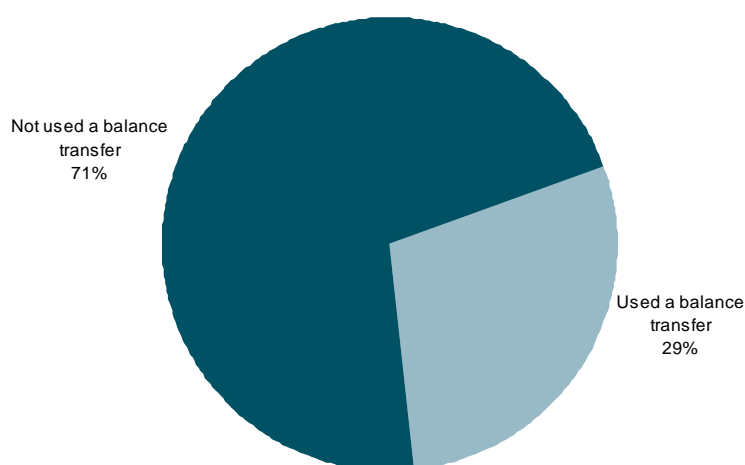
Approximately one in three credit card holders (29%) have used a credit card balance transfer offer.

The incidence of using balance transfers is most prevalent amongst those aged 25 to 34 years where almost four in ten (38%) of this age segment have used a balance transfer. Those aged 65 years or older show a low incidence of using balance transfers (18%).

Victorians who are managing multiple credit cards show a high usage of balance transfers offers with more than half (54%) of those with four or more credit cards having used a balance transfer offer.

Low income earners, that is, those with a household income below \$35,000 per annum; and Health Care Card Holders are below the average for having used a balance transfer (20% and 22% respectively). These segments are also more likely to only have one credit card in their name.

Incidence of Using Credit Card Balance Transfers



Base: Had a credit card for at least 18 months (1313)

Q. Have you ever transferred the balance of one credit card to another i.e. balance transfer?

Table 5: Approach to Repaying Credit Card Debt

	(Base) #	Pay Full Amount By Date %	Pay Min. Payment By Due Date %	Pay Proportion of Balance By Due Date %	Pay Proportion of Balance When Have Cash %
Total	(1313)	56	11	24	9
Gender					
Male	(603)	61	9	22	9
Female	(663)	51	12	27	10
Age					
18-24 years	(128)	43	16	25	16
25-34 years	(229)	54	11	24	11
35-44 years	(270)	46	14	28	12
45-54 years	(288)	56	11	25	8
55-64 years	(216)	63	7	25	4
65+ years	(182)	73	5	18	4
Number of Credit Cards					
One credit card	(604)	61	10	21	9
Two credit cards	(448)	52	10	27	12
Three credit cards	(170)	57	11	28	4
Four or more credit cards	(91)	43	21	29	8
Usage of balance transfers					
Used balance transfer	(383)	36	17	34	12
Not used balance transfer	(930)	64	8	20	8
Employment Status					
Employed	(860)	52	12	26	9
Unemployed	(44)	45	14	34	7
Looking after the home	(85)	51	13	21	15
Studying	(58)	50	10	19	21
Retired	(219)	73	4	20	4
Location					
Metro	(936)	57	10	24	9
Regional	(330)	52	13	25	9
Household Income					
Household income up to \$35K	(183)	52	15	23	10
Household income \$35K-\$65K	(295)	51	9	29	11
Household income \$65K-\$100	(316)	55	14	21	10
Household income \$100K +	(293)	61	7	25	7
Health Care Card Status					
Health care card holder	(306)	55	11	23	11
Main language spoken at home					
English	(1087)	54	11	25	10
Other	(226)	64	9	20	7

Approach to Repaying Credit Card Debt

Respondents were asked to indicate how they manage their credit card debt most of the time.

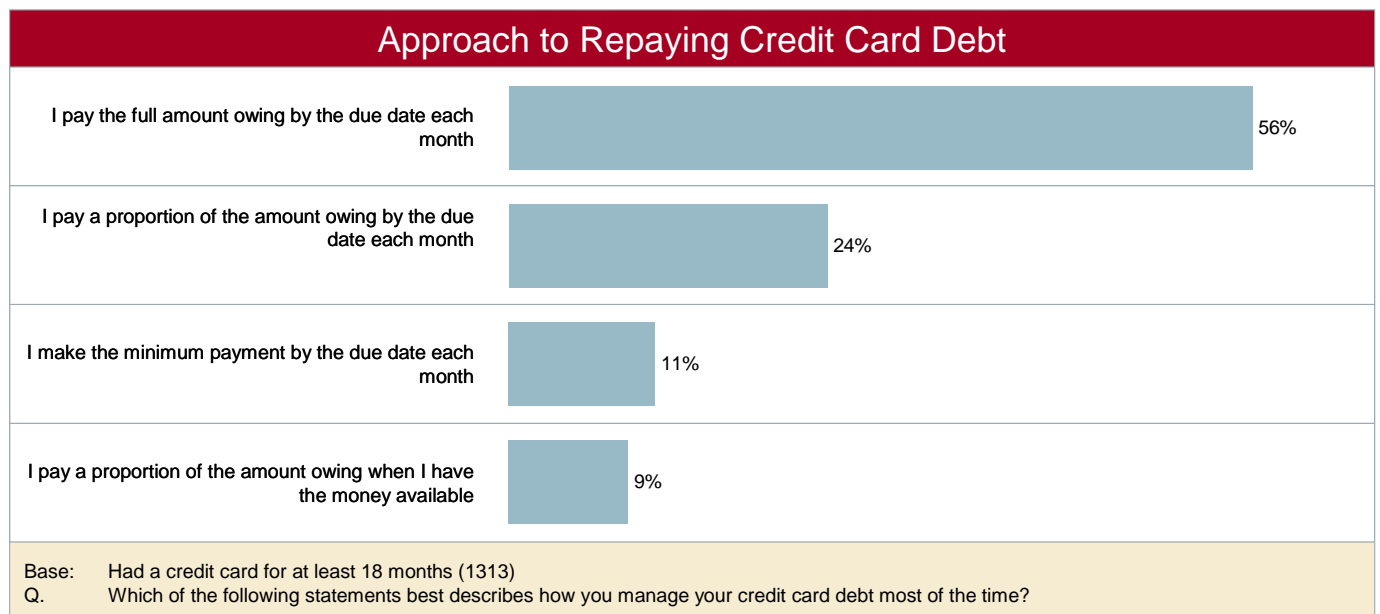
More than half (56%) of credit card holders claim that they pay the full balance of their credit card by the due date each month.

This is in-line with a British study conducted by the University of Warwick¹ which identified that 55 per cent of credit card holders in the United Kingdom pay the full balance of their credit card each month.

Those aged 65 years or older are the most likely to ensure the full balance of their credit card is paid each month with almost three in four (73%) in this age segment claiming this behaviour.

The proportion that only make minimum payments on their credit card each month is one in ten. Those with four or more credit cards are significantly more likely than the average to only make minimum payments (21%). The qualitative research revealed that for some, once their debt reaches a certain point, the goal of *ever* paying it off seems unachievable. Hence, they do not see any incentive to pay more than the minimum amount required.

A further nine per cent will pay a proportion of the balance owing when they have cash available.



¹ Stewart, N. (2009). The cost of anchoring on credit card minimum payments. *Psychological Science*, 20, 39-41.

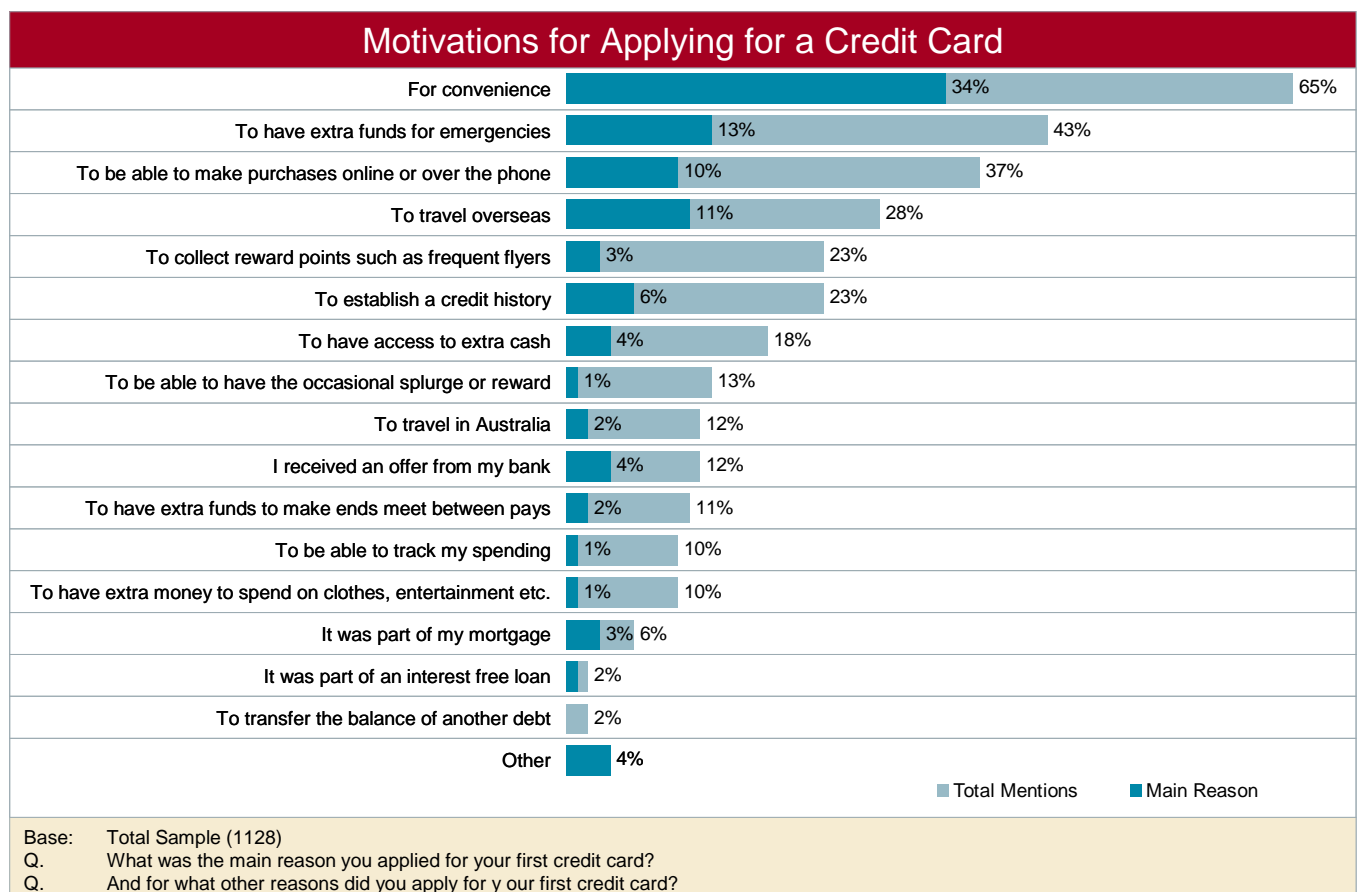
Motivations for Applying for a Credit Card

Convenience was by far considered to be the strongest motivation for applying for a credit card. More than one in three (34%) nominate convenience as the main reason they applied for their first credit card. This was also a strong sentiment in the qualitative research findings.

Other key triggers for applying for a credit card include having access to extra funds for emergencies, being able to make purchase online or over the phone and to provide access to funds for overseas travel.

Reward schemes linked to credit cards such as frequent flyer points appear to be a key secondary factor influencing the decision to obtain a credit card as it the ability to establish a credit history. Reward points are particularly attractive to those who use their credit card for the majority of their purchases.

It is interesting to note that more than one in ten (12%) of credit card holders indicate that an offer from their bank motivated them to apply for a credit card.



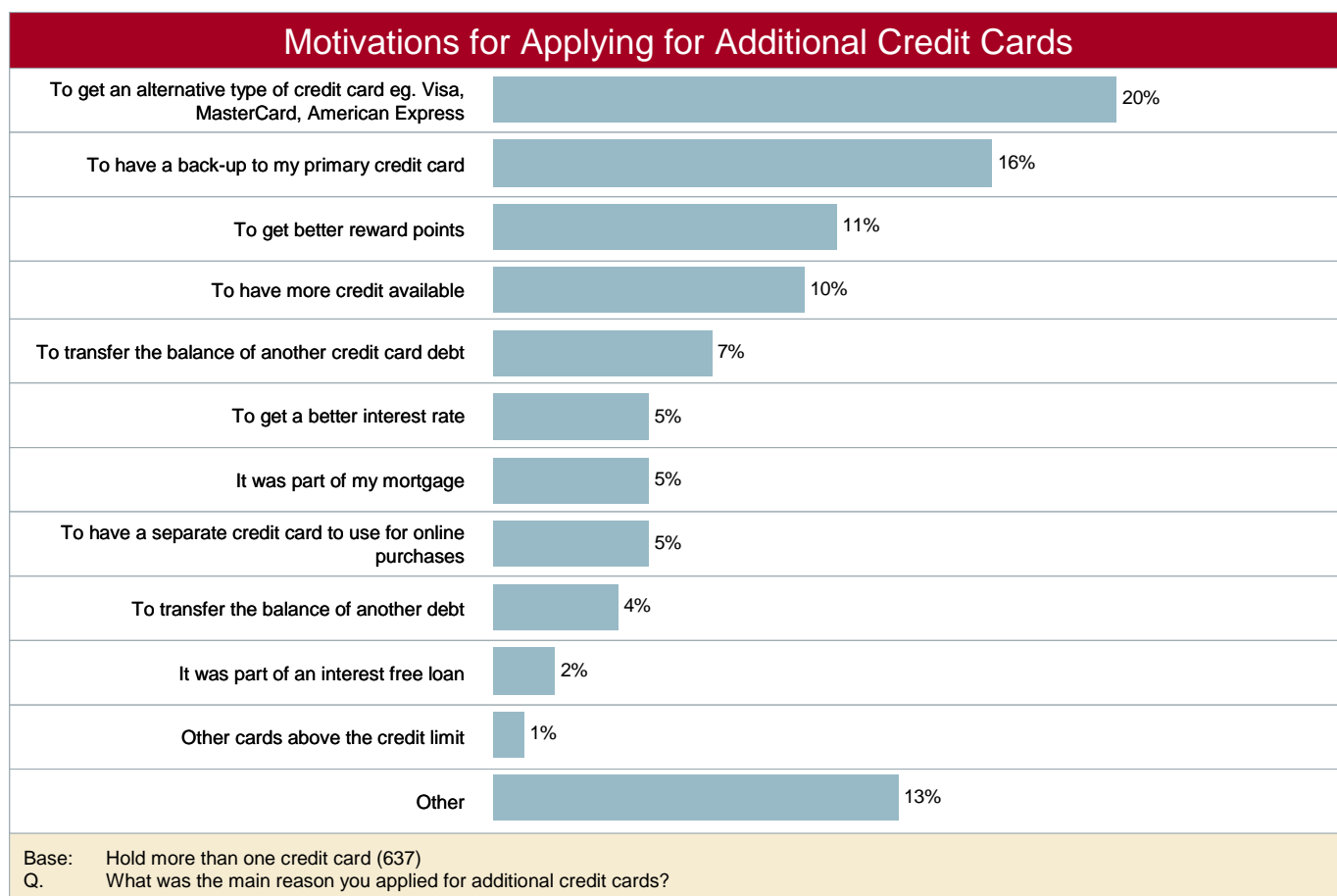
Motivations for Applying for Additional Credit Cards

Those who have more than one credit card in their name were asked to identify the factors influencing their decision to obtain an additional credit card.

Having access to an alternative type of credit card (20%) and having a back-up to their primary credit card (16%) were the key motivations for obtaining additional credit cards.

The proportion obtaining additional credit cards to cover existing debt is approximately one in ten (11%). The majority of these obtained the additional credit card to transfer the balance of another credit card debt whilst others were transferring another type of debt to a credit card. Those aged 25-34 years were most likely to be obtaining an additional credit card to transfer an existing debt (22%). Interestingly, in the qualitative research, those taking up extra cards spoke about it in terms of “spreading the load” – in a sense, feeling that numerous small debts are less confronting than one large debt.

Accessing better reward point schemes (11%) and obtaining more credit (10%) were also key triggers for applying for additional credit cards.



Section 2: Receiving and Accepting UCCLIOs

Table 6: Incidence of Receiving UCCLIOs

	(Base #)	Have Received UCCLIO %	Not Received UCCLIO %
Total	(1313)	84	12
Gender			
Male	(603)	87	13
Female	(663)	87	13
Age			
18-24 years	(128)	78	15
25-34 years	(229)	83	13
35-44 years	(270)	88	9
45-54 years	(288)	85	13
55-64 years	(216)	88	10
65+ years	(182)	79	16
Number of Credit Cards			
One credit card	(604)	79	16
Two credit cards	(448)	88	10
Three credit cards	(170)	90	8
Four or more credit cards	(91)	95	3
Credit Card Repayment Behaviour			
Pay full amount on time	(736)	84	12
Make minimum payment on time	(138)	81	16
Pay proportion of balance on time	(319)	87	11
Pay proportion of balance when have cash	(120)	84	13
Usage of balance transfers			
Used balance transfer	(383)	89	9
Not used balance transfer	(930)	82	13
Employment Status			
Employed	(860)	89	11
Unemployed	(44)	84	16
Looking after the home	(85)	82	18
Studying	(58)	83	17
Retired	(219)	85	15
Location			
Metro	(936)	89	11
Regional	(330)	84	16
Household Income			
Household income up to \$35K	(183)	77	23
Household income \$35K-\$65K	(295)	88	12
Household income \$65K-\$100	(316)	86	14
Household income \$100K +	(293)	94	6
Health Care Card Status			
Health care card holder	(306)	82	18
Main language spoken at home			
English	(1087)	88	12
Other	(226)	86	11

Receiving UCCLIOs

The practice of sending unsolicited credit card limit increase offers is widespread with more than four in five (84%) Victorian credit card holders receiving this type of offer from their credit provider.

Although it does not appear that any particular segment of the community is being targeted with these offers; no segments are being excluded either.

The incidence of receiving unsolicited offers was prevalent among those who are unemployed (84%), studying (83%), or hold a Health Care Card (82%). While these percentages are not necessarily higher than those who are employed, not studying or not holding a health care card, the fact that these consumers are being offered credit limit increases shows that credit providers are sending UCCLIOs to those who may not be able to afford the extra credit (or debt).

Those living in metropolitan areas were significantly above the average for receiving unsolicited offers (89%).

Multiple credit card holders and those with a household income of \$100K or above are most likely to receive these types of offers from their credit provider (95% and 94% respectively).

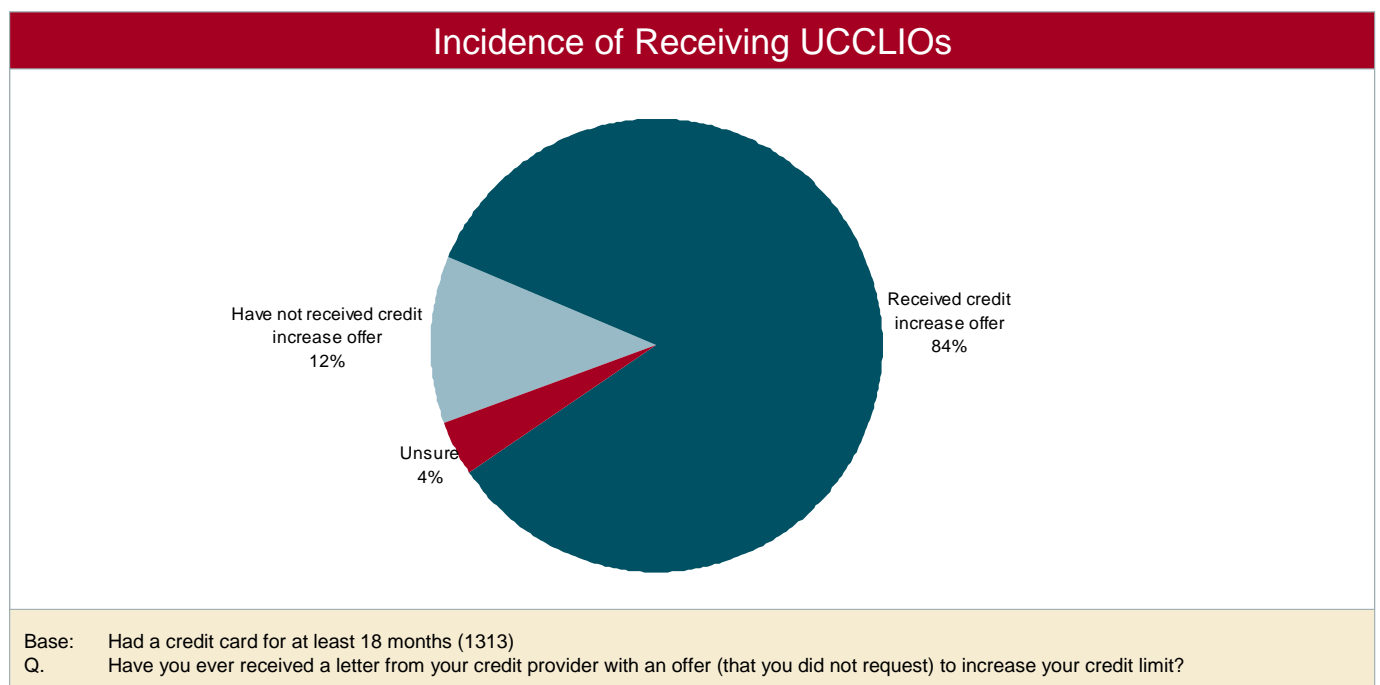


Table 6: Incidence of Receiving UCCLIOs

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Total	(1313)	84	12
Gender			
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Female	(663)	87	13
Age			
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25-34 years	(229)	83	13
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45-54 years	(288)	85	13
55-64 years	(216)	88	10
65+ years	(182)	79	16
Number of Credit Cards			
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Credit Card Repayment Behaviour			
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Pay proportion of balance when have cash	(120)	84	13
Usage of balance transfers			
Used balance transfer	(383)	89	9
Not used balance transfer	(930)	82	13
Employment Status			
Employed	(860)	89	11
Unemployed	(44)	84	16
Looking after the home	(85)	82	18
Studying	(58)	83	17
Retired	(219)	85	15
Location			
Metro	(936)	89	11
Regional	(330)	84	16
Household Income			
Household income up to \$35K	(183)	77	23
Household income \$35K-\$65K	(295)	88	12
Household income \$65K-\$100	(316)	86	14
Household income \$100K +	(293)	94	6
Health Care Card Status			
Health care card holder	(306)	82	18
Main language spoken at home			
English	(1087)	88	12
Other	(226)	86	11

Table 7: Frequency of Receiving UCCLIOs

	Total (1128) %	Approach to Repaying Credit Card Debt			
		Pay Full Amount By Date (627) %	Pay Min. Payment By Due Date (116) %	Pay Proportion of Balance By Due Date (282) %	Pay Proportion of Balance When Have Cash (103) %
Every five months or more often	17	17	19	19	16
Every six to twelve months	38	33	44	43	48
Every one to two years	29	30	29	28	24
Less than every two years	16	20	8	10	13
Average number of offers received per year	1.68	1.60	1.72	1.83	1.72

Frequency of Receiving UCCLIOs

The majority (67%) of credit card holders who have received a UCCLIO claim that they receive these types of offers from their credit provider every six months to two years with the average number of offers received per year at 1.64. There were similar responses in the qualitative case studies, with feelings that they received such offers ‘fairly regularly’ (e.g. at least one a year).

A small proportion (17%) receive these types of offers more frequently than once every six months.

Although not significant, those who pay the full balance of their credit card each month show a lower average frequency of receiving UCCLIOs.

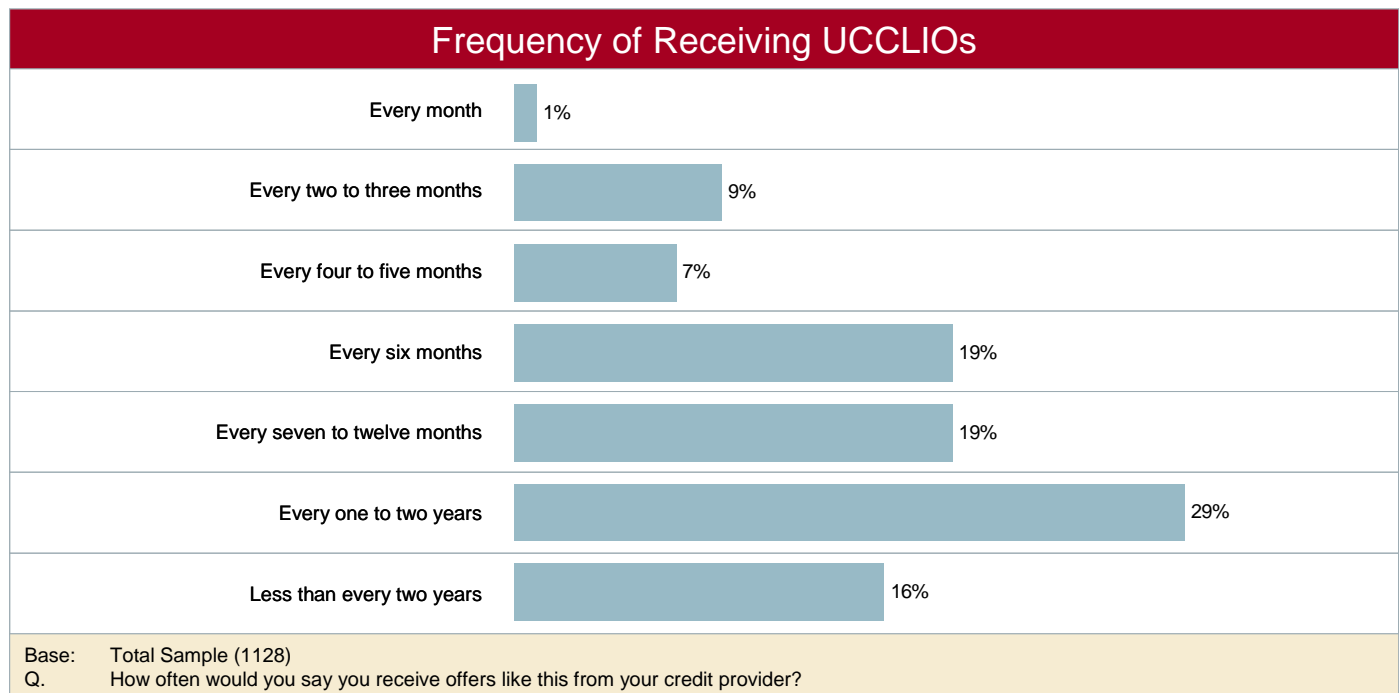


Table 8: Incidence of Accepting UCCLIOs

	(Base) #	Have Accepted UCCLIO %	Not Accepted UCCLIO %
Total	(1128)	56	44
Gender			
Male	(530)	58	42
Female	(598)	54	46
Age			
18-24 years	(122)	52	48
25-34 years	(190)	53	47
35-44 years	(238)	54	46
45-54 years	(245)	61	39
55-64 years	(190)	55	45
65+ years	(143)	58	42
Number of Credit Cards			
One credit card	(491)	47	53
Two credit cards	(397)	56	44
Three credit cards	(154)	68	32
Four or more credit cards	(86)	84	16
Credit Card Repayment Behaviour			
Pay full amount on time	(627)	54	46
Make minimum payment on time	(116)	64	36
Pay proportion of balance on time	(282)	58	42
Pay proportion of balance when have cash	(103)	52	48
Usage of balance transfers			
Used balance transfer	(344)	61	39
Not used balance transfer	(784)	54	46
Employment Status			
Employed	(775)	56	44
Unemployed	(38)	53	47
Looking after the home	(71)	51	49
Studying	(58)	53	47
Retired	(186)	59	41
Location			
Metro	(844)	56	44
Regional	(284)	55	45
Household Income			
Household income up to \$35K	(149)	52	48
Household income \$35K-\$65K	(266)	59	41
Household income \$65K-\$100	(276)	51	49
Household income \$100K +	(276)	61	39
Health Care Card Status			
Health care card holder	(263)	56	44
Main language spoken at home			
English	(967)	54	46
Other	(161)	54	46

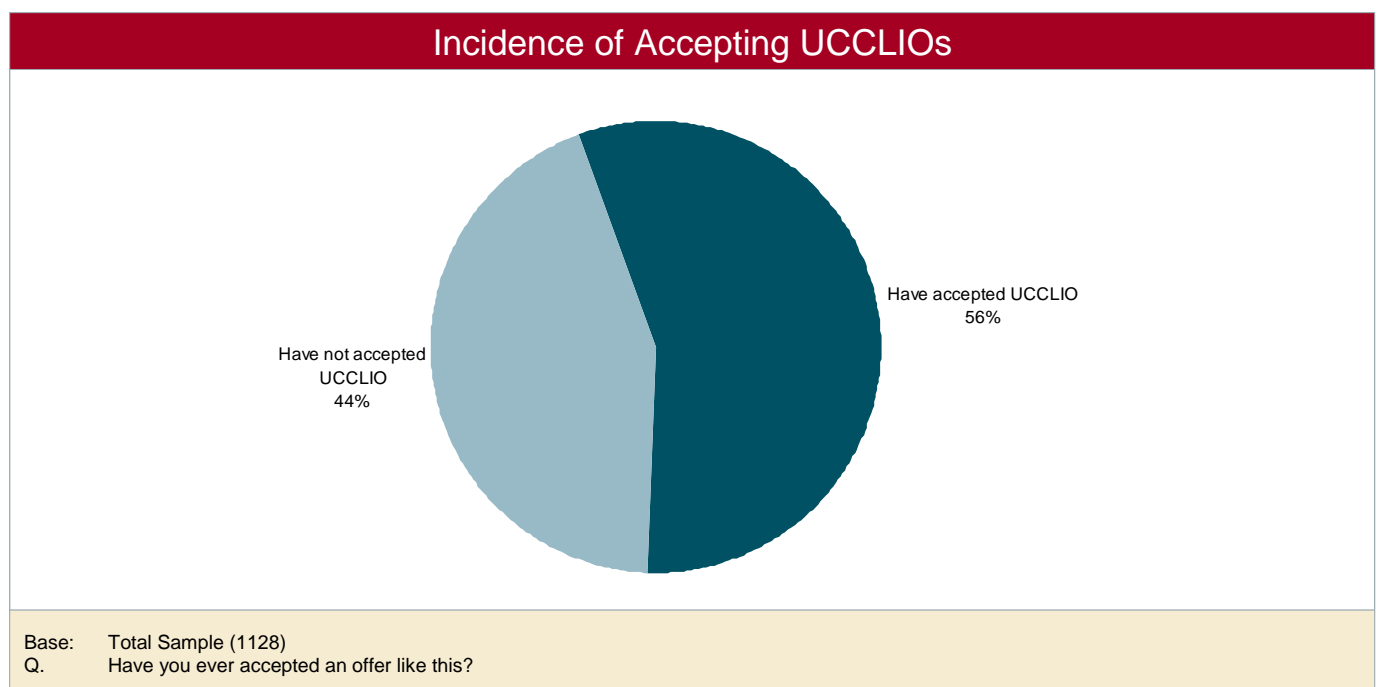
Accepting UCCLIOs

More than half (56%) of those who have received an unsolicited credit limit increase have accepted the offer on at least one occasion. The incidence of accepting these offers is relatively consistent across all socio-economic and demographic segments indicating that there is little difference in the social demographic profile of those who are likely to be tempted by these offers.

It does however appear that there are significant differences between those who accept and reject UCCLIOS when we look at the incidence of accepting these offers by financial behaviours. Those who are more susceptible to financial stress (i.e. hold more than two credit cards and those who only make minimum repayments on their credit cards) are more likely to accept these offers (across all income bands).

We see that the incidence of accepting UCCLIOs is significantly above the average for those who only make minimum repayments on their credit cards (64% have accepted at least one UCCLIO), have three credit cards in their name (68% have accepted a UCCLIO) as well as those that four credit cards in their name (84% have accepted a UCCLIO).

Although not significantly different to other age groups, the incidence of accepting unsolicited increase offers is highest amongst those aged 45-54 years (61% have accepted at least one offer).

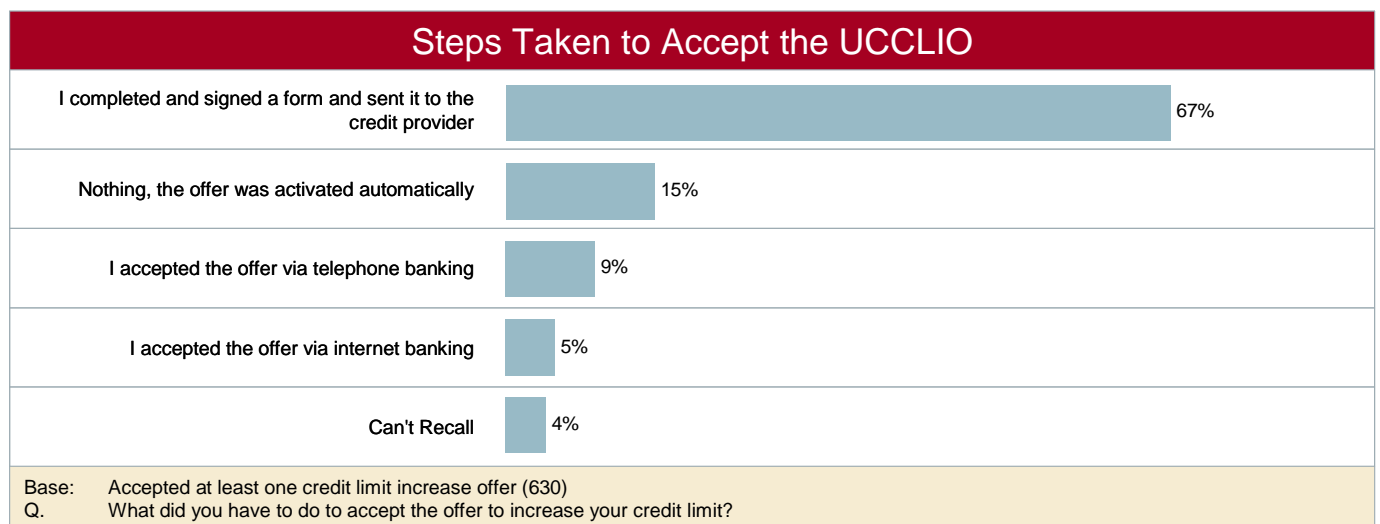


Accepting UCCLIOs

Those who had accepted a UCCLIO were asked to recall what action they had to take to accept the offer.

The majority (67%) signed a form enclosed with the offer and returned it to the credit provider to accept the offer.

Of concern, approximately one in six (15%) claim that they did not have to take any steps to accept the increased credit limit offer i.e. the offer was activated automatically. In particular, those aged 65 years or older were most likely to claim that the UCCLIO was automatically activated. One in four respondents aged 65 years or older claims that the offer was automatically activated.



Of those who chose not to accept the UCCLIO, the majority (93%) did not have to do anything to reject the offer.

A small proportion (3%) of respondents who rejected the UCCLIO, reported that they experienced some problems when trying to decline the offer. These included the following comments...

"They don't listen to you" (8 mentions)

"Sales staff are too pushy" (4 mentions)

"They increased it without my knowledge" (2 mentions)

"They won't let me cancel the card/lower card limit" (2 mentions)

Table 9: Number of UCCLIOs Accepted

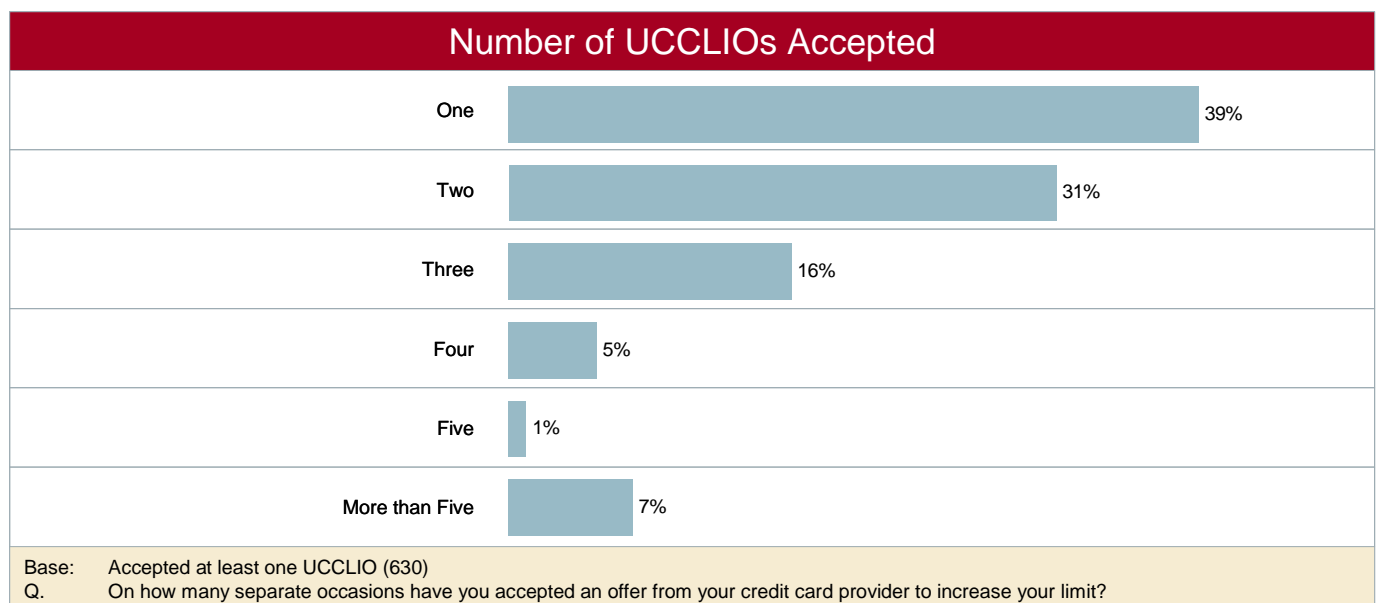
	(Base #)	One %	Two %	Three or more %
Total	(630)	39	31	29
Gender				
Male	(308)	33	31	35
Female	(322)	45	31	24
Age				
18-24 years	(64)	42	36	22
25-34 years	(100)	48	31	21
35-44 years	(129)	36	28	36
45-54 years	(149)	38	29	34
55-64 years	(105)	36	35	29
65+ years	(83)	39	34	28
Number of Credit Cards				
One credit card	(231)	48	29	24
Two credit cards	(223)	41	35	24
Three credit cards	(104)	28	37	36
Four or more credit cards	(72)	22	24	54
Credit Card Repayment Behaviour				
Pay full amount on time	(338)	40	33	27
Make minimum payment on time	(74)	30	28	42
Pay proportion of balance on time	(164)	43	26	32
Pay proportion of balance when have cash	(54)	35	43	22
Usage of balance transfers				
Used balance transfer	(209)	31	31	38
Not used balance transfer	(421)	43	32	25
Employment Status				
Employed	(434)	38	29	32
Unemployed	(20)*	25	25	50
Looking after the home	(36)	36	50	14
Studying	(31)	52	39	10
Retired	(109)	42	33	25
Location				
Metro	(473)	39	33	28
Regional	(157)	40	27	33
Household Income				
Household income up to \$35K	(78)	42	31	27
Household income \$35K-\$65K	(158)	39	30	31
Household income \$65K-\$100	(140)	39	31	31
Household income \$100K +	(169)	33	32	35
Health Care Card Status				
Health care card holder	(146)	40	33	27
Main language spoken at home				
English	(527)	40	31	30
Other	(103)	36	36	28

Number of UCCLIOs Accepted

Approximately four in ten (39%) of those who have accepted an offer have done so only once. A further one in three (31%) have accepted increase offers on two occasions and approximately one third have accepted three or more offers (30%).

Those with four or more credit cards in their name are also more likely to have accepted three or more credit increase offers (54%). These are potentially offers received for each of their credit cards rather than multiple offers on one card.

The occurrence of accepting multiple (three or more) increase offers was above average for those who only make minimum repayments (42%) and have used a credit card balance transfer (38%).



Reasons for Accepting UCCLIOs

More than half (54%) of those who have accepted a UCCLIO state their main motivation for accepting the increased credit limit was to access more credit or funds to enable them to make bigger purchases (a sentiment also reflected in the qualitative research).

“To provide more head room for occasional large purchases.”

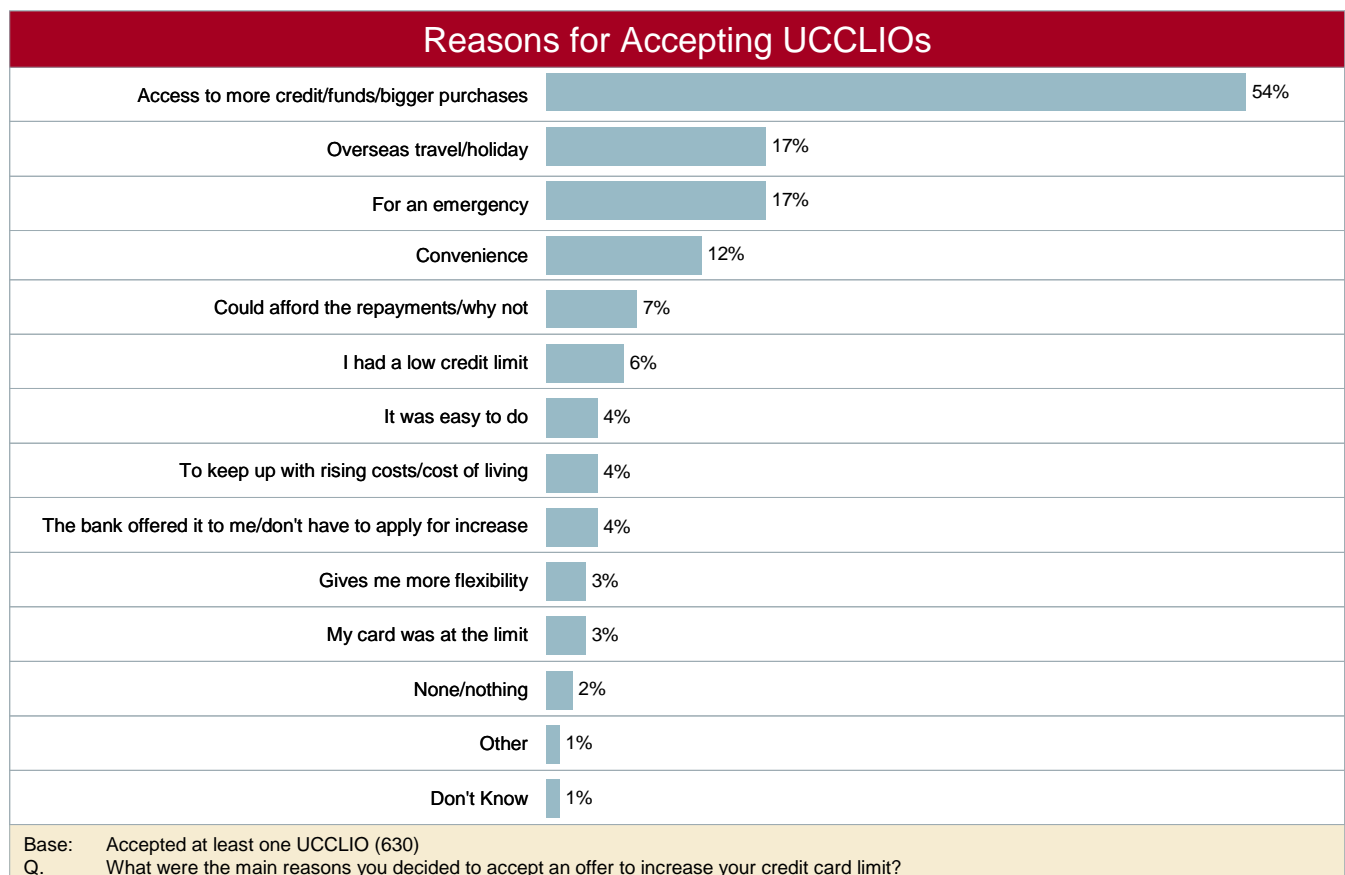
“It suited my circumstances at the time, I was building a house and the interest free days was a huge saving.”

Having extra credit to pay for an overseas holiday or travel was another key trigger for approximately one in six (17%). Those aged 65 years or older and retirees were particularly tempted by the opportunity to have additional credit for a holiday. Of those aged 65 years or older, 30% cite a holiday or overseas travel as their main reason for accepting a UCCLIO.

“To have extra funds while travelling overseas, just in case I saw something special that I wanted to bring back home with me.”

“Further convenience - for the simple reason that as a family of four, and as airline tickets become more expensive (especially as the children go past two years old), a single transaction for overseas trips would exceed the lower limits on the card.”

“I travel overseas a lot so I like to have access to funds when I need them.”



For approximately one in five (17%), the offer to increase their credit limit presented an opportunity to have extra credit for an emergency or 'just in case'. In particular, those aged 55-64 years and retirees were the most likely to be motivated to accept a UCCLIO to have access to extra credit for an emergency (30% and 27% respectively).

"To be able to access funds in the case of extreme emergency."

"Had a small limit and increased due to the possibility of large emergency items like car problems."

"My card had a low credit limit and I just wanted to have the extra funds in case of an emergency."

Convenience was also cited as a key motivator for accepting the increased credit limit offers for approximately one in ten (12%), with this reason also reflected in the qualitative case studies. Credit cards are being used for a greater variety of transactions and some consumers use their credit card for all day-to-day purchases. This is particularly common when the credit card holder is accruing reward points linked to the credit card. UCCLIOs present an advantage to these consumers in that they can increase their credit limit in-line with their monthly spend.

"We were paying all our bills, groceries, petrol and discretionary spending by credit card for convenience, tracking and to build reward points. Therefore the old limit was being reached quickly."

"I can earn more reward points by using the card for all purchases, and I still pay it off in full every month. Therefore it is to my advantage to have a higher limit."

Some see the unsolicited increase offer as a buffer to give them more flexibility when their cards are maxed out or close to being maxed out. There was a similar finding in the qualitative cases studies with some participants accepting an increased credit limit even though their credit cards were already at, or close to, their limit.

"Offers came when cards were used up to existing limit, so it felt good to have extra available."

"For convenience - I was finding that, on my 55-day-interest-free card, I was occasionally tending to go close to the credit limit in the 55-day period, & I did not want to be checking each time to make sure I did not go over the limit."

"To give me more breathing space relating to my spending."

Reasons for Not Accepting UCCLIOs

Those who have not accepted a UCCLIO were asked their reasons for not being enticed by these types of offers.

The majority (68%) state that they are happy with their current credit limit and do not see a need for an increased credit limit. Many of those who have not accepted a UCCLIO do not use the full amount of their current credit limit and therefore do not see a need to increase the limit.

"I only have a low limit for convenience now, and do not want a higher limit. Also concerns of safety if card details lost or stolen."

"My limit was high enough. I only use approximately 30% of that limit each month."

"I do not spend up to the maximum limit on my credit card."

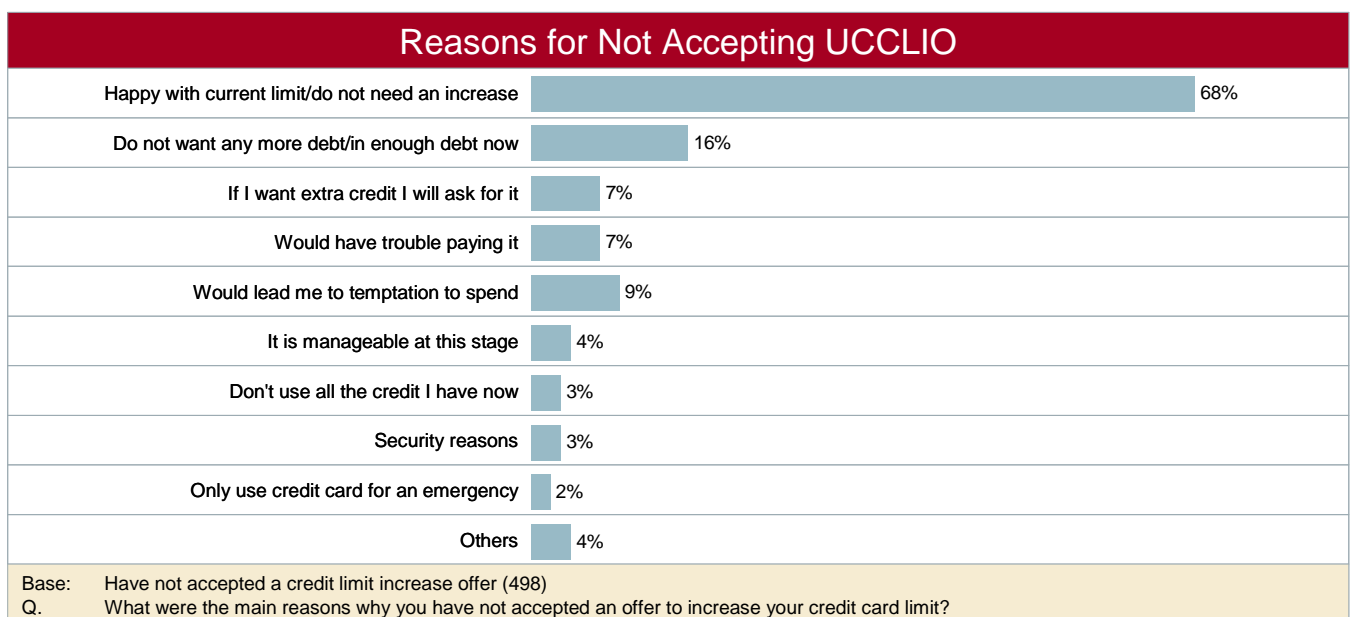
For some there is a fear associated with accepting increased credit that it will lead to spending which can not be repaid.

"Happy at the current limit. Not comfortable with owing the bank more than our current limit if we ever get into trouble (eg. maxed out)."

"Current credit limit is within my means of paying it off."

"I do not need it. I do not want the extra risk. I do not want the extra burden."

"I want my card limit to be manageable. Further increases on limit would only tempt me to spend more, meaning a greater chance that my credit cards would get out of control."



Of note, a sizeable proportion of those who have received an unsolicited offer from their credit provider did not accept the offer because they believe they are already in enough debt (16%) and consider they would have trouble paying the increased debt (7%). This highlights that these offers are being sent to consumers whose financial situation does not support additional credit card debt.

"Because I have enough debt now and to increase my limit would put me in debt for many years."

"Didn't see the point of increasing my limit when it is hard enough trying to pay my credit card off."

"I don't want the temptation of having access to more money that isn't mine."

"Already at max; can't afford to pay any more."

Amongst those who have not accepted a UCCLIO, there was also generally a negative reaction to the concept of unsolicited offers.

"I do not need to be told or forced into extra credit because I am in control of my finances."

"The increase was not required. I also don't agree with the banks making an offer that hasn't been requested. I have seen too many people go into financial hardship because they have too much credit card debt."

"I think it's irresponsible and when I want an increase I will request one. I don't like having extra debt forced on me."

"I feel like they are monitoring how much I spend, and they want me to increase my limit so I can spend more. I don't like it."

Perceived Advantages of UCCLIOs

A key advantage of unsolicited offers is that they are an easier way to get extra credit/finance with one in five (21%) citing this response when asked the advantages of credit providers sending these types of offers. The qualitative research also showed that participants thought that getting more credit by accepting a UCCLIO was “easy” and less intimidating than “asking” the bank for an increase on their credit limit.

These offers are considered to be convenient (25%) and save the consumer from approaching their bank to obtain extra credit (15%).

“Easy transaction, don't have to go through the red tape of applying directly.”

“Not having to provide financials to get emergency short term money.”

“It was easy and convenient to increase my limit - all I had to do was tick the 'yes' box and sign.”

“If they are offering, it saves the embarrassment if you ask and you get turned down.”

	Total Sample (1128) %	Have Accepted UCCLIO (630) %	Not Accepted UCCLIO (498) %
Convenient/saves time	25	32	17
Easier to get more finance/credit	21	28	13
Saves having to apply for it yourself/filling in paperwork/approach the bank	15	20	8
No advantage/a way for banks to get revenue/advantage only for credit card provider	11	7	16
Have access to extra funds in case of emergency	8	11	4
It is an option	8	9	7
Keeps you up to date/aware of what is on offer	5	7	2
Enables you to have the opportunity to make larger more expensive purchases	4	4	4
That I am a good customer/have a good credit history	3	4	3
I don't want to be contacted/if I want extra credit I will apply	3	1	6
None/nothing	29	19	42
Others	2	2	1
Don't Know	2	2	3

Base: Total Sample (1128)

Q. What do you consider to be the advantages of your credit card provider contacting you to make an offer to increase your credit limit?

Some see the unsolicited offers as an endorsement from the bank that they have a good credit history and that they are seen to be capable of making the repayments.

"They are letting me know they trust me to pay it back."

"Because I always pay off outstanding debt and as a reward they offer the increase."

"Know that I am doing OK in terms of responsible management of my debt."

"Makes me feel worthy that they trust me with the increase."

It does appear that for some respondents UCCLIOs act as encouragement to increase their credit limit when they otherwise would not have sought this increase independently. This suggests that these types of offers are being accepted purely because they are offered to consumers, and not because they have a real need for the additional credit. Similarly, there were some qualitative case study participants who expressed that they would not have actively sought to increase the limit of their credit card.

"I am better off with the increased limit but wouldn't have bothered to increase it if they hadn't contacted me."

"Saves me having to think that I might increase the credit."

"It was something that I would not normally have thought about."

"I probably wouldn't have contacted them to do it so I found it an easy way for me."

"I like to know that I can access more money, but I wouldn't actively go in search of increasing my limit."

Amongst those who have not accepted this type of offer from their credit provider, four in ten can not see any advantage in these offers and one in six (16%) believe these offers only present advantage to the banks to gain more revenue.

Perceived Disadvantages of UCCLIOs

Almost half of consumers (47%) cite 'accruing more debt beyond their means' to be a disadvantage of unsolicited offers. This is consistent for both those who have accepted a UCCLIO and those that have not.

	Total Sample (1128) %	Have Accepted UCCLIO (630) %	Not Accepted UCCLIO (498) %
Going deeper into debt when I can't afford it/spend what you don't have	47	48	45
Would affect those that can least afford it	9	8	9
It is annoying/don't want to be hassled	8	3	14
Higher interest charges/additional charges	6	8	5
It is irresponsible of the banks	5	5	6
Incentive to spend	5	5	5
Too much waste paper is bad for the environment	5	2	9
Ultimately I'll decide when and for how much I'll increase my credit limit	4	4	5
It's made to easy/just sign and post/automatic pre approved	4	6	2
May not give it enough thought/consideration	3	5	1
Waste of time/and money	3	2	6
Feel harassed/pressured	3	2	4
Junk mail/hate junk mail	2	1	4
None/nothing	21	23	17
Others	3	2	3
Don't Know	1	2	1

Base: Total Sample (1128)

Q. What do you consider to be the disadvantages of your credit card provider contacting you to make an offer to increase your credit limit?

Many believe these types of offers encourage consumers to overlook the associated risk of increased debt because it is so easy to accept the increased credit i.e. they sign the form and send it off without consideration of their ability to repay if they spend the full credit limit.

"It is too easy to keep on increasing my commitment - which is exactly what has happened. I have gone from a credit limit of \$2,000 to one of \$24,000. It is actually quite scary now that I have typed it out!"

"People increasing their limit, thinking they have a huge amount of money at their disposal without realizing that it has to be repaid, with interest."

"The credit provider doesn't know if circumstances have changed and it would be easy to over extend yourself."

"If you can't afford an increase, you might still be tempted as it's so easy to increase your limit. You might get in over your head."

"Some people may be silly enough to think that if they are offered it, they can afford it, which is not necessarily true. You should have to go through the entire application process again to prove you are financially capable of handling a higher limit. "

"I would prefer to increase my line of credit based on an application that I initiate. That way I am sure that I have thought it through and it doesn't occur due to default - i.e. didn't get around to posting the letter to decline an offer."

The promotion of credit that would not have otherwise been thought about is also considered to be a disadvantage of the unsolicited increase offers. If the process of applying for increased credit required more involvement from consumers it would possibly lead to increased consideration of whether the additional credit is actually required (and/or affordable).

"Offers you an incentive to spend more money that you do not really need, otherwise you would have applied for it yourself."

"Too easy to get and makes people think of extra credit they otherwise wouldn't have thought about."

A sizeable proportion (14%) of those who have not accepted a UCCLIO see these types of offers to be annoying and would rather not be hassled by them.

"It's annoying. It gets thrown in the bin straight away but still requires effort to comprehend what it is trying to do."

Respondents also highlight some concerns with the security of these types of letters being sent in the post. The letters contain a significant amount of personal information and some respondents raised concern with potential opportunity for fraudulent activity on their credit cards.

"Sending a letter in the mail with all of your details on it, with the current limit and new available limit. Anyone can go through your letterbox (or the mail could get lost) and then other people have your details, including name, address, credit card account number and available limit. The banks should not be allowed to send this information out to you unless you request it and know when to expect it in the mail."

Responsible Lending Messages Contained in UCCLIOs

Respondents were shown the following text and asked to recall if they remember the offer from their credit provider containing any similar messages...

"You need to make sure you can maintain payments within the terms of your credit card contract."

"If you believe your personal circumstances have changed, or are likely to change (for example through loss of employment, maternity leave or increased expenses such as a new loan) or believe that the additional credit may be beyond your means to repay, then you should decline the invitation."

The recall of responsible lending messages was moderate with approximately one in five (24%) stating that they definitely remember seeing these types of messages in the offer they received. A further one in five think they remember seeing these types of messages.

More than one third (37%) of those who have accepted a UCCLIO were unable to recall if the offer they received contained responsible lending messages.

The spread of responses for this question suggests that the inclusion of these messages within the offer letters is not obvious or that the messages are not strong enough to make an impression.

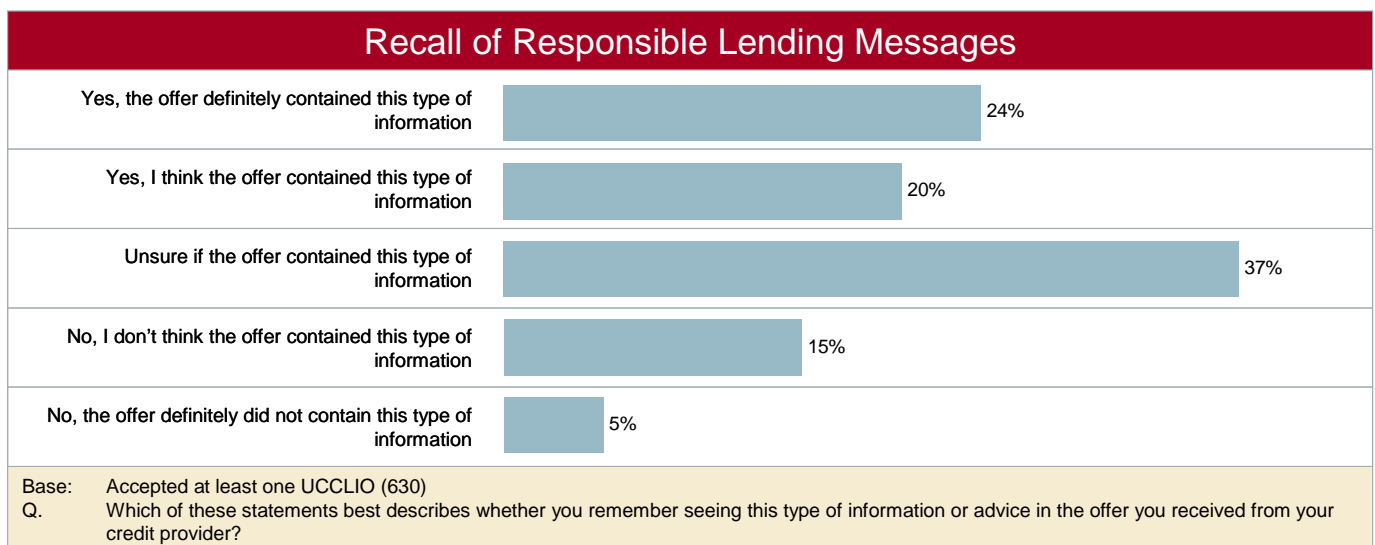


Table 10: Consideration of Minimum Repayments

	(Base #)	Did consider minimum repayments %	Did not consider minimum repayments %
Total	(630)	52	48
Gender			
Male	(308)	52	48
Female	(322)	51	49
Age			
18-24 years	(64)	44	56
25-34 years	(100)	50	50
35-44 years	(129)	53	47
45-54 years	(149)	57	43
55-64 years	(105)	53	47
65+ years	(83)	46	54
Number of Credit Cards			
One credit card	(231)	44	56
Two credit cards	(223)	56	44
Three credit cards	(104)	50	50
Four or more credit cards	(72)	67	33
Credit Card Repayment Behaviour			
Pay full amount on time	(338)	41	59
Make minimum payment on time	(74)	59	41
Pay proportion of balance on time	(164)	70	30
Pay proportion of balance when have cash	(54)	54	46
Usage of balance transfers			
Used balance transfer	(209)	62	38
Not used balance transfer	(421)	47	53
Employment Status			
Employed	(434)	52	48
Unemployed	(20)*	75	25
Looking after the home	(36)	56	44
Studying	(31)	48	52
Retired	(109)	45	55
Location			
Metro	(473)	52	48
Regional	(157)	51	49
Household Income			
Household income up to \$35K			
Household income \$35K-\$65K	(158)	57	43
Household income \$65K-\$100	(140)	50	50
Household income \$100K +	(169)	49	51
Health Care Card Status			
Health care card holder	(146)	56	44
Main language spoken at home			
English	(527)	50	50
Other	(103)	58	42

Consideration of Minimum Repayments

Those who have accepted a UCCLIO were asked whether they considered what the minimum monthly payments would be for the increased credit limit before accepting the offer.

Approximately half (52%) claim that they did consider the new minimum monthly payment before accepting the offer.

Those managing four or more credit cards and those who pay a proportion of the credit card balance were more likely to consider the minimum repayments associated with the increased credit limit.

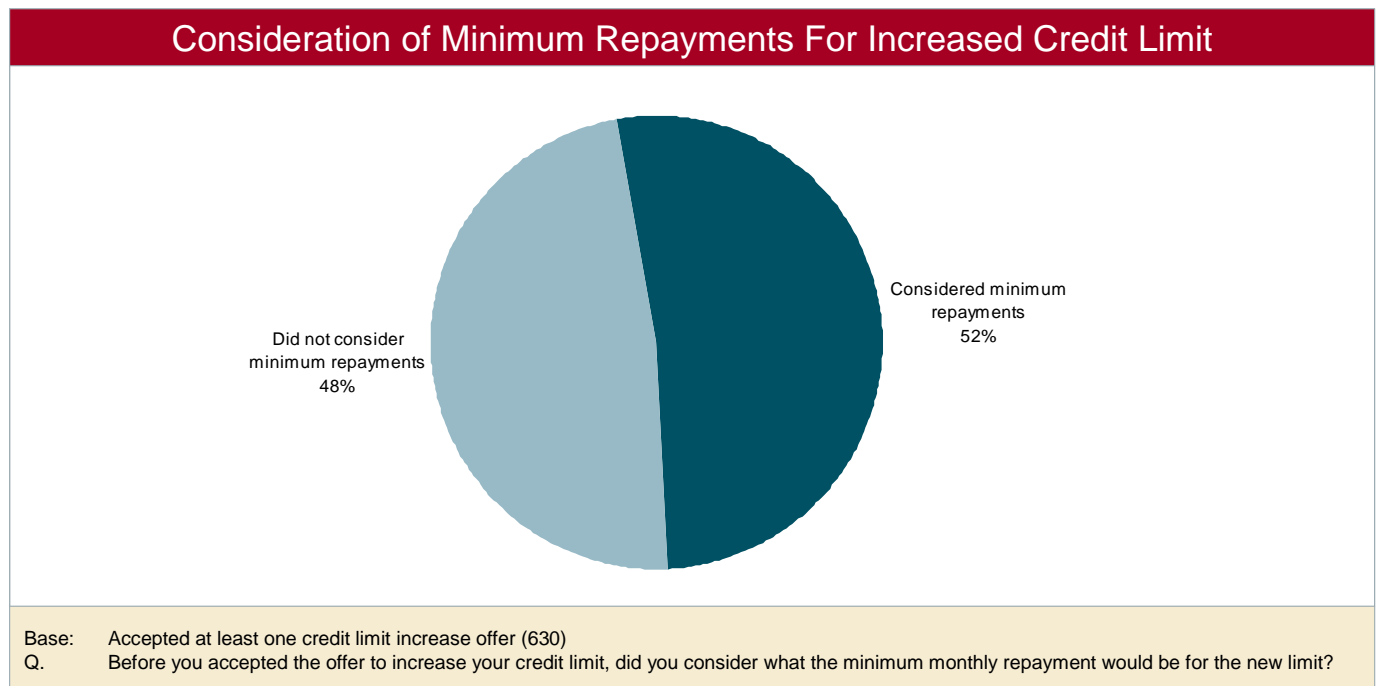


Table 11: Proportion of Increase Accepted

	(Base) #	Accepted Full Credit Increase %	Accepted Partial Credit Increase %
Total	(630)	87	13
Gender			
Male	(308)	91	9
Female	(322)	84	16
Age			
18-24 years	(64)	86	14
25-34 years	(100)	86	14
35-44 years	(129)	91	9
45-54 years	(149)	88	12
55-64 years	(105)	84	16
65+ years	(83)	87	13
Number of Credit Cards			
One credit card	(231)	87	13
Two credit cards	(223)	87	13
Three credit cards	(104)	88	13
Four or more credit cards	(72)	89	11
Credit Card Repayment Behaviour			
Pay full amount on time	(338)	89	11
Make minimum payment on time	(74)	89	11
Pay proportion of balance on time	(164)	82	18
Pay proportion of balance when have cash	(54)	87	13
Usage of balance transfers			
Used balance transfer	(209)	86	14
Not used balance transfer	(421)	88	12
Employment Status			
Employed	(434)	89	11
Unemployed	(20)*	80	20
Looking after the home	(36)	89	11
Studying	(31)	84	16
Retired	(109)	83	17
Location			
Metro	(473)	88	12
Regional	(157)	85	15
Household Income			
Household income up to \$35K	(78)	83	17
Household income \$35K-\$65K	(158)	89	11
Household income \$65K-\$100	(140)	90	10
Household income \$100K +	(169)	90	10
Health Care Card Status			
Health care card holder	(146)	82	18
Main language spoken at home			
English	(527)	87	13
Other	(103)	88	12

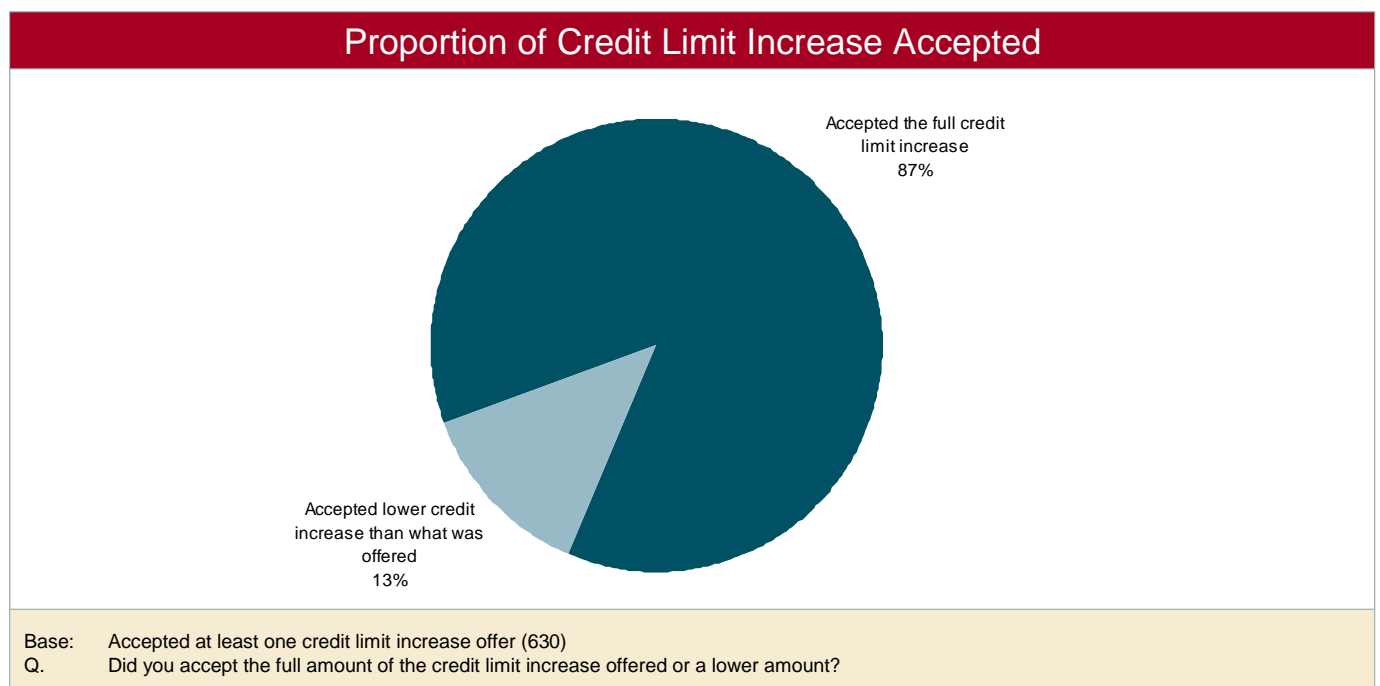
Proportion of Credit Limit Increase Accepted

Those who have accepted an unsolicited increase offer were asked whether they accepted the full increase offered by the credit provider or if they requested to increase their credit limit by a lower amount than what was offered.

Almost nine in ten (87%) of those who have accepted an unsolicited credit increase, accepted the full amount offered.

Although not significant, females were more likely than males to accept a lower amount than what was offered by the credit provider (16% of females accepted lower amount cf. 9% for males).

Those on lower incomes or who are unemployed were also more likely to accept an increase lower than what was offered by the credit provider as were Health Care Card holders.



Size of Credit Limit Increase Offers

The survey asked respondents to state their original credit limit as well as the new credit limit offered in the UCCLIO so that we could estimate what proportion of the original limit the increase offer represents.

The new credit limit offered appears to usually be at least double the original limit.

The table below shows the average credit limit offered in the UCCLIO across five credit limit ranges.

For those who original credit limit was less than \$2,000 the average of the new limit offered by credit provider was \$5,148.

Those with an original credit limit between \$2,000 and \$3,500 were on average offered a new credit limit of \$7,027.

In the credit limit range of \$3,501 to \$5,000, the average amount of the new limit offered was \$10,424.

For those with an existing credit limit between \$5,001 and \$10,000, the average of the new limit offered was \$13,558.

Those at the higher end of the credit card limit (more than \$10,000) were on average offered a new limit of \$24,521.

New Limit Offered	Current Credit Limit				
	Less than \$2K (n=81) %	\$2K to \$3.5K (n=144) %	\$3,501 to \$5K (n=103) %	\$5,001 to \$10K (n=117) %	More than \$10K (n=80) %
Less than \$5,000	81	55	6	-	-
\$5,001 to \$10,000	10	31	68	28	-
\$10,001 to \$20,000	4	12	18	65	51
More than \$20,000	5	2	6	7	49
AVERAGE	\$5,148	\$7,027	\$10,424	\$13,558	\$24,521

Base: Accepted at least one UCCLIO (524) – excludes outliers

Q. What was your original credit limit?

Q. What was the new credit limit offered?

Of those who have accepted a UCCLIO, approximately one in ten (13%) chose to accept a lower credit limit increase than what was offered to them.

The table below details the average amount accepted by those consumers who chose to accept a lower amount than what was originally offered in the UCCLIO.

New Limit Accepted	Current Credit Limit				
	Less than \$2K (n=18 #)	\$2K to \$3.5K (n=24 #)	\$3,501 to \$5K (n=14 #)	\$5,001 to \$10K (n=9 #)	More than \$10K (n=3 #)
Less than \$3,000	16	2	-	-	-
\$3,000 - \$5,000	2	17	4	-	-
\$5,001 - \$10,000	-	7	9	2	-
More than \$10,000	-	1	1	7	3
AVERAGE	\$1,365	\$5,413	\$8,058	\$13,556	\$14,833

Base: Accepted lower credit limit increase than what was offered (68 – excludes outliers)

Q. What was your original credit limit?

Q. What was the credit limit you accepted?

Section 3: Outcome After Accepting UCCLIO

Table 12: Proportion of Increased Credit Spent

	Total (630) %	Approach to Repaying Credit Card Debt			
		Pay Full Amount By Date (388) %	Pay Min. Payment By Due Date (74) %	Pay Proportion of Balance By Due Date (164) %	Pay Proportion of Balance When Have Cash (54) %
All of it	17	9	39	16	39
Most of it	17	11	30	26	13
About half of it	10	10	11	9	7
Some of it	25	28	15	24	15
None of it	32	41	5	25	26
Nett – All or most of it	34	20	69	41	52
Nett – Some or half of it	56	70	20	49	41

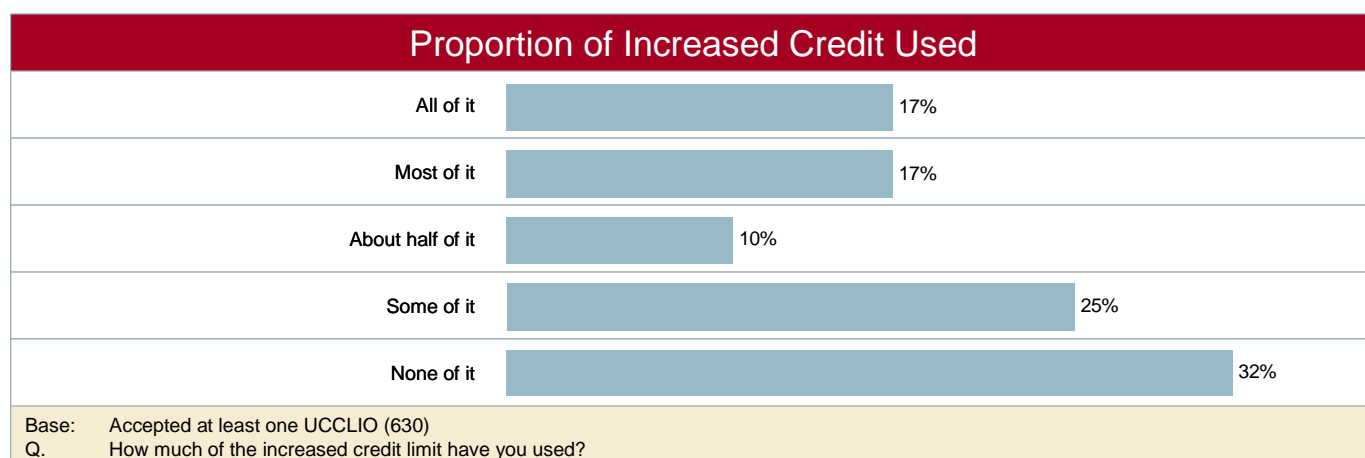
Proportion of Increased Credit Spent

About a third of those that have accepted a UCCLIO have not used any of the additional credit. A further third have only used some or half of it, highlighting that whilst consumers are accepting the increased credit limit they do not necessarily have an immediate need to use all of it. This was also reflected in the qualitative case studies.

In particular, those who pay their credit card balance in full each month are more likely to have not spent any of the additional credit (41% have not spent any of the additional credit).

All or most of the increased credit limit has been used by one in three credit card holders who have accepted a UCCLIO. Those who make minimum repayments on their credit card or pay a proportion of the balance when they have cash available show a high incidence of having spent all or most of the credit (69% and 52% respectively cf. to only 20% of those who pay the full amount by the due date).

Those aged 25 to 34 years and 35 to 44 years also rate above average in terms of having used all or most of the additional credit (40% and 43% respectively).



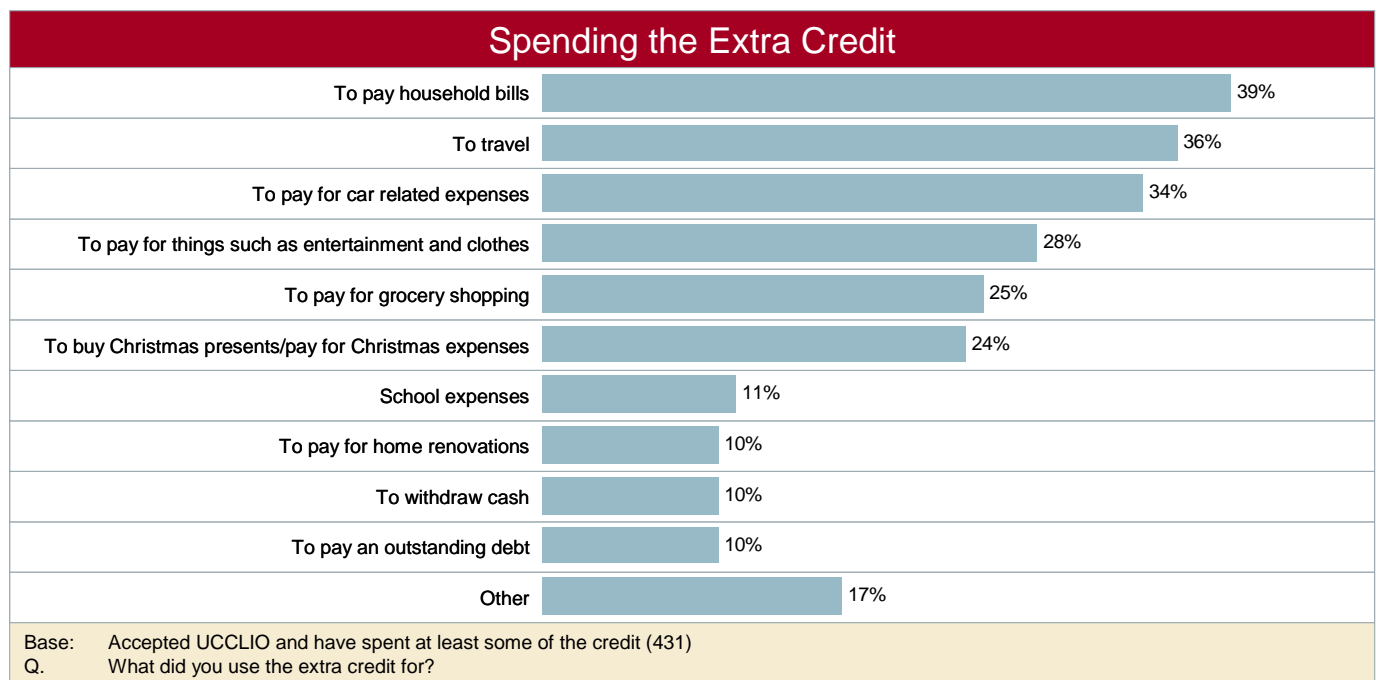
How the Extra Credit has been Spent

Those who have accepted a UCCLIO and spent at least some of the credit were asked to describe how the credit has been used.

Respondents report using the credit for a variety of purchases including day to day expenses such as household bills, car related expenses, entertainment and clothes and grocery shopping.

The credit has also been used to withdraw cash by one in ten. Those who make minimum repayments on their credit card are most likely to have used their credit card for withdrawing cash (21%).

A similar proportion has used the credit to pay an outstanding debt and again those who make minimum repayments are most likely to have used the credit for this purpose (20%).



Credit Card Balance After Accepting UCCLIO

Respondents were asked what their credit balance is most of the time since accepting the UCCLIO.

More than half (58%) have all or most of their credit limit available to spend.

Less than one in ten (6%) have reached their credit limit and have no credit available. This is however more prevalent amongst those who only make minimum payments on their credit cards (20%) and those who pay a proportion of the balance when they have cash (22%).

This means that one in four people who have accepted a UCCLIO and only make the minimum monthly payment or pay a proportion of the balance; are now maxed out. This is significantly higher than the average proportion who have no credit available (6%).

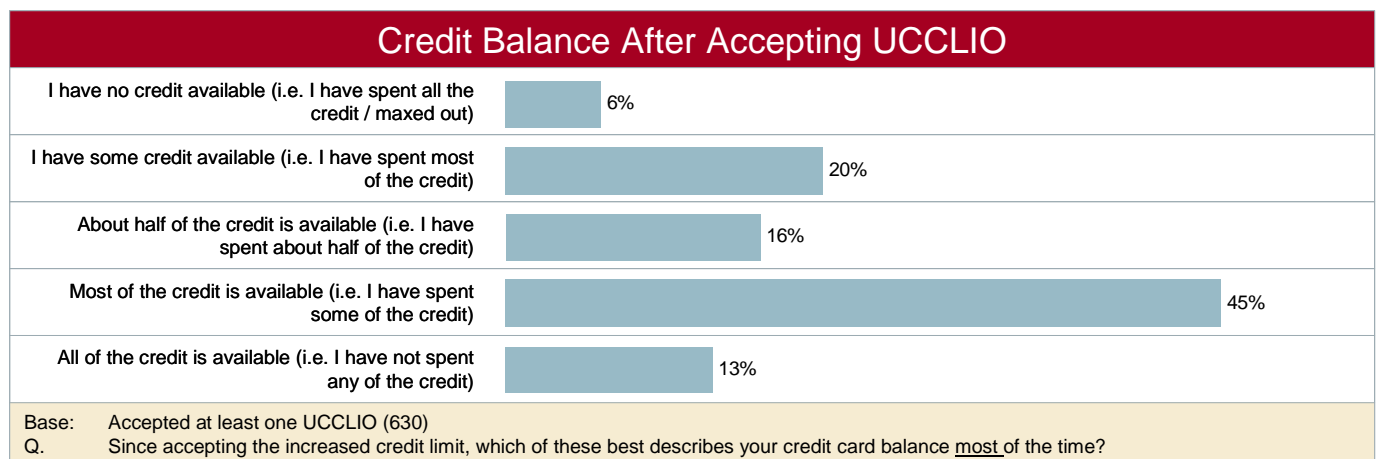


Table 13: Financial Situation After Accepting UCCLIO

	(Base) #	Better off %	Worse off %	About the same %
Total	(630)	27	19	53
Gender				
Male	(308)	32	18	50
Female	(322)	23	20	57
Age				
18-24 years	(64)	31	27	42
25-34 years	(100)	26	21	53
35-44 years	(129)	32	17	51
45-54 years	(149)	29	15	56
55-64 years	(105)	26	13	61
65+ years	(83)	18	30	52
Number of Credit Cards				
One credit card	(231)	25	19	57
Two credit cards	(223)	31	17	52
Three credit cards	(104)	26	21	53
Four or more credit cards	(72)	25	25	50
Credit Card Repayment Behaviour				
Pay full amount on time	(338)	34	10	56
Make minimum payment on time	(74)	9	45	46
Pay proportion of balance on time	(164)	22	20	58
Pay proportion of balance when have cash	(54)	28	39	33
Usage of balance transfers				
Used balance transfer	(209)	27	23	50
Not used balance transfer	(421)	28	17	55
Employment Status				
Employed	(434)	30	18	52
Unemployed	(20)	25	35	40
Looking after the home	(36)	11	6	83
Studying	(31)	29	32	39
Retired	(109)	20	23	57
Location				
Metro	(473)	28	20	52
Regional	(157)	26	17	57
Household Income				
Household income up to \$35K	(78)	10	27	63
Household income \$35K-\$65K	(158)	20	26	54
Household income \$65K-\$100	(140)	32	19	49
Household income \$100K +	(169)	41	12	47
Health Care Card Status				
Health care card holder	(146)	21	29	50
Main language spoken at home				
English	(527)	26	20	53
Other	(103)	33	13	54

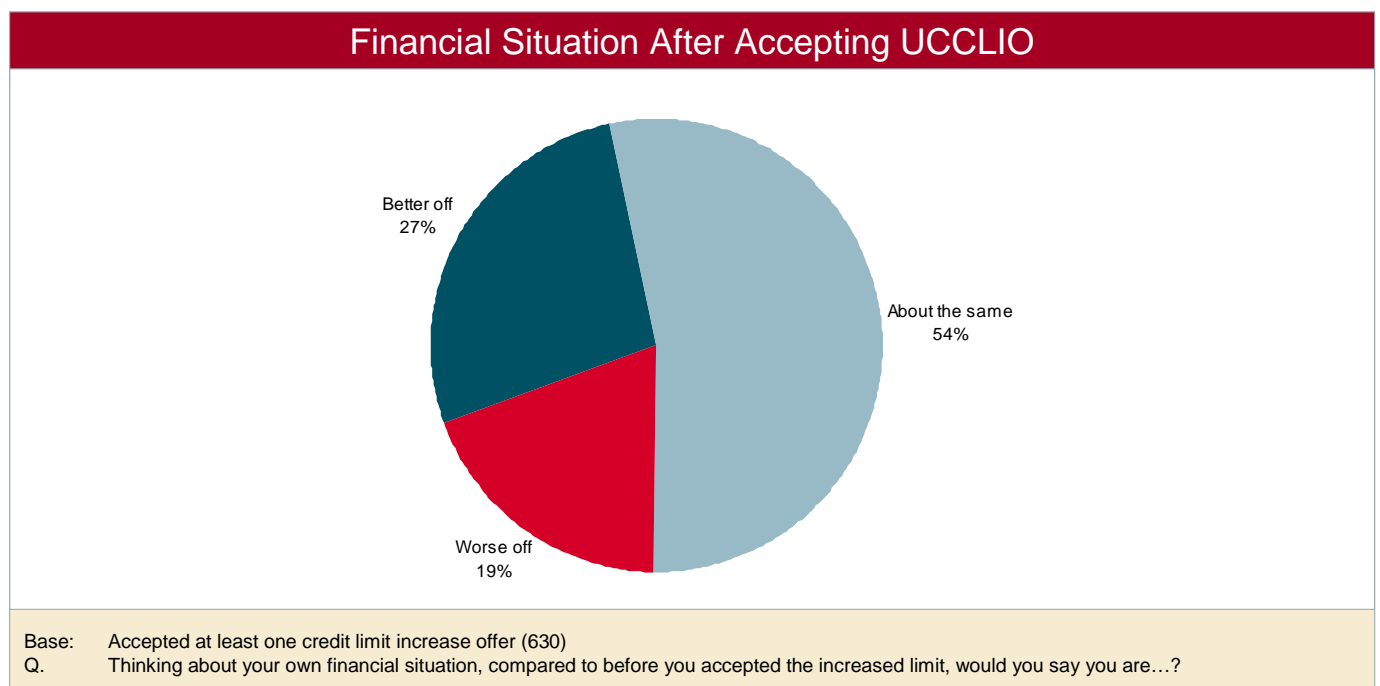
Financial Situation After Accepting UCCLIO

Respondents were asked to consider whether they think their financial situation is better off, worse off or about the same after accepting the increased credit limit. It should be noted that this is a very broad measure of respondent's financial situation and will naturally reflect factors beyond accepting the UCCLIO i.e. changes to income, downturn in economic climate etc.

The majority (53%) believe their financial situation is unchanged after accepting the increased credit limit.

Approximately one in five (19%) believe they are worse off financially after accepting an unsolicited limit increase. Those who only make the minimum payment of their credit card or pay a proportion of the balance when they have cash are more likely to believe that they are worse after accepting the offer.

Almost half (45%) of those who make minimum credit card repayments believe their financial situation is worse off since accepting the increased credit limit. Amongst those who pay a proportion of their credit card balance when they cash available, almost four in ten (39%) believe they are worse off since accepting the offer. This is perhaps not surprising when we consider that about a quarter of these people have maxed out their new limit.



Reasons for Better Financial Situation

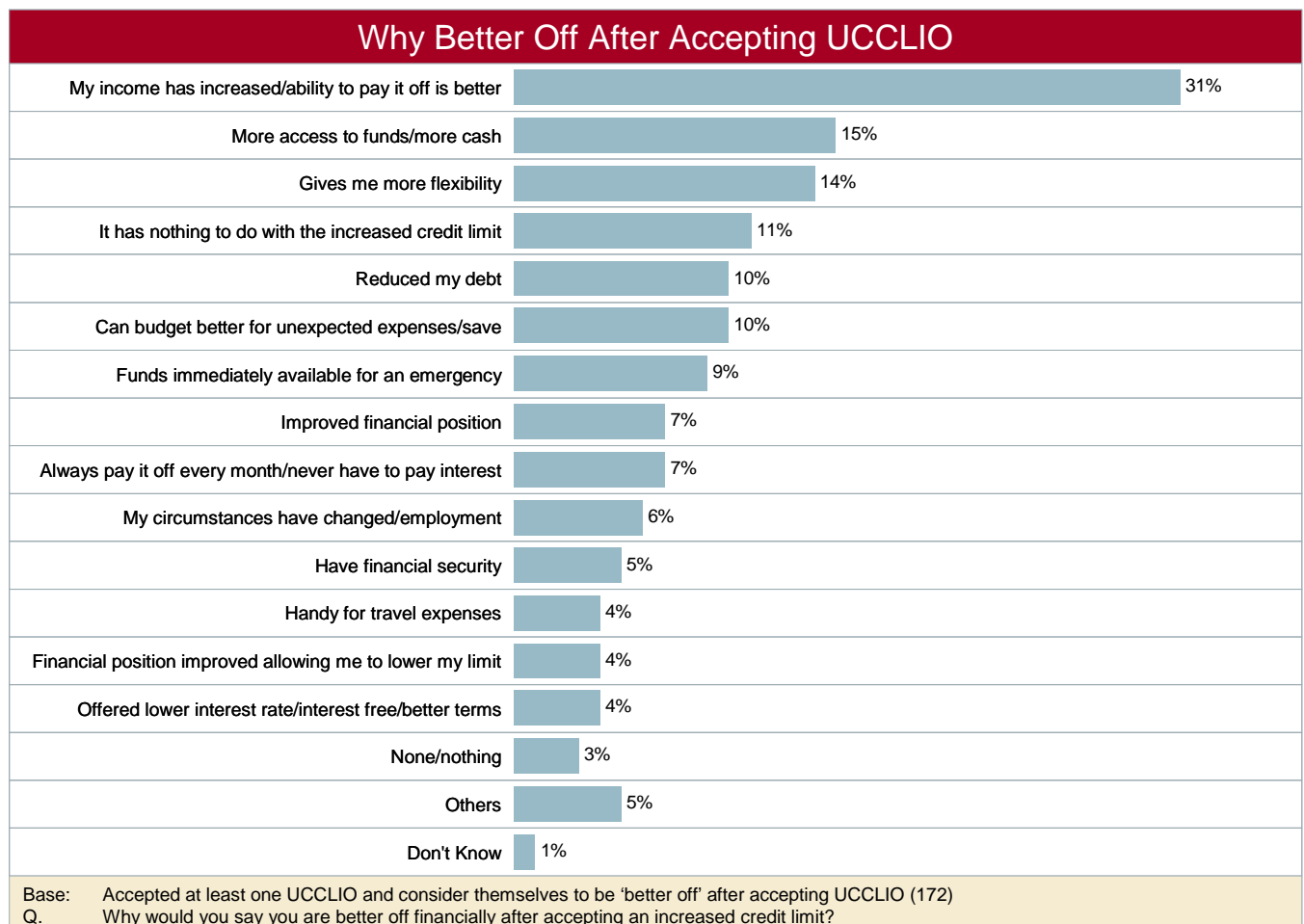
For those who believe they are better off financially since accepting the UCCLIO, the improved financial status has been driven by increased income meaning that they have greater ability to repay the credit card debt.

"Financial position improved allowing me to lower my credit card debt."

"Income improved, mortgage etc paid off."

"My income has changed and I actually owe less money on my credit cards and my mortgage."

"My salary has since increased, and I have access to more funds that I can repay in full each month."



For some respondents the access to funds for unexpected expenses or emergencies and the flexibility of having the extra credit has been a positive contribution to their financial situation.

"Added financial security by having extra funds available in emergency."

"Allowed us to manage expenses whilst building a new house."

"I don't use it very often, but if something unforeseen happens and I need a lot of money urgently I know that it is there."

The financial impact of accepting an unsolicited increase offer can occur in two stages for some credit card holders. In the short term they may be worse off because they have accrued an unmanageable debt.

However, once the problem is recognised and the debt cleared, it appears that some will either revert to their original credit card limit or even an amount below their original limit to avoid getting into debt again.

Once this is achieved these credit card holders believe their financial situation is better off (i.e. once they reverse their UCCLIO).

"I now have that credit limit decreased to \$1,000 which I am able to maintain."

"We have since decreased our credit limit again to \$5,000."

"I was not immediately better off but the repayments were enough to scare me into reducing my debt and subsequently reducing the limit to below my original limit."

Reasons for Worse Financial Situation

Those who indicated that they are worse off financially since accepting the UCCLIO were asked to explain the reasons why they consider their financial situation to be worse off.

One in three cite that the reason for their financial situation being worse off is that they are now in more debt and have overspent. This was also expressed by some qualitative research participants. Approximately one in eight (12%) also recognise that they are now paying more interest and find that it is getting harder to pay back the outstanding debt.

"Because it means I actually owe more money then before and paying more interest."

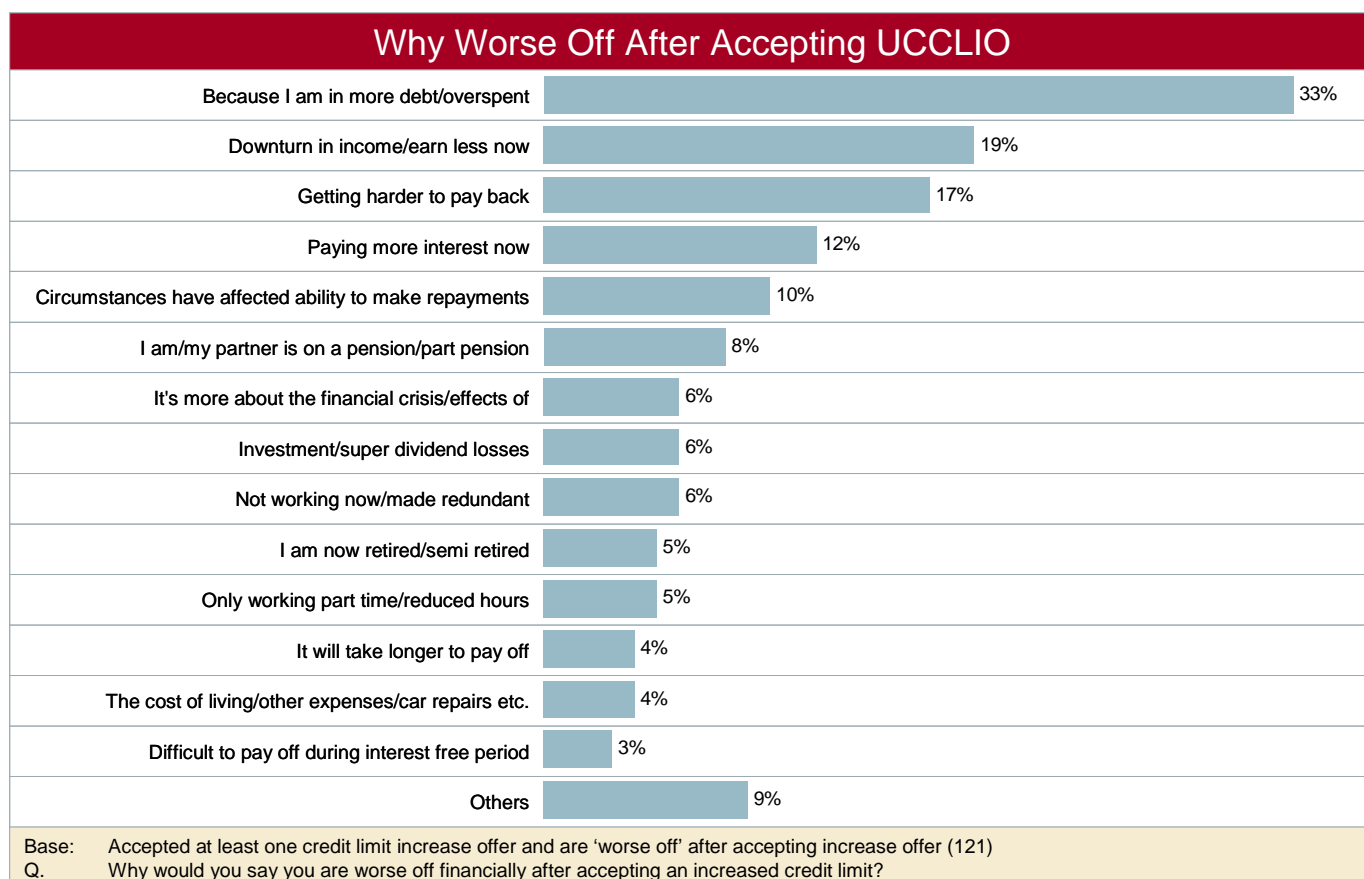
"Not easy to pay it off with all the interest that needs to be paid."

"Increased spending without reducing debt."

"I am forever making payments in an effort to reduce the balance outstanding and also the interest charges."

"My repayments are much higher than I expected."

"You cannot get the amount down."



A downturn in personal income since accepting the UCCLIO has also affected approximately one in five (19%) of these consumers.

"My financial situation has changed and I find it difficult to pay off the full amount during the interest free period."

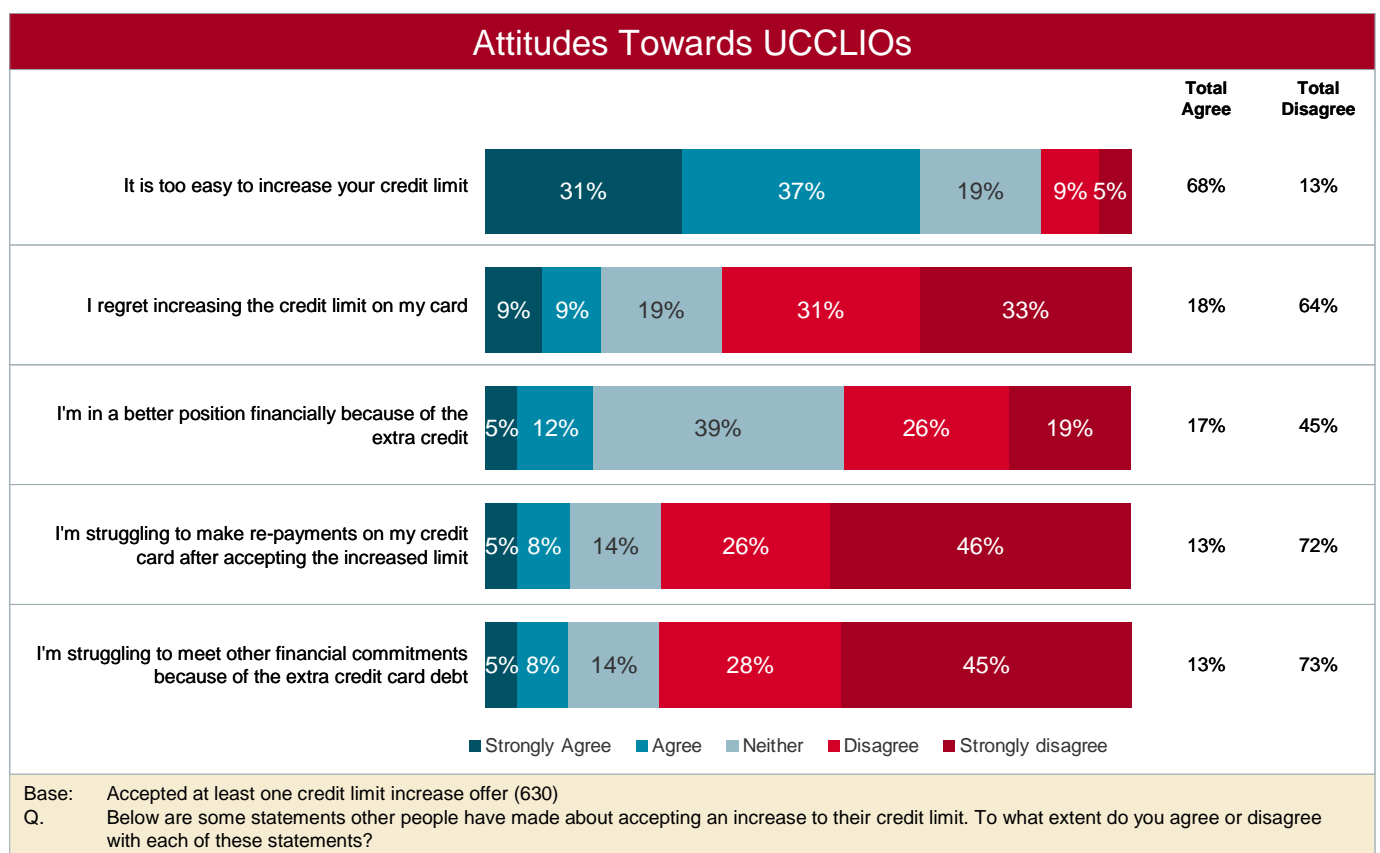
"Because I mismanaged my funds and fallen victim to the credit merry go round when I had employment changes."

"Since accepting the offer I became ill and therefore have not been able to work."

Attitudes Towards UCCLIOs

Respondents were asked to indicate their level of agreement with a series of attitudinal statements about UCCLIOs such as their ability to meet repayments since accepting the UCCLIO, regret associated with accepting the offer etc.

We believe this data is a much stronger measure of the outcome for those who accept these types of offers as the statements describe situations that are a direct result of accepting the UCCLIO, as opposed to the broader measure of “better or worse off”.



There is strong agreement across all segments that it is too easy to increase the limit on credit cards with more than two in three (68%) credit card holders who have accepted a UCCLIO agreeing with this statement. In particular those making irregular payments on their credit card i.e. pay a proportion when they have cash available are most likely to agree with this statement.

Whilst people on a lower income might be more likely to indicate that they are “worse off” since accepting the UCCLIO, when we look at these more specific *attitudinal statements* we see that regret and financial struggles are more dependent on behavioural markers (i.e. make minimum repayments, using balance transfers etc.) than on socio-economic or demographics markers.

Approximately one in six (17%) admit that they regret accepting the credit increase offer. This is significantly higher for those who only make minimum repayments on their credit card (41% regret accepting the offer) or pay a proportion of their credit card balance when they have cash (33% regret accepting the offer). Only a small proportion of those who pay their credit balance in full each month, regret accepting the limit increase (7%).

A sizeable proportion of these consumers who only make minimum repayments also agree that they are struggling to make re-payments after accepting the increased credit (28% strongly agree/agree) and are struggling to meet other financial commitments because of the extra credit card debt (31% strongly agree/agree).

Whilst those on lower income show slightly higher levels of regret about increasing their credit card limit (26% strongly agree/agree cf. 17% for total sample), we see no significant difference in these attitudes by income or employment status segments. Also, while 26% of those on lower income show regret, this pales in comparison to the 41% of those making minimum payments who regret increasing their credit limit.

Table 14: Attitudes Towards UCCLIOs

“I’m struggling to make re-payments on my credit card after accepting the increased credit.”

	(Base) #	Total Agree %	Total Disagree %	Neutral %
Total	(630)	14	72	14
Gender				
Male	(308)	11	74	15
Female	(322)	16	71	13
Age				
18-24 years	(64)	22	69	9
25-34 years	(100)	14	64	22
35-44 years	(129)	15	64	22
45-54 years	(149)	13	76	11
55-64 years	(105)	8	86	7
65+ years	(83)	14	75	11
Number of Credit Cards				
One credit card	(231)	13	76	11
Two credit cards	(223)	14	70	15
Three credit cards	(104)	13	73	14
Four or more credit cards	(72)	17	64	19
Credit Card Repayment Behaviour				
Pay full amount on time	(338)	7	88	6
Make minimum payment on time	(74)	28	41	31
Pay proportion of balance on time	(164)	18	62	20
Pay proportion of balance when have cash	(54)	24	50	26
Usage of balance transfers				
Used balance transfer	(209)	16	64	20
Not used balance transfer	(421)	13	76	11
Employment Status				
Employed	(434)	13	72	16
Unemployed	(20)*	25	65	10
Looking after the home	(36)	17	64	19
Studying	(31)	29	71	
Retired	(109)	10	79	11
Location				
Metro	(473)	14	73	14
Regional	(157)	13	71	16
Household Income				
Household income up to \$35K	(78)	18	65	17
Household income \$35K-\$65K	(158)	15	66	18
Household income \$65K-\$100	(140)	15	71	14
Household income \$100K +	(169)	8	82	9
Health Care Card Status				
Health care card holder	(146)	18	66	15
Main language spoken at home				
English	(527)	13	73	14
Other	(103)	16	68	17

Table 15: Attitudes Towards UCCLIOs

“I’m struggling to meet other financial commitments because of the extra credit card debt.”

	(Base) #	Total Agree %	Total Disagree %	Neutral %
Total	(630)	13	73	14
Gender				
Male	(308)	9	73	18
Female	(322)	16	74	11
Age				
18-24 years	(64)	23	70	6
25-34 years	(100)	10	64	26
35-44 years	(129)	15	67	19
45-54 years	(149)	13	77	10
55-64 years	(105)	8	83	10
65+ years	(83)	11	77	12
Number of Credit Cards				
One credit card	(231)	10	76	14
Two credit cards	(223)	13	74	13
Three credit cards	(104)	17	73	10
Four or more credit cards	(72)	14	61	25
Credit Card Repayment Behaviour				
Pay full amount on time	(338)	6	88	6
Make minimum payment on time	(74)	31	38	31
Pay proportion of balance on time	(164)	15	65	20
Pay proportion of balance when have cash	(54)	22	56	22
Usage of balance transfers				
Used balance transfer	(209)	15	63	22
Not used balance transfer	(421)	12	78	10
Employment Status				
Employed	(434)	13	72	16
Unemployed	(20)*	20	60	20
Looking after the home	(36)	14	67	19
Studying	(31)	19	77	3
Retired	(109)	9	83	8
Location				
Metro	(473)	13	74	13
Regional	(157)	12	70	18
Household Income				
Household income up to \$35K	(78)	18	68	14
Household income \$35K-\$65K	(158)	15	70	15
Household income \$65K-\$100	(140)	10	76	14
Household income \$100K +	(169)	8	79	13
Health Care Card Status				
Health care card holder	(146)	20	66	14
Main language spoken at home				
English	(527)	12	74	14
Other	(103)	16	68	17

Table 16: Attitudes Towards UCCLIOs

“I’m in a better position financially because of the extra credit.”

	(Base) #	Total Agree %	Total Disagree %	Neutral %
Total	(630)	17	44	39
Gender				
Male	(308)	21	41	38
Female	(322)	12	48	40
Age				
18-24 years	(64)	23	31	45
25-34 years	(100)	16	42	42
35-44 years	(129)	13	43	43
45-54 years	(149)	11	51	38
55-64 years	(105)	25	45	30
65+ years	(83)	17	46	37
Number of Credit Cards				
One credit card	(231)	17	44	39
Two credit cards	(223)	16	52	32
Three credit cards	(104)	16	38	45
Four or more credit cards	(72)	18	31	51
Credit Card Repayment Behaviour				
Pay full amount on time	(338)	18	41	41
Make minimum payment on time	(74)	8	58	34
Pay proportion of balance on time	(164)	17	41	42
Pay proportion of balance when have cash	(54)	19	54	28
Usage of balance transfers				
Used balance transfer	(209)	15	41	44
Not used balance transfer	(421)	18	46	36
Employment Status				
Employed	(434)	17	44	39
Unemployed	(20)	30	40	30
Looking after the home	(36)	6	47	47
Studying	(31)	13	35	52
Retired	(109)	18	47	35
Location				
Metro	(473)	18	42	40
Regional	(157)	14	50	36
Household Income				
Household income up to \$35K	(78)	19	40	41
Household income \$35K-\$65K	(158)	19	44	37
Household income \$65K-\$100	(140)	16	44	40
Household income \$100K +	(169)	18	46	36
Health Care Card Status				
Health care card holder	(146)	23	38	39
Main language spoken at home				
English	(527)	14	48	38
Other	(103)	31	24	45

Table 17: Attitudes Towards UCCLIOs

“It’s too easy to increase your credit limit.”

	(Base) #	Total Agree %	Total Disagree %	Neutral %
Total	(630)	68	13	19
Gender				
Male	(308)	62	16	22
Female	(322)	74	11	15
Age				
18-24 years	(64)	58	20	22
25-34 years	(100)	74	8	18
35-44 years	(129)	70	16	14
45-54 years	(149)	69	11	19
55-64 years	(105)	63	17	20
65+ years	(83)	71	8	20
Number of Credit Cards				
One credit card	(231)	69	15	16
Two credit cards	(223)	68	11	21
Three credit cards	(104)	70	13	17
Four or more credit cards	(72)	63	15	22
Credit Card Repayment Behaviour				
Pay full amount on time	(338)	65	15	20
Make minimum payment on time	(74)	70	18	12
Pay proportion of balance on time	(164)	70	10	20
Pay proportion of balance when have cash	(54)	78	7	15
Usage of balance transfers				
Used balance transfer	(209)	68	14	18
Not used balance transfer	(421)	68	13	19
Employment Status				
Employed	(434)	67	15	19
Unemployed	(20)*	75		25
Looking after the home	(36)	78	8	14
Studying	(31)	58	19	23
Retired	(109)	72	11	17
Location				
Metro	(473)	66	14	19
Regional	(157)	74	10	16
Household Income				
Household income up to \$35K	(78)	65	14	21
Household income \$35K-\$65K	(158)	70	13	17
Household income \$65K-\$100	(140)	69	12	19
Household income \$100K +	(169)	62	17	21
Health Care Card Status				
Health care card holder	(146)	66	14	20
Main language spoken at home				
English	(527)	68	14	18
Other	(103)	71	10	19

Table 18: Attitudes Towards UCCLIOs

"I regret increasing the credit limit on my card."

	(Base) #	Total Agree %	Total Disagree %	Neutral %
Total	630	17	64	19
Gender				
Male	308	14	66	20
Female	322	20	63	17
Age				
18-24 years	64	19	72	9
25-34 years	100	17	51	32
35-44 years	129	24	53	22
45-54 years	149	15	64	20
55-64 years	105	10	78	11
65+ years	83	17	73	10
Number of Credit Cards				
One credit card	231	17	68	15
Two credit cards	223	16	63	21
Three credit cards	104	18	60	22
Four or more credit cards	72	19	61	19
Credit Card Repayment Behaviour				
Pay full amount on time	338	7	78	15
Make minimum payment on time	74	41	39	20
Pay proportion of balance on time	164	23	55	23
Pay proportion of balance when have cash	54	33	39	28
Usage of balance transfers				
Used balance transfer	209	22	49	29
Not used balance transfer	421	15	72	14
Employment Status				
Employed	434	18	60	22
Unemployed	20	25	60	15
Looking after the home	36	14	53	33
Studying	31	16	77	6
Retired	109	14	81	6
Location				
Metro	473	16	66	18
Regional	157	20	58	22
Household Income				
Household income up to \$35K	78	26	67	8
Household income \$35K-\$65K	158	19	65	16
Household income \$65K-\$100	140	18	64	18
Household income \$100K +	169	13	65	22
Health Care Card Status				
Health care card holder	146	21	69	10
Main language spoken at home				
English	(527)	18	65	17
Other	(103)	14	58	28

Section 4: Future Credit Limit Increase Offers

Table 19: Likelihood of Accepting Future UCCLIOs

	(Base) #	Definitely or Probably Would %	Unsure %	Definitely or Probably Would Not %
Total	(630)	26	26	48
Gender				
Male	(308)	31	29	40
Female	(322)	21	23	56
Age				
18-24 years	(64)	56	16	28
25-34 years	(100)	26	33	41
35-44 years	(129)	25	29	46
45-54 years	(149)	24	27	49
55-64 years	(105)	18	25	57
65+ years	(83)	16	20	64
Number of Credit Cards				
One credit card	(231)	24	24	52
Two credit cards	(223)	24	25	52
Three credit cards	(104)	25	32	43
Four or more credit cards	(72)	39	28	33
Credit Card Repayment Behaviour				
Pay full amount on time	(338)	30	28	42
Make minimum payment on time	(74)	23	26	51
Pay proportion of balance on time	(164)	20	23	57
Pay proportion of balance when have cash	(54)	20	22	57
Number of UCCLIOs Accepted				
One	(247)	15	64	22
Two	(198)	22	45	33
Three	(185)	44	31	24
Employment Status				
Employed	(434)	29	30	41
Unemployed	(20)	20	15	65
Looking after the home	(36)	11	28	61
Studying	(31)	42	19	39
Retired	(109)	15	14	72
Location				
Metro	(473)	28	27	46
Regional	(157)	20	24	56
Household Income				
Household income up to \$35K	(78)	24	18	58
Household income \$35K-\$65K	(158)	25	21	54
Household income \$65K-\$100	(140)	22	26	52
Household income \$100K +	(169)	34	34	31
Health Care Card Status				
Health care card holder	(146)	20	21	59
Main language spoken at home				
English	(527)	24	26	50
Other	(103)	37	26	37

Likelihood of Accepting Future Credit Increase Offers

Half of those consumers that have accepted an unsolicited increase offer are unlikely to accept future offers.

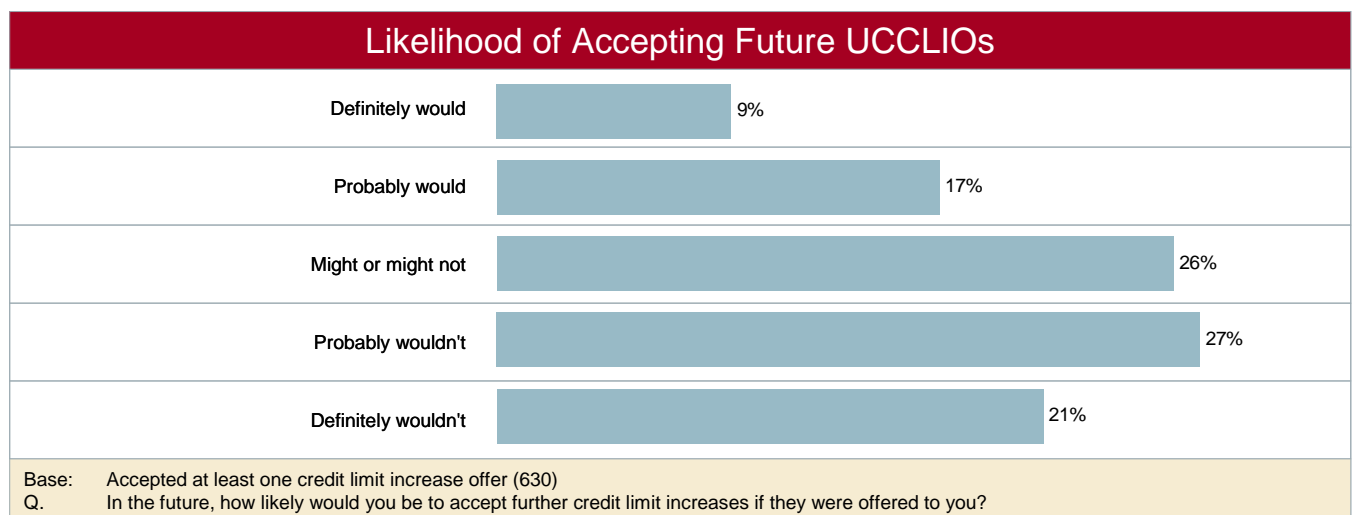
Those most likely to accept future offers include consumers aged 18-24 years (56%), those who have already accepted three or more increase offers (44% definitely or probably would), those with four or more credit cards (39%) and those earning \$100K or above (34%).

Females are less likely than males to accept future increase offers. Almost six in ten (56%) females state that they definitely or probably would not accept future offers compared with four in ten (40%) for males.

Those aged 65 years or older are unlikely to consider future increases to their credit limit with almost two in three (64%) indicating that they definitely or probably would not accept future offers.

Those that have only accepted one UCCLIO in the past are also unlikely to accept any additional offers (64% definitely or probably would not accept future offers).

Those that pay the full amount of their credit balance each month appear to be the more likely to accept future increase offers than those who only make minimum repayments or pay a proportion of the balance when they have cash.



Reasons for Not Accepting Future UCCLIOs

Those who indicated that they definitely or probably would not accept future UCCLIOs were asked to describe the reasons why.

For most, they do not see the need for any additional credit given their current situation and consider the extra credit to be a temptation that will lead to financial burden.

"Simply because I don't want to. It is too tempting to spend up to the limit and get too much into debt. I can currently control the spending and repayments with the existing limit."

"Too tempting to use rather than go without."

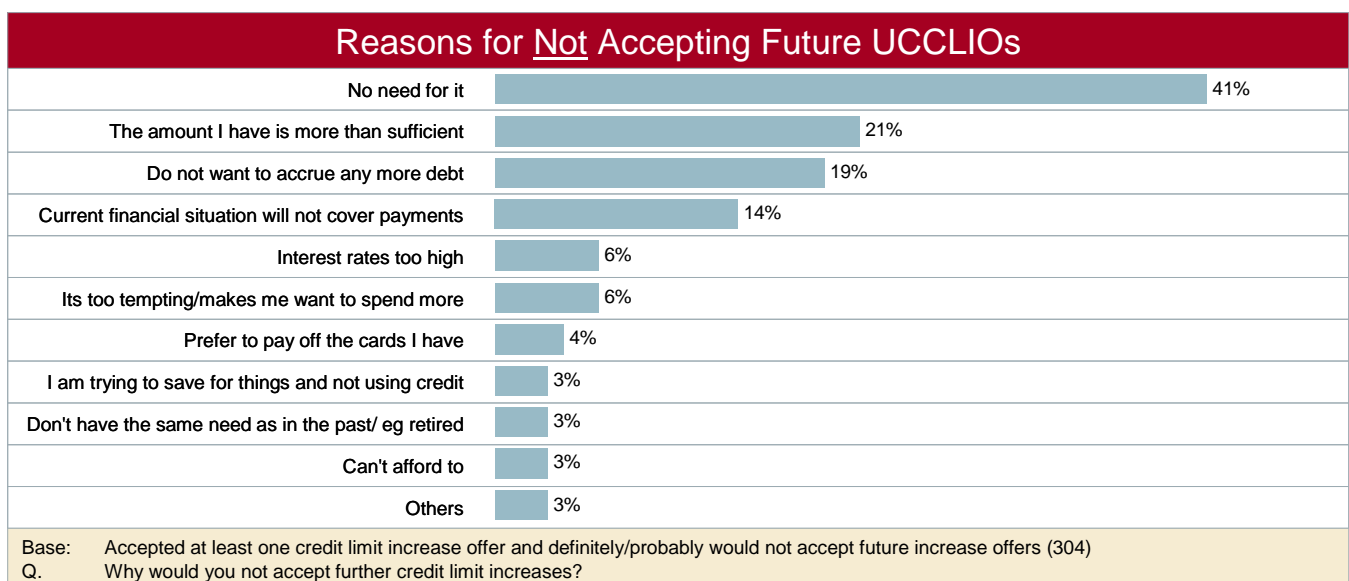
For others it appears they have 'learnt their lesson' after accepting a previous UCCLIO and do not want to accrue any more debt, which is what they foresee if they accept future limit increase offers.

"I have just managed to pay off the card and decreased the limit back to its original amount and do not want to get in that situation again."

"I accepted the increased card limit, when I really shouldn't have, and at the time struggled to pay back the monthly payments. I'm still currently paying the balance off but I'm now in a better financial position and make weekly payments and I'm now well on the way to repaying the debt and no longer use my card."

"I don't want the temptation of 'free' money that credit cards fool me into believing I have."

"Don't want to get caught out again."



The high interest rates associated with credit cards would also deter some respondents from accepting further credit limit increases and there was also some awareness of cheaper alternatives to credit cards.

"The credit is so expensive. I must have wasted thousands of dollars in interest. I could have bought a new car with all of that interest."

"The interest rates are exorbitant and the banks profits are outrageous."

"Because it is too expensive to pay back"

Section 5: Qualitative Case Studies

The Case Studies

Throughout the report, we have included some sentiments from the qualitative research. However, it is also useful to consider the qualitative research as individual case studies. To that end, on the following pages we have provided a summary of the eight case studies, describing their credit behaviour, UCCLIO attitudes and impact of increased credit limits.

Please keep in mind that these are case studies and were intended to support the main quantitative stage rather than be a stand-alone piece of research.

Case Study One – Marissa

Marisa works full time and has three credit cards. Marisa sees credit cards as a necessity, and uses them frequently for purchases, including indulgences (clothes and homewares) and large purchases. She sees credit card points as an incentive to pay with credit. Marisa likes that credit cards are easy to use; however she also feels that they cause people to spend money they don't have and buy things they don't need, creating debt.

Marisa first applied for a credit card ten years ago to use when she was travelling overseas, and since then she has regularly received and accepts offers to increase her credit limit. She has acquired a \$30,000 credit card debt which she is a long way from paying off as she continues to spend...

"I spend too much every month and it never goes away."

She has also maxed out her three credit cards. Marisa admits that she is not diligent when it comes to paying off her credit card debt. She makes minimum monthly repayments, and she admits that the interest is costing her a fortune. She is about to consolidate the debt from one credit card onto her mortgage so that she can get rid of one of her three credit cards. While she acknowledges that she has difficulty managing her debt, she does not feel that her situation is overly dire...

"I'm bad but I'm not that bad."

Marisa has a general understanding of credit cards and interest rates. She believes that all credit cards have an interest rate of around 12%, and that a rate of 16% is too high. She recognises that loans offer a better interest than credit cards, and that credit cards get very expensive if you don't pay them off.

The financial outcomes of accepting UCCLIOs have been negative for Marisa, as they have led to debt. She regrets accepting increases to her credit limit and feels that from now on when she receives a UCCLIO she will ignore it. In the future she hopes to consolidate her debt and refrain from increasing her credit limits any further, however she acknowledges that her spending habits are unlikely to change.

Case Study Two – Suzana

Suzana works full time and has 2 credit cards: 1 for personal use and 1 for work-related expenses. She uses her credit cards to pay bills, for online shopping, and when travelling. Suzana pays for purchases from \$20-\$1000 using credit, and when she does so she “doesn’t feel like [she] is handing over money”. She finds credit cards to be easy and convenient, and advantageous in that you can use them to offset your mortgage and to help you keep track of your purchases.

Suzana pays off her credit cards through monthly repayments (via internet banking). She did have a large credit card debt, and it got to the point where a debt collector was involved. She managed this debt by refinancing her loan, and she claims that her bank (Westpac) were very helpful in this process.

She has a good understanding of how credit/interest works, however she acknowledges that they can be dangerous in that you can pay for things without feeling like you have spent any money. She understands that credit cards are the most expensive form of credit; however she maintains that they are also the most convenient. Her personal credit card has an interest rate of 12%.

The last time Suzana received a UCCLIO was ten months ago. She has received approximately six to ten UCCLIOs in the last five to eight years. In the past she has taken up UCCLIOs after being tempted by the appeal of extra credit. She pays the full balance of her credit card debt each month, so when she receives a UCCLIO she considers it in terms of a lump sum rather than minimum payments.

Suzana regrets having increased her credit limit in the past, as she felt that it made her more likely to spend, which has led to a large debt. She feels that in the past she was too focussed on the short term. Suzana claims that she is unlikely to accept another UCCLIO in the future – if she did, she may accept \$1000, but she wouldn’t be comfortable with it, as she is now uncomfortable with being in debt.

Despite the fact that Westpac were helpful to her when she refinanced her loan, Suzana has a very negative attitude towards banks in general. She finds them immoral and insulting, particularly when one bank offers her a UCCLIO and another credit provider declines her application for a credit card (Virgin). She feels that banks and credit institutions manipulate people by tempting them with more credit...

“They word [the UCCLIO letters] as if they’re doing you in a favour, but they’re just trying to get you into more debt.”

She thinks that a better system would be for people to call the bank if they want to increase their credit limit, rather than receiving a UCCLIO, and that this would mean that less people would find themselves with large credit card debts. She acknowledges that had she not received a UCCLIO from the bank, she would not have requested that her credit limit be increased.

Case Study Three – Roselyn

Roselyn is an unemployed single mother who has an adult son.

She has three credit cards which she uses regularly for purchases over \$20, at restaurants, for large purchases (e.g. a fridge) and to pay for holidays. She likes credit cards because she does not feel comfortable carrying cash around because she is female and she feels that this puts her at a greater security risk. As she doesn't use cash she rarely uses ATMs and instead will withdraw some cash with an EFTPOS purchase if she needs it.

Roselyn finds credit cards convenient, but she is adamant that they must be used with care and that it is important to be disciplined about paying off debt. She used to have a large credit card debt, but she is in the process of paying it off through monthly repayments. Interestingly, Roselyn chose to manage her large credit card debt by dividing it between several credit cards. This way, she feels that she is "spreading the load" of her debt. It appears that she is more comfortable with multiple, smaller amounts of debt, as it may seem easier or less overwhelming to pay it off.

She has some vague ideas about how credit cards and interest rates work, however she has also done counter-intuitive things like spreading the load between credit cards and accepting a UCCLIO to pay off another debt.

Roselyn has a very negative attitude towards UCCLIOS...

"They capitalise on the fact that you will fall prey to temptation and give in for the sake of short-term advantages."

She laments the fact that credit card providers build up customers by congratulating them upon offering them a UCCLIO and bolstering their self-esteem by telling them how great a customer they are. She sees this as manipulative as it preys on people's need to feel good about themselves. She also doesn't like the fact that advice about responsible use of credit is included only in the fine print, which "no one ever reads."

Roselyn regrets accepting UCCLIOS in the past – she feels that she did so because she was too focussed on the short term and didn't think about the debt that she would acquire. However, she feels that she is in control now and will not "fall for them" in the future. She has a large debt which she is committed to paying off, as she is uncomfortable with it.

While she feels that she has "seen the light" when it comes to credit and UCCLIOs, she is worried about how her son will manage them. He applied to the bank for a student loan when he was 19, but was talked into a credit card instead. She feels that he was "exploited" by the bank as they advised him against taking the best option for him.

Case Study Four – Bradley

Bradley is a full-time university student doing a double major in Arts and Music. Bradley's income was previously higher when he was working two part-time jobs, however now most of his income is from Centrelink, and some ad-hoc music jobs.

Bradley got his first credit card when he was 18 years old and completing the final year of his VCE. He had to apply for it with the bank, it was not offered to him. Bradley felt he needed his first credit card to be able to buy the things he wanted. He also likes the convenience of credit cards and being able to get things when you want them – but he acknowledges this is also trap that entices you into buying thing you may not need or not be able to afford.

Over time, Bradley has accumulated 5 credit cards with a total of \$10,000 credit. Most have 'small' limits but one has a larger limit for when he wants to make a larger purchase, like when he bought his camera. He also likes to have the card with the larger limit in case of an emergency, like if he needs to get some work done on his car. Bradley also thought the extra credit would be useful given that his 16 year old sister is moving to France for 12 months and he wants to know that he will be able to buy a plane ticket at the last minute should anything unforeseen happen with her.

Bradley understands that the bank will charge interest on his credit card if it is not paid by the due but he is not sure what the interest rate is or how it is calculated. He guesses his interest rate may be about 17% and that it may be worth applying for a credit card with a lower interest rate, but that it is just too time consuming to do so.

Bradley recently received a UCCLIO from the bank to increase the limit of his credit card. He likes to think he received the offer because he has demonstrated 'responsibility' as they would have not offered it to him if they didn't think he could afford to pay it back. He concedes however, that the extra credit was probably offered to encourage him to spend more.

"They probably offered the extra credit to precipitate me spending more. Everyone is out to make a dollar."

Bradley says that 12 months ago his credit card balances usually hovered around their limit. These days, now that he has less income, he feels that he should get the debt level down so he has been trying to pay extra off them. This has been quite hard in recent months because he is still adjusting to having less income, but he feels he is starting to settle into a new, more modest routine with his spending. He says it's hard though and that credit cards sometime 'trap' you into buying things that you can't afford.

Case Study Five – Jackie

Jackie lives with her husband and two children. Jackie and her husband share one credit card between them. The first credit card they ever got was so they could buy a greyhound and Jackie feels that was a good purchase as the dog's winnings were more than it cost to buy him.

She really doesn't see a need for the two of them to have one credit card each; this is mainly because it will only increase the chances of them getting into trouble like they have in the past. Jackie's intention is to try and make credit card purchases intentional rather than impulse buys and feels that they only really keep their credit card for 'emergencies' such as if they ever get a flat tyre.

In spite of Jackie's good intentions, she finds that she still ends up using the credit card for "everything", including the weekly shopping, paying the bills and holidays. They try to keep on top of their credit card debt though, and usually do these days, by paying any outstanding balance by the due date so that they don't have to incur any interest repayments. While Jackie understands the rule that interest is charged if the balance is not paid by the due date, she admits that she has absolutely no idea how interest is calculated.

In the past, after receiving a UCCLIO from her bank just before Christmas one year, Jackie had her credit card limit increased from \$1,500 to \$2,500. As a result, Jackie and her husband ended up using their credit card more. This resulted in them getting themselves into a bit of trouble as they were struggling to pay off the outstanding balance. After they did manage to pay it off, Jackie decided to call the bank and request that their credit card be returned to its previous limit of \$1,500 to ensure they don't get into trouble again.

For Jackie, UCCLIOs seem to turn up in November every year and she assumes the banks do this deliberately because it is just before Christmas. She also assumes that the banks want you to increase your limit so that you will spend more and not be able to pay it back and therefore incur interest. Jackie feels she has learnt her lesson though, and throws any UCCLIOs in the bin immediately, making a point to rip them up first.

"I just tear them up!"

Jackie intends to keep their limit low and use the credit card just for necessities and emergencies. She feels that she can't trust herself not to use the extra credit if it is available.

"We manage alright with what we have. Don't need the extra credit. Otherwise we may use it."

Case Study Six – Norman

Norman is a pensioner who can barely remember when he got his first credit card. Like most people of his era, Norman says, “they just arrived”. When he first got his credit card he liked the extra flexibility that it gave him. These days, credit cards are very much a part of Norman’s life and most of his purchases are made using credit cards.

Norman has four credit cards, including one main credit card. He usually only pays the minimum payment on his credit cards and accepts that he will just always have a lot of credit card debt and will always pay interest.

He finds it difficult to manage his credit card debt but he is trying to be more cautious as he often does not have enough money to pay it off. These feelings have been more prominent since he became a pensioner and has less disposable income. In the past when Norman worked and earned more money he found it easier to maintain the lifestyle he was used to.

“I don’t have enough money to pay [my credit card].”

Until recently Norman had a credit card limit of \$45,000 and this was also the approximate ongoing level of his credit card debt. In recent months Norman’s bank sent him a UCCLIO to increase his credit card limit by \$5,000. Norman immediately accepted because he was already at the point where he felt that he needed the money. It took Norman only a matter of weeks to use up the extra credit and increase his debt to the new limit of \$50,000. The result is that he is now in the same position as he was when he had a credit limit of \$45,000 (i.e. maxed out credit card debt) except that he is now paying interest on \$50,000 instead of \$45,000.

Norman feels that the changes that have resulted from the increased credit card debt are negative. That said, if Norman could go back to the time of the UCCLIO, he would still have accepted it, but that he won’t be accepting any more UCCLIOs. He tries not to think about though, or as he puts it, “keeps his head in the sand”.

Case Study Seven – Debbie

Debbie first applied for a credit card to be able to access more money, and to be able to make larger purchases. These days she uses it for just about everything including groceries, all bills, and insurance. Debbie also feels her credit card is very convenient, as well as a necessity, to be able buy tickets and other items online.

“[A credit card] helps you get through to pay day.”

Most months Debbie is able to pay her credit card off by the due date. It is important to do this as she feels paying interest is a waste of money, especially as interest on credit cards is high. Debbie thinks the interest rate on her card is about 18%, but it’s been a while since she checked it.

The fact that Debbie gets paid monthly helps her to be able to do this as it means she has a lump sum of money to be able to transfer to her credit card account. It also means that she can keep her spending in check by ensuring that the value of her purchases does not exceed the amount which she knows she will get paid on pay day.

About ten years ago, Debbie had the balance of one credit card transferred to a new credit card. She can’t remember what she did with the other card but she figures she must have just closed it down. What she does remember is how easy it was to transfer the balance – the bank basically took care of it all for her.

In the past Debbie has received UCCLIOs from the bank to increase the limit of her credit card. Most recently, Debbie received a UCCLIO from the bank saying that they were going to increase the limit of her credit card and that she needs to let them know if she *doesn’t* want the limit increased. Debbie didn’t call the bank and the limit of her credit card was increased.

While she was happy to have the extra credit, Debbie also felt uncomfortable that the bank would increase her credit limit in such a way that she would need to call to let them know otherwise. She wondered what would have happened if she never saw the UCCLIO and did not want an increase. Or worse, if she began using the extra credit not knowing it was there. Debbie felt it would be more appropriate for people to have to call the bank if they did want a credit increase, and not the other way around. Especially for people who are not able to pay their credit card off by the due date like she usually does.

Debbie says her spending habits haven’t changed since the limit on her card has increased, but she feels that it is good to have the extra credit amount there. She often goes travelling, including to the Middle East, and it may be useful to have the credit buffer there in the case of an emergency. Debbie believes that insurance claims in the Middle-East can take a long time. Debbie also has concerns about having to evacuate while travelling to such places and a credit card would be useful to have in such a situation.

Case Study Eight – Mike

Mike is a successful businessman owning four companies. He has a wife and two children. For Mike, credit cards are very much a tool which he uses to his advantage; particularly with regards to frequent flyer points.

He believes credit cards are convenient in that you do not have to carry around a lot of cash and you can make purchases online with them. As Mike ensures that all of his credit cards are paid off by the due date, aside from the annual fee (which is tax deductible through his business), there is no cost associated with the convenience.

Mike pays careful attention to the rules of the banks and Qantas to ensure that he earns the most frequent flyer points each month. For example, each credit card will allow him to earn points for spending up to \$10,000 each month. Once spending goes over \$10,000, frequent flyer points are no longer earned. Mike overcomes this by using his first credit card up to \$10,000, and then using his next credit card to \$10,000, and so on.

The responsibility for keeping tabs on the level of spending on credit cards falls on Mike's bookkeeper who lets him know when it's time to start using the next credit card. Very large purchases, such as cars or forklifts, are often purchased using credit cards because it will mean a lot of extra frequent flyer points. Mike feels there is no additional effort in running his business this way, yet he gains a lot of free travel at virtually no cost because he ensures his credit cards are paid by the due date.

If Mike hadn't been sent a letter offering to increase his credit limit he most likely would have got in contact with the bank to request it. He's never had to do this however, as he gets at least one offer every year.

For Mike, business is good and he does not see any need to change the way he currently does business. It's only if the bank starts changing their rules in relation to charges and the acquisition of frequent flyer points that he would start looking into what he felt was the most efficient way to run his business.

Appendix: The Questionnaire

Unsolicited Credit Card Limit Increase Offers (UCCLIO)

Study No.	18372
Client	Consumer Affaires Victoria
Version	Version 2 – 24 th February 2009 (Final)
Research Consultant	Rebecca Lowery

This survey is being conducted on behalf of Consumer Affairs Victoria.

Your answers will remain anonymous and no individual responses will be given to Consumer Affairs Victoria; they will be combined with those from other participants of this research and your identity will not be revealed.

We appreciate you providing honest responses in the survey as the data we collect will be used to make important decisions about the regulation of credit in Victoria with the overall aim of protecting the interests of consumers.

SECTION 1: SCREENER

S1. How old are you? SINGLE RESPONSE	<u>Under 18 years</u>	Terminate	<input type="radio"/> 01
	<u>18 – 24 years</u>		<input type="radio"/> 02
	<u>25 – 29 years</u>		<input type="radio"/> 03
	<u>30 – 34 years</u>		<input type="radio"/> 04
	<u>35 – 39 years</u>		<input type="radio"/> 05
	<u>40 – 44 years</u>		<input type="radio"/> 06
	<u>45 – 49 years</u>		<input type="radio"/> 07
	<u>50 – 54 years</u>		<input type="radio"/> 08
	<u>54 – 59 years</u>		<input type="radio"/> 09
	<u>60 – 64 years</u>		<input type="radio"/> 010
	<u>65+ years</u>		<input type="radio"/> 011

<p>S2. Which of the following financial products do you currently have in your name? They could be either solely in your name or jointly with a partner MULTIPLE RESPONSE.</p> <p>RANDOMISE LIST.</p>	Store card i.e. Myer Card, David Jones card	<input type="checkbox"/>	01
	Credit card	<input type="checkbox"/>	02
	Debit card i.e. debit Visa	<input type="checkbox"/>	03
	EFTPOS debit card	<input type="checkbox"/>	04
	Personal Loan	<input type="checkbox"/>	05
	Car Loan	<input type="checkbox"/>	06
	Home Loan/mortgage	<input type="checkbox"/>	07
	Payday loan	<input type="checkbox"/>	08
	Interest free loan	<input type="checkbox"/>	09
	None of these	<input type="checkbox"/>	10

IF CREDIT CARD (2) NOT SELECTED AT S2 – TERMINATE

<p>S3. For how many years have you had a credit card in your name? SINGLE RESPONSE.</p>	Less than one year	Terminate	<input type="radio"/>	01
	More than one year but less than 18 months	Terminate	<input type="radio"/>	02
	18 months to two years		<input type="radio"/>	03
	More than two years		<input type="radio"/>	04

<p>S4. How many credit cards do you have in your name? Again, they could be either solely in your name or jointly with a partner. SINGLE RESPONSE</p>	One		<input type="radio"/>	01
	Two		<input type="radio"/>	02
	Three		<input type="radio"/>	03
	Four		<input type="radio"/>	04
	Five or more		<input type="radio"/>	05

<p>S5. Have you ever transferred the balance of one credit card to another card i.e. balance transfer? SINGLE RESPONSE</p>	Yes		<input type="radio"/>	01
	No		<input type="radio"/>	02

<p>S6. Which of the following statements best describes how you manage your credit card debt most of the time? SINGLE RESPONSE</p>	I pay the full amount owing by the due date each month		<input type="radio"/>	01
	I make the minimum payment by the due date each month		<input type="radio"/>	02
	I pay a proportion of the amount owing by the due date each month		<input type="radio"/>	03
	I pay a proportion of the amount owing when I have the money available		<input type="radio"/>	04

<p>S7. Have you ever received a letter from your credit card provider with an offer (that you did not request) to increase your credit card limit? Below are some examples of what these offers may look like. SINGLE RESPONSE</p>	Yes		<input type="radio"/>	01
	No	Skip to Classification	<input type="radio"/>	02
	Unsure	Terminate	<input type="radio"/>	03

IF S7(2-3) SKIP TO CLASSIFICATION AND THEN TERMINATE

SECTION 2: CREDIT BEHAVIOUR

<p>Q1. What was the main reason you applied for your first credit card?</p> <p>SINGLE RESPONSE</p> <p>RANDOMISE LIST</p>	<u>To have extra funds for emergencies</u>	<input type="radio"/> 1
	<u>To travel overseas</u>	<input type="radio"/> 2
	<u>To travel in Australia</u>	<input type="radio"/> 3
	<u>To be able to make purchases online or over the phone</u>	<input type="radio"/> 4
	<u>To have extra money to spend on clothes, entertainment etc.</u>	<input type="radio"/> 5
	<u>To have extra funds to make ends meet between pays</u>	<input type="radio"/> 6
	<u>It was part of my mortgage</u>	<input type="radio"/> 7
	<u>I received an offer from my bank</u>	<input type="radio"/> 8
	<u>It was part of an interest free loan</u>	<input type="radio"/> 9
	<u>To be able to track my spending</u>	<input type="radio"/> 10
	<u>To collect reward points such as frequent flyers</u>	<input type="radio"/> 11
	<u>To transfer the balance of another debt</u>	<input type="radio"/> 12
	<u>To have access to extra cash</u>	<input type="radio"/> 13
	<u>To be able to have the occasional splurge or reward</u>	<input type="radio"/> 14
	<u>For convenience</u>	<input type="radio"/> 15
	<u>To establish a credit history</u>	<input type="radio"/> 16
	<u>Other (please specify)</u>	<input type="radio"/> 17

<p>Q2. And for what other reasons did you apply for your first credit card?</p> <p>MULTIPLE RESPONSE</p> <p>SHOW THOSE NOT RECORDED AT Q1</p> <p>RANDOMISE LIST</p>	<u>To have extra funds for emergencies</u>	<input type="checkbox"/> 1
	<u>To travel overseas</u>	<input type="checkbox"/> 2
	<u>To travel in Australia</u>	<input type="checkbox"/> 3
	<u>To be able to make purchases online or over the phone</u>	<input type="checkbox"/> 4
	<u>To have extra money to spend on clothes, entertainment etc.</u>	<input type="checkbox"/> 5
	<u>To have extra funds to make ends meet between pays</u>	<input type="checkbox"/> 6
	<u>It was part of my mortgage</u>	<input type="checkbox"/> 7
	<u>I received an offer from my bank</u>	<input type="checkbox"/> 8
	<u>It was part of an interest free loan</u>	<input type="checkbox"/> 9
	<u>To be able to track my spending</u>	<input type="checkbox"/> 10
	<u>To collect reward points such as frequent flyers</u>	<input type="checkbox"/> 11
	<u>To transfer the balance of another debt</u>	<input type="checkbox"/> 12
	<u>To have access to extra cash</u>	<input type="checkbox"/> 13
	<u>To be able to have the occasional splurge or reward</u>	<input type="checkbox"/> 14
	<u>For convenience</u>	<input type="checkbox"/> 15
	<u>To establish a credit history</u>	<input type="checkbox"/> 16
	<u>Other (please specify)</u>	<input type="checkbox"/> 17

ASK Q3 IF MORE THAN ONE CREDIT CARD – S4 (2-6)

<p>Q3. And what is the <u>main</u> reason you applied for additional credit cards?</p> <p>SINGLE RESPONSE</p> <p>RANDOMISE LIST</p>	<u>Other cards above the credit limit</u>	<input type="radio"/> 01
	<u>To transfer the balance of another credit card debt</u>	<input type="radio"/> 02
	<u>To transfer the balance of another debt</u>	<input type="radio"/> 02
	<u>To get a better interest rate</u>	<input type="radio"/> 03
	<u>To get better reward points</u>	<input type="radio"/> 04
	<u>To get an alternative type of credit card eg. Visa, MasterCard, American Express</u>	<input type="radio"/> 05
	<u>To have more credit available</u>	<input type="radio"/> 06
	<u>It was part of my mortgage</u>	<input type="radio"/> 07
	<u>It was part of an interest free loan</u>	<input type="radio"/> 08
	<u>To have a back-up to my primary credit card</u>	<input type="radio"/> 09
	<u>To have a separate credit card to use for online purchases</u>	<input type="radio"/> 010
<u>Other (please specify)</u>	<input type="radio"/> 011	

SECTION 3: RESPONDING TO UCCLIO'S

<p>Q4. You mentioned that you have previously received a letter from your credit card provider with an offer (that you did not request) to increase your credit card limit.</p> <p>When did you last receive an offer like this?</p> <p>SINGLE RESPONSE</p>	<u>In the last month</u>	<input type="radio"/> 01
	<u>Two to three months ago</u>	<input type="radio"/> 02
	<u>Four to five months ago</u>	<input type="radio"/> 03
	<u>Six months ago</u>	<input type="radio"/> 04
	<u>Seven to twelve months ago</u>	<input type="radio"/> 05
	<u>One to two years ago</u>	<input type="radio"/> 06
	<u>More than two years ago</u>	<input type="radio"/> 07

<p>Q5. And how often would you say you receive offers like this from your credit card provider?</p> <p>SINGLE RESPONSE</p>	<u>Every month</u>	<input type="radio"/> 01
	<u>Every two to three months</u>	<input type="radio"/> 02
	<u>Every four to five months</u>	<input type="radio"/> 03
	<u>Every six months</u>	<input type="radio"/> 04
	<u>Every seven to twelve months</u>	<input type="radio"/> 05
	<u>Every one to two years</u>	<input type="radio"/> 06
	<u>Less than every two years</u>	<input type="radio"/> 07

<p>Q6. Have you ever <u>accepted</u> an offer like this?</p> <p>SINGLE RESPONSE</p>	<u>Yes</u>	ASK Q7-Q9	<input type="radio"/> 01
	<u>No</u>	GO TO Q10	<input type="radio"/> 02

<p>Q7. On how many separate occasions have you accepted an offer from your credit card provider to increase your limit?</p> <p>SINGLE RESPONSE</p>	One	<input type="radio"/>	O1
	Two	<input type="radio"/>	O2
	Three	<input type="radio"/>	O3
	Four	<input type="radio"/>	O4
	Five	<input type="radio"/>	O5
	More than five	<input type="radio"/>	O6

Q8. What were the main reasons you decided to **accept** an offer to increase you credit card limit?

<p>Q9. Before you accepted the offer to increase your credit limit, did you consider what the minimum monthly repayment would be for the new limit?</p> <p>SINGLE RESPONSE</p> <p>NOW GO TO Q13</p>	Yes	<input type="radio"/>	O1
	No	<input type="radio"/>	O2

Q10. What are the main reasons why you have **not** accepted an offer to increase your credit card limit?

<p>Q11a. Did you have to notify the credit provider to decline the offer to increase your limit?</p> <p>SINGLE RESPONSE</p>	Yes	<input type="radio"/>	O1
	No	<input type="radio"/>	O2

<p>Q11b. Have you experienced any problems when trying to reject an offer to increase your credit limit?</p> <p>SINGLE RESPONSE</p>	Yes	<input type="radio"/>	ASK Q12	<input type="radio"/>	O1
	No	<input type="radio"/>	GO TO Q13	<input type="radio"/>	O2

Q12. Can you please describe the problems you have experienced when rejecting an offer to increase your credit limit?

<p>Q13. When you apply for a credit card, you have to provide information about your financial situation i.e. your income, your expenses, other debts etc.</p> <p>Since you first applied for your credit card, would you say that your financial situation has improved, worsened or not changed?</p>	<u>My financial situation has improved a lot</u>	○1
	<u>My financial situation has improved slightly</u>	○2
	<u>My financial situation has not changed at all</u>	○3
	<u>My financial situation has worsened slightly</u>	○4
	<u>My financial situation has worsened a lot</u>	○5

SINGLE RESPONSE

Q14. What do you consider to be the advantages of your credit card provider contacting you to make an offer to increase your credit limit?

Q15. What do you consider to be the disadvantages of your credit card provider contacting you to make an offer to increase your credit limit?

IF Q6(2) SKIP TO CLASSIFICATION

SECTION 4: TYPE OF OFFER

For the rest of the questionnaire we would like you to think about the **most recent** offer you have **accepted** from your credit card provider to increase your credit limit.

<p>Q16. What did you have to do to accept the offer to increase your credit limit?</p> <p>SINGLE RESPONSE</p>	<u>Nothing, the offer was activated automatically</u>	<input type="radio"/> 01
	<u>I accepted the offer via telephone banking</u>	<input type="radio"/> 02
	<u>I accepted the offer via internet banking</u>	<input type="radio"/> 03
	<u>I completed and signed a form and sent it to the credit provider</u>	<input type="radio"/> 04
	<u>Other (please specify)</u>	<input type="radio"/> 05

<p>Q17. Did you accept the full amount of the credit limit increase offered or a lower amount?</p> <p>SINGLE RESPONSE</p>	<u>I accepted the full credit limit increase offered</u>	<input type="radio"/> 01
	<u>I accepted a lower credit limit increase than what was offered</u>	<input type="radio"/> 02

Q18. What was the new credit limit offered?	\$	<input type="text"/>
---	----	----------------------

ASK Q19 IF Q17(2)

Q19. What was the credit limit you accepted?	\$	<input type="text"/>
--	----	----------------------

VALIDATION – Q19 MUST BE LESS THAN Q18 VALUE

Q20. And what was your original credit limit?	\$	<input type="text"/>
---	----	----------------------

VALIDATION - Q20 MUST BE LESS THAN Q19 VALUE and LESS THAN Q18 VALUE

- Q21. Below are some examples of information or advice that may or may not have been included with the offer you received to increase your credit limit.
- | | |
|--|-------------------------|
| <u>Yes, the offer definitely contained this type information</u> | <input type="radio"/> 1 |
| <u>Yes, I think the offer contained this type of information</u> | <input type="radio"/> 2 |
| <u>Unsure if the offer contained this type of information</u> | <input type="radio"/> 3 |
| <u>No, I don't think the offer contained this type of information</u> | <input type="radio"/> 4 |
| <u>No, the offer definitely did not contain this type of information</u> | <input type="radio"/> 5 |

Which of these statements best describes whether you remember seeing this type of information or advice in the offer you received from your credit provider?

SINGLE RESPONSE

"You need to make sure you can maintain payments within the terms of your credit card contract."

"If you believe your personal circumstances have changed, or are likely to change (for example, through loss of employment, maternity leave or increased expenses such as a new loan) or believe that the additional credit may be beyond your means to repay, then you should decline the invitation."

SECTION 5: OUTCOME AFTER ACCEPTING THE OFFER

<p>Q22. How much of the increased credit limit have you used? SINGLE RESPONSE</p>	All of it	<input type="radio"/>	01
	Most of it	<input type="radio"/>	02
	About half of it	<input type="radio"/>	03
	Some of it	<input type="radio"/>	04
	None of it	<input type="radio"/>	05
	GO TO Q24		

<p>Q23. What did you use the extra credit for? MULTIPLE RESPONSE</p>	To pay household bills eg. gas, electricity, water, telephone	<input type="checkbox"/>	01
	To travel	<input type="checkbox"/>	02
	To pay for things such as entertainment and clothes	<input type="checkbox"/>	03
	To buy Christmas presents/to pay for Christmas expenses	<input type="checkbox"/>	04
	To withdraw cash	<input type="checkbox"/>	05
	To pay for grocery shopping	<input type="checkbox"/>	06
	To pay for car related expenses eg. registration, servicing, insurance, petrol etc.	<input type="checkbox"/>	07
	To pay for home renovations	<input type="checkbox"/>	08
	School expenses	<input type="checkbox"/>	09
	To pay an outstanding debt	<input type="checkbox"/>	10
	Other (please specify)	<input type="checkbox"/>	11

<p>Q24. Since accepting the increased credit limit, which of these best describes your credit card balance most of the time? SINGLE RESPONSE</p>	I have no credit available (i.e. I have spent all the credit / maxed out)	<input type="radio"/>	01
	I have some credit available (i.e. I have spent most of the credit)	<input type="radio"/>	02
	About half of the credit is available (i.e. I have spent about half of the credit)	<input type="radio"/>	03
	Most of the credit is available (i.e. I have spent some of the credit)	<input type="radio"/>	04
	All of the credit is available (i.e. I have not spent any of the credit)	<input type="radio"/>	05

<p>Q25a. Thinking about your own financial situation, compared to before you accepted the increased credit limit, would you say you are...? SINGLE RESPONSE</p>	Better off	Ask Q25b	<input type="radio"/>	01
	Worse off	Ask Q25c	<input type="radio"/>	02
	About the same	Go to Q26	<input type="radio"/>	03

Q25b. Why would you say you are better off financially after accepting an increased credit limit?

Q25c. Why would you say you are worse off financially after accepting an increased credit limit?

Q26. Below are some statements other people have made about accepting an increase to their credit limit. To what extent do you agree or disagree with each of these statements?

RANDOMISE STATEMENTS	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
I'm struggling to make re-payments on my credit card after accepting the increased credit	O1	O2	O3	O4	O5
I'm struggling to meet other financial commitments because of the extra credit card debt	O1	O2	O3	O4	O5
I'm in a better position financially because of the extra credit	O1	O2	O3	O4	O5
It's too easy to increase your credit limit	O1	O2	O3	O4	O5
I regret increasing the credit limit on my card	O1	O2	O3	O4	O5

Q27. In the future, how likely would you be to accept further credit limit increases if they were offered to you?

SINGLE RESPONSE

<u>Definitely will</u>	O1
<u>Probably will</u>	O2
<u>Might or might not</u>	O3
<u>Probably won't</u>	ASK Q28 O4
<u>Definitely won't</u>	ASK Q28 O5

Q28. Why would you **not** accept further credit limit increases?

SECTION 6: CLASSIFICATION

C1. Are you...? SINGLE RESPONSE	Male	O1
	Female	O2

C2a. Which of the following best describes your family status? SINGLE RESPONSE	Single person living at home with parents	O1
	Single person living alone or sharing with other adults	O2
	One of a couple living together – no children	O3
	One of a couple with children at home	O4
	Single parent with children at home	O5

C2b. IF CODE 4 OR 5 IN C2a. Are your children aged under 18 or over 18?	Under 18	O1
	Over 18	O2
	Both	O3

C2c. Where do you live? SINGLE RESPONSE	Melbourne	O1
	Regional Victoria	O2

C3. Are you? SINGLE RESPONSE	Working full time	O1
	Working part time	O2
	Unemployed, seeking work	O3
	Looking after the home	O4
	Studying full time	O5
	Studying part time	O6
	Retired	O7

C4. What is the highest level of education that you have achieved? SINGLE RESPONSE	Year 10 or below	O1
	Completed Year 11	O2
	Completed Year 12	O3
	Completed TAFE/technical college	O4
	Completed undergraduate studies	O5
	Completed post-graduate studies	O6

<p>C5. Into which of the following groups would your total annual household income fall before tax? SINGLE RESPONSE</p>	Up to \$25,000	<input type="radio"/> 01
	\$25,001 to \$35,000	<input type="radio"/> 02
	\$35,001 to \$45,000	<input type="radio"/> 03
	\$45,001 to \$55,000	<input type="radio"/> 04
	\$55,001 to \$65,000	<input type="radio"/> 05
	\$65,001 to \$75,000	<input type="radio"/> 06
	\$75,001 to \$85,000	<input type="radio"/> 07
	\$85,001 to \$100,000	<input type="radio"/> 08
	More than \$100,000	<input type="radio"/> 09
	Prefer not to answer	<input type="radio"/> 010

<p>C6. And into which of the following groups would your annual personal income fall before tax? SINGLE RESPONSE</p>	Up to \$25,000	<input type="radio"/> 01
	\$25,001 to \$35,000	<input type="radio"/> 02
	\$35,001 to \$45,000	<input type="radio"/> 03
	\$45,001 to \$55,000	<input type="radio"/> 04
	\$55,001 to \$65,000	<input type="radio"/> 05
	\$65,001 to \$75,000	<input type="radio"/> 06
	\$75,001 to \$85,000	<input type="radio"/> 07
	\$85,001 to \$100,000	<input type="radio"/> 08
	More than \$100,000	<input type="radio"/> 09
	Prefer not to answer	<input type="radio"/> 010

<p>C7. What is the main language spoken at your home? MULTIPLE RESPONSE</p>	English	<input type="checkbox"/> 01
	Mandarin	<input type="checkbox"/> 02
	Cantonese	<input type="checkbox"/> 03
	Vietnamese	<input type="checkbox"/> 04
	Italian	<input type="checkbox"/> 05
	Greek	<input type="checkbox"/> 06
	Arabic	<input type="checkbox"/> 07
	Other (please specify)	<input type="checkbox"/> 08

C8. In which country were you born? SINGLE RESPONSE	Australia	O1
	China	O2
	Vietnam	O3
	England	O4
	Malaysia	O5
	New Zealand	O6
	Italy	O7
	Greece	O9
	Other (please specify)	O10

C9a. Do you own your own home or are you renting at the moment?	Own (includes paying off mortgage)	O1
	Renting	O2

C9b. IF CODE 1 IN C9a Do you have a mortgage on your home?	Yes	O1
	No	O2

C10. Do you hold a Health Care Card from CentreLink?	Yes	O1
	No	O2

DO NOT ASK C11 IF S7 (2-3)

C11. We are interested in understanding more detail about some of the responses you have provided in this survey.	Yes	ASK C12	<input type="radio"/> 1
	No	END SURVEY	<input type="radio"/> 2

Would you be interested in participating in a 1 hour interview either in person or over the telephone?

You would receive \$100 for your time.

SINGLE RESPONSE

C12. Thank you for offering to participate in an interview. We may not need to interview everyone. If you do qualify for the interview, Sweeney Research will contact you in the coming weeks to arrange a suitable time. Please provide your contact details below. Please be assured that these details will not be linked to your survey responses.

NAME:

CONTACT PHONE NUMBER:

BEST TIME TO CALL:

THANK YOU. THAT IS THE END OF THE SURVEY.

Appendix: Examples of UCCLIOs



031

13 November 2007

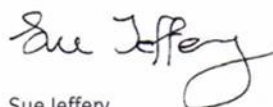
Dear Ms

In recognition of your excellent repayment history, we're pleased to invite you to take advantage of a \$3,000* increase on your ANZ First Free Days Visa card.

Life can be unpredictable at times, which means you never quite know when you may want access to extra credit. A higher credit limit can give you greater financial freedom and help you handle any unexpected obstacles or opportunities life may throw your way.

Simply sign the attached request form below and return it in the enclosed reply paid envelope before **11 December 2007**. Then enjoy the convenience of having extra credit available if and when you want it.

Yours sincerely,



 Sue Jeffery
 Head of Customer Services

* Please see overleaf for important information

Credit Limit Increase Request Form

Ms,

Account Number

Current Credit Limit

New Credit Limit

\$4,000

\$7,000

By requesting this credit limit increase, I understand that:

- > the credit limit on my ANZ First Free Days Visa card will be increased to \$7,000
- > if I use my current credit limit in full, my minimum monthly payment is \$80
- > if I use my new limit in full, this amount will increase to \$140; and
- > I confirm that I can repay this new limit without substantial hardship.

Yes, please increase my ANZ First Free Days Visa card credit limit.

Signature of primary account cardholder

Date

/ /

Please return this form by **11 December 2007** in the reply paid envelope to ANZ Consumer Finance, Locked Bag 10, Collins Street West, Melbourne VIC 8007 and allow at least 21 days for processing. You will receive a confirmation letter when your new credit limit is available to use. Please retain a copy of the covering letter for your records. ANZ reserves the right to decline an applicant who is in default under an existing ANZ credit card account at the time the application form is returned.

20 November 2007



026

You never know when you might need a credit limit increase.

Life can be quite unpredictable. Which is why you put money away for a rainy day. But every now and then, you may need access to more funds in an emergency.

That's why we are pleased to offer you the option of increasing your Commonwealth Bank Awards Visa limit from \$10,000 to \$13,500.

It's easy to make the change

Simply sign and date the request form below and return it by 19 December 2007. We'll then send you a letter confirming your new limit. You may decide that a smaller credit limit increase is all you need. If so, please call 13 2221 or specify the amount you require on the request form. It's that simple.

Know your limits.

Please do not accept this invitation if your personal circumstances have changed, or are likely to change in the future. This could be due to a loss of employment or an increase in your expenses such as a new loan.

For more information, please call us on 13 2221.

If you're happy with your current credit limit, that's great - you don't have to do a thing.

Yours sincerely,

Scott Henricks
General Manager, Retail Sales & Service

I'd like to increase my credit limit.

Card Number:

Current Credit Limit

\$10,000

Proposed New Credit Limit

\$13,500

- Yes, I wish to accept your invitation for a credit limit increase on my Commonwealth Bank Awards Visa from \$10,000 to \$13,500 and understand that, if I were to use the full amount of this new credit limit, the minimum monthly repayment will increase from \$150 to \$203.
- I only wish to increase my credit limit by \$_____ to \$_____ and understand that, if I were to use the full amount of this new credit limit, the minimum monthly repayment will increase by no more than \$15 for every \$1,000 increase in my credit limit.

I agree that if I use the full amount of my new credit limit, I can afford the new minimum monthly repayment.

Signature of Principal cardholder:

Date

 / /

Fill out this form and mail to: Consumer Credit Card & Collections, Reply Paid 72551 PARRAMATTA NSW 2124 or fax to 02 96354200 by 19 December 2007.

Appendix: Qualitative Discussion Guide

UNSOLICITED CREDIT CARD LIMIT INCREASE OFFERS

CONSUMER AFFAIRS VICTORIA

DISCUSSION GUIDE

Reference No. 18372 • April 2009

Discussion Guide

Please keep in mind that the discussion guide is set as a *guide* for the topics of discussion – the moderator will ensure a free-flowing conversation for each interview and this may result in discussion topics in a different order if they deem that a more natural conversation within the interviews. Wording will also vary from what is stated here.

Estimate time: 60 minutes

1. Introduction

(5 mins)

- Moderator to introduce (broadly) the topic and purpose of the interview.
 - Talking about credit cards and specifically offers you received from your bank to increase the limit on your credit card.
- Moderator to assure confidentiality – encourage honest and open answers.
- Respondents to introduce themselves
 - A bit about themselves, their family, work

2. Credit card use *Aim: to explore current credit behaviours*

(10 mins)

- Can you describe how you feel in general about credit cards?
 - What are the advantages/disadvantages of having a credit card?
 - What do you typically use your credit card for?
 - Why did you apply for your first credit card?
 - When did you last apply for a credit card? What prompted you to do this?
 - How many credit cards do you have? (If more than one credit card explore reasons for additional cards)
 - *Moderator to explore reasons behind getting credit cards eg. Security, convenience, extra money etc.*
 - Have you ever transferred the balance of one credit card to another card? What prompted you to do this?
 - In general, how do you manage your credit card debt?
- Can you tell me what you understand about how credit cards work?
 - Do you know in general what interest rate applies to credit cards?
 - How about your own credit cards – what interest rate applies?
 - Is that a good or bad interest rate?
 - How does this interest rate compare to other types of credit i.e. overdrafts, personal loans. (and if they do have a higher interest rate – and know it's higher than what's available – why they would choose a higher interest rate, e.g., because of reward schemes etc)
 - *Moderator to determine if consumers are aware that credit cards are the most expensive form of credit.*

3. Receiving credit limit increase offers *Aim: understand how the offers are perceived by consumers*

(15 mins)

- Tell me a bit about the most recent offer you received from your bank to increase your credit limit
 - When did you receive the offer (time of year etc)?
 - Was this the first time you received an offer like this? How many other offers have you received? Have you accepted any of these other offers?
 - Why do you think the bank sent you this offer?
 - How did you feel when you received the offer?
 - What was your initial reaction to the offer?
 - How much extra credit was offered?
 - Did you think about requesting a smaller increase than they offered?
 - Do you recall seeing any information or advice about "responsible use of credit" in the offer letter? (show examples if required)
 - Why do you think these messages are included in the offer letter?
 - What do these messages mean to you?
 - Did/Would you take this in to account when deciding whether to take up the offer?

4. Accepting credit limit increase offers *Aim: to understand the motivations for accepting the offer*

(15 mins)

- What prompted you to accept the offer?
 - Was there a particular occasion/purchase the extra credit would be used for?
 - Was it an immediate decision to accept the offer? Or did you spend some time considering it?
 - What kind of things did you consider when deciding whether to accept the offer? *Probe on the new minimum repayments, ability to repay the debt, potential changes to financial situation in the future.*
 - Did you have any concerns about accepting the offer?
- What are the advantages of these types of offers?
 - How does this compare to other types of credit i.e. overdrafts, other credit card offers, and personal loans?
 - *Moderator to explore what consumers consider to be enticing about unsolicited increase offers.*
- If you hadn't received an offer like this in the mail, would you have contacted your bank to request an increase to your credit limit?

5. Outcome *Aim: to explore how the credit limit increase has impacted consumers financial situation*

(10 mins)

- Can you tell me a bit about how you have used the extra credit?
 - What would you say have been the advantages/disadvantages of having the extra credit?
 - Have you made any changes to what you use for credit card for?
 - Have you made any changes to how you manage your credit card debt?
 - How are you managing the repayments? Has this changed at all?
 - Do you spend more/less/the same now that you have a higher limit? Would you say you that the extra credit has created more debt or are you in about the same level of debt?
 - *Moderator to explore if the financial outcomes of accepting the increase credit offer have been positive/negative/no change.*

6. Future Offers *Aim: to determine if consumers are likely to consider future credit increase offers*

(5 mins)

- In retrospect, are you happy with your decision to accept the increase credit limit?
 - Why/why not?
- If your bank was to send you another offer to increase your credit limit in the next 6-12 months – do you think you would accept it?
 - Why/why not?

THANK AND CLOSE