

## EXPLANATORY STATEMENT

This Declaration enables the Commonwealth Bank of Australia (the Bank) to unconditionally calculate interest on a daily basis for the use of any of its Visa Card continuing credit contracts.

On 6 July 1992 legal counsel for the Bank advised the Director of Consumer Affairs that the Bank intended to introduce a Visa Card continuing credit contract that has no interest free period. This will require the calculation of interest on a daily basis from the time the money is borrowed, a method of calculation currently prohibited by the *Credit Act 1985* (the Act).

Interest charges for the use of these Visa Cards will be expressed as an annual percentage rate significantly lower than the Bank's other credit card accounts which will continue to provide an interest free period.

The Bank is seeking an exemption from sections 52, 54(2), 55(1), 59(1)(b), 59(1)(f) and clause (1)(n) of Schedule 7 of the Act. These provisions require a credit provider to calculate interest based on the amount owing at the end of each billing cycle. The Act effectively provides that billing cycles shall be based on a period of 24 to 40 days. Accordingly, without this Declaration the Bank would be unable to impose interest from the time an amount is debited to the borrower's account.

The Director of Consumer Affairs does not object to the granting of this Declaration, as other major credit providers have already been granted similar exemptions for their continuing credit facilities. In addition, the other uniform credit States have granted exemptions similar to those contained in this Declaration.