

# Dialling up disastrous iPhone bill



Noel Whittaker

The pleasure of a birthday gift quickly turned sour when presented with a four-figure bill for one month's usage.

ONE of the secrets of becoming wealthy is to start with a good foundation and build on it, but occasionally your wealth-creation plans can be blown apart by something that comes out of left field.

The story I am about to tell started eight weeks ago when I bought my wife an Apple iPhone for her birthday.

Choosing gifts for one's spouse is always a challenging chore, especially if Christmas is just a few weeks away, but the iPhone was a hit.

It looked good, felt good, worked superbly and completely overshadowed my trusty BlackBerry.

And I must confess, being a techno nut, that I spent more time with it in the first month than she did. She tended to use it for making phone calls, and to check emails, but I took great joy in checking out the gyrations of Wall Street every morning and also looking at the tides.

That all sounds like bliss, and it was – until the bill came. Can you believe \$1109.75 for the first month! I couldn't. But when you see a charge at \$114.43 for four minutes of internet browsing in off-peak, you can understand how quickly it could grow.

Naturally I was on the phone to Telstra in a flash and discovered very quickly that they even had a special division for iPhone bill complaints. The girl on the other end of the phone confided they had been inundated with calls about excess charges, and even

tried to console me by disclosing that our bill was at the lower end of the spectrum. Apparently bills of \$5000 or more are common.

After some robust discussion Telstra offered to chop the bill in half because the Telstra Shop that sold me the phone had not attached the appropriate roaming package in the first place.

However, they still tried to get me for \$500 because of alleged "very high usage".

Even though the time we had spent on the internet was minimal they were claiming that we had used more than one gigabyte of data.

Fortunately I am surrounded by some very bright young tech-savvy

**"Apparently bills of \$5000 or more are common."**

people who very quickly worked out that Telstra had miscalculated the usage because the itemised bill showed usage of just one-tenth of a gigabyte.

My friends who owned iPhones also told me they were paying no more than \$60 a month for their phone and this included up to one "gig" of downloads.

My "negotiations" with Telstra are continuing but I am sharing this story today in the hope it will prevent a lot of young people from being trapped into serious long-lasting financial problems.

It's easy for us worldly wise grey heads to dispute a bill that is clearly wrong and stay

on the attack until the problems are rectified.

But the attitude of many younger people may well be to say "no way" and throw the bill into the rubbish bin.

That's a justifiable reaction but the problem is that phone companies do not hesitate to take legal action to recover unpaid bills, and a delinquency today can wreck a person's credit way into the future. The implications of a delinquency will come to the surface when they find they are refused a loan for a home because of a black mark on their credit file.

The lessons are clear. If you buy any device that can access the internet, make sure you clearly understand the costs, take out an appropriate plan, monitor your usage closely and appreciate that costs can rise dramatically once you leave the country.

After hearing of my dilemma, one young friend confided that he had been recently hit for \$300 of charges on his iPhone bill just for looking up the stock market on the internet when skiing in New Zealand.

Above all, don't ignore a bill – either pay it or fight until you get satisfaction.

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**Q** In a recent article you stated that an investment bond is technically a life policy. As such, is an investment bond counted as part of the asset test for determining eligibility for the Commonwealth Seniors Card or pensions? I note you mentioned the income from an investment bond does not count as part of the income test.

**A** The Commonwealth Seniors Health Card is income tested but not asset tested. Because eligibility depends on taxable income, accruing bonuses on investment bonds are not taken into account because they are not included in the investor's taxable income. Therefore, owning an investment bond would not affect card eligibility.

**Q** My wife has recently inherited money from her uncle in Norway. She has paid inheritance tax (in Norway) on the money, and transferred the remaining amount to her account in Australia. My wife would like to give \$15,000 to our youngest daughter. Could you advise if there is a limit on how much money can be

given to a dependant child per year, and the best way to invest this money for her.

**A** There is no gift tax in Australia and you are free to give away as much money as you wish whenever you wish. However, if your wife is on Centrelink benefits, gifts in excess of \$10,000 a year will be treated as a deprived asset and will be subject to deeming for the next five years. You should seek advice about investing the money because the best options will depend on the daughter's age and her goals. For example, if she is young investment bonds may be your best choice.

**Q** It has been my understanding that a person's tax return is to record income that has been received, during the financial year of that return. After June 30 any new receipts are part of one's income for the following financial year. A number of companies when forwarding dividends and associated cover notes, after the end of a financial year, state that these earnings were made in the preceding financial year,

and should be shown on the recipient's tax return for that year.

If a person, in early July, has already submitted a tax return based on the amounts actually received during the preceding financial year, will the ATO accept that these late received dividends become income for the year in which they are actually received?

**A** You are correct in your assumption about dividends from direct shares – they should be included as income in the financial year that you received the payment. But it's a different matter with some managed funds because they have transactions throughout the financial year, but the book keeping is not completed until well after June 30. This is why they forward you a statement that details the numbers that are to be included in your tax return for the financial year that is passed.

Send your questions to [noel.whittaker@whittakermacnaught.com.au](mailto:noel.whittaker@whittakermacnaught.com.au)

## Getting to know more about your borrowing habits

By LESLEY PARKER

THE Federal Government has given the nod to a new credit reporting system that will give lenders much more information about consumers – a system credit providers say will help them lend more responsibly, but one some consumer advocates fear may have the effect of actually escalating personal debt.

The Government has accepted most of the recommendations of an Australian Law Reform Commission review of privacy laws that also looked at comprehensive, or "positive", credit reporting.

At the moment Australia has a negative credit reporting

system "and only the bad news counts", the head of external affairs for credit reporting group Veda Advantage, Chris Gratton, says.

Currently, a credit file will show that someone has applied for credit but not whether it was granted, Gratton says. It will list a default – in effect, a payment more than 90 days overdue – but won't show other bills were paid on time.

Under the new system, five further pieces of information will be added to an individual's credit reports: the type of each credit facility they have, the date the account was opened, the date the account was closed, the credit limit, plus the

repayment history for the past 24 months.

A draft bill is expected early next year, with the changes scheduled to take effect on January 1, 2011 – the same time as responsible lending laws come into play under the new National Consumer Credit Code.

"It will give us a system where consumers who ought to be getting credit get fair access to it and those who shouldn't be getting access don't," Gratton says.

"This is the twin to the responsible lending legislation. There's been a lot of pressure on banks to lend more responsibly and, the thing is, that's hard to do if they don't have the tools to do it."

The co-chief executive of the Consumer Action Law Centre, Carolyn Bond, says there are several very positive aspects of the proposed reforms, such as the end to the "merry-go-round" in the event of a dispute. In future, the onus to resolve a problem will be on whichever business the consumer contacts first – whether credit provider or credit agency.

Also, only credit providers who belong to an external dispute resolution scheme will be able to list information. This should prevent instances such as the car dealer who listed a default in "retribution" for the customer complaining about the car to the state fair

trading body, Bond says.

But Bond remains deeply concerned at the plan to allow repayment histories to appear on credit reports.

Research overseas shows that the more information lenders have, the more credit is provided overall, she says. So while the rate of defaults might fall, as the Government suggests, the actual number of defaults might rise because of the increased activity.

Bond says that while the repayment history will allow lenders to better assess customers, "it will also open the door for them to up-sell".

Knowing the bad risks have been weeded out, credit providers may feel free to market more aggressively, she

says, putting on the table more funds than the individual sought or pitching other credit products to them.

Gratton rejects the concerns around increased lending.

"If you have laws in place that say credit providers must lend responsibly and you provide data that allows them to make that decision... that's where the law should be," he says.

"There's a moral question which some consumer advocates make about whether people should have credit but we'd say that adult Australians have the right to make decisions for themselves. Credit, while it's not milk, is not tobacco." SMH