

Kaulkin Ginsberg's

# Global Debt Buying Report

Experts Analyze the Worldwide  
Debt Buying Market

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\$1,995 U.S.

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## Chapter 12: Debt Buying in Australia

### Country Experts:

Colin Day, Collection House Ltd.  
Paul Cooney, ARL Ltd.

<b>Annual data</b>	<b>2005</b>	<b>Historical averages (%)</b>	<b>2001-05</b>
Population (M)	20.4	Population growth	1.1
GDP (U.S.\$B; Market Exchange Rate)	670.3	Real GDP growth	3.1
GDP (U.S.\$B; Purchasing Power Parity)	639.3	Real domestic demand growth	4.4
GDP per head (U.S.\$; Market Exchange Rate)	32,892	Inflation	3.1
GDP per head (U.S.\$; Purchasing Power Parity)	31,369	Current-account balance / GDP	-5.0
Exchange rate (avg) AS:U.S.\$	1.31	FDI inflows/GDP	3.5

Source: The Economist

### ***Purchases***

#### **Debt Types**

Consumer debts involving credit cards, personal loans, retail cards, auto deficiencies, delinquent mortgages, and telecommunications accounts are actively bought and sold in Australia.

#### **Average Age**

These portfolios vary widely in age, so it is impossible to quantify an exact average age of these portfolios. Some Australian debt buyers note that more and more creditors are moving toward forward flow contracts, so the average age of many portfolios in Australia has recently declined. The average age of purchased debt is now estimated to be somewhere between 180 and 270 days of delinquency.

#### **Range of Age**

The youngest portfolios available for purchase in Australia are 90 days old. The oldest portfolios available for purchase in Australia are generally not more than five years old since Australia's statute of limitations for collection of delinquent debt is six years.

#### **Transaction Method**

95% of consumer debt sales in Australia are negotiated directly between the credit issuer and the debt buyer. These transactions typically take place through a closed tender, in which selected parties are invited to participate and express interest in the debt portfolios. Public auctions for the sale of consumer debts are infrequent in Australia.

## **Secondary Market**

It is rare in Australia for debt buyers to resell portfolios. Debt sellers have generally not been comfortable with the concept of “on-selling.” As a result, debt sellers overwhelmingly expect debt buyers to collect purchased debt rather than resell portfolios to others.

### ***Pricing***

#### **Average Prices**

The average prices for debt portfolios in Australia range from 6 to 24 cents on the dollar, with an average price of 10 cents. These prices depend largely on the quality of the credit issuer as well as the age of the underlying debt.

#### **Pricing Change in 2005**

Over the past five years, the prices for bad debt portfolios have increased consistently. Toward the end of 2005, however, some debt buyers began to notice some softening in the prices of delinquent debt portfolios.

#### **Pricing Outlook**

Debt buyers in Australia generally expect that prices will continue to increase, but at a more moderate pace. Some Australian debt buyers expect prices on certain debt portfolios to level out in 2006.

### ***Major Players***

#### **Debt Sellers**

Most of the major banks and finance companies in Australia sell delinquent consumer debt, as do the major telecommunications and utility companies.

#### **Debt Buyers**

The majority of consumer debt portfolios available for purchase in Australia are acquired by five companies, four of which are publicly traded, and all of which specialize in debt purchases and collections.

#### **Largest Debt Buyers**

The largest Australian debt buyers include the publicly traded Baycorp Advantage, Collection House Ltd., Credit Corp Group Ltd., and Repcol Ltd.

## ***Market Size***

### **Statistics**

The Australian market generates somewhere between \$1 and \$1.5 billion AUD (\$1.1 billion U.S.) in face value of debt portfolio sales each year. Industry experts estimate that debt buyers paid between \$100 and \$150 million for these portfolios, and that debt buying companies collect \$150 to \$200 million annually from purchased portfolios.

### **Number of Portfolios**

Between 100 and 200 portfolios of delinquent consumer debt are bought and sold every year in Australia. These portfolios have an average face value of roughly \$7.5 million.

### **Market Growth**

Australian debt buyers estimate their market grew between 10 and 20% in 2005 as larger debt portfolios were made available for sale.

### **Market Development**

The modern Australian debt buying market is about five years old. Near its inception in the late 1980's, creditors were primarily selling portfolios of older, warehoused accounts. In the past few years, as publicly traded debt buyers have provided increased visibility and better financial performance in this market, more creditors are selling portfolios of younger accounts.

## ***Laws***

### **Legal Restrictions**

Under Australian law, consumer debts must be formally assigned to a purchaser after the transaction is complete. In addition, the Trade Practices Act, the Privacy Act, and the Uniform Credit Code influence and control collection practices. However, debt buyers suggest that there are no substantive legal impediments to the future growth of the debt buying market in Australia.

## ***Globalization***

Australian debt buyers see more competition coming from abroad in the near future. However, a number of the sellers of debt in Australia include provisions in their contracts stipulating that collection activity cannot take place outside of Australia. This may limit competition from international debt buyers, particularly if prospective buyers hope to service purchased portfolios from abroad. Additionally, Australian debt buyers generally do not expect to buy paper in other countries, with the possible exception of New Zealand.