

I would like to raise a number of practices current when using credit cards, which might be considered by the Consultation.

While I cannot ascertain all relevant facts, and being somewhat out of date with current practice being retired, my experience as a senior commercial lawyer with a national firm specialising in the finance industry, and a privacy commissioner and ombudsman responsible for financial practices in both the public & private sector, there seems good grounds for questioning the position.

a. The inadequate warning that the charge would be treated as a cash advance and not a normal purchase.

As the difference between a normal charge and a cash advance is substantial, the issue is of broad concern. In one instance there was a small print note requiring scrolling under the 'proceed' button that it 'might' be treated as a cash advance by the card issuer. When questioned, the merchant said it had nothing to do with them, but decided by the issuer. It now appears most if not all issuers will treat it as a cash advance. This should be made clear before the 'proceed' button.

b. The difficulty in ascertaining whether a charge would be treated as a cash advance and not a normal purchase, and by whom that decision is made.

When the issuer was advised that the merchant said the issuer made the decision, they denied that saying it was a matter for the merchant, or the card Mastercard/Visa, not them. The issuer's bank said they played no part in it. These conflicting statements means it is impractical for a user to ascertain in advance how it would be treated.

c. In effect double charging. A merchant fee is charged, consistent with the online statement that it was for the 'purchase' and then interest is charged as a cash advance from that date.

As the merchant charged a merchant fee, and the issuer charged interest from the date of purchase, this appears to me to be double charging.

d. The increases in fees for conversion from a foreign currency charge, often in addition to the spread rate used.

Before the RBA changes, card issues tended to charge a conversion fee of about 1% often in addition to the profit on the spread rate used. This has gradually been increased to the often 3% currently. This seems to me to be a form of surcharge.

W J Orme