



Good Shepherd
Microfinance

Goods Rental

Rent-to-buy contracts and consumer leases are extremely expensive ways to access household items and can often cost two to five times the retail price of the product.

In comparison, Good Shepherd Microfinance's inclusive financial products enable people on low incomes to own new, energy efficient and high-quality items for a fraction of the cost.

Our Position

- › People on low incomes cannot afford to pay prices that far exceed the market value for household goods, and should be specifically protected by strong and effective legislation.
- › Goods rental customers often find contracts unclear and frequently misunderstand their options for ownership. Good Shepherd Microfinance considers these contracts to be credit-in-disguise, and calls for them to be subject to the same restrictions as payday loans.
- › Goods rental providers should be responsible and ethical and ensure that products are suitable for customers, as they are obliged to do under current regulation. Products should not be designed to lock people into excessively expensive contracts that take years to repay.
- › Genuinely responsible providers of rental goods will be proactive in protecting the most financially excluded, including engaging with consumer advocates, establishing responsible referral pathways to the No Interest Loan Scheme (NILS) and the introduction of Financial Inclusion Action Plans (FIAPS).
- › Legislation for goods rental and consumer leasing is complex, and the avoidance of regulatory requirements and unlawful lending will continue to be a challenge. Our experience confirms that by the time regulators have reacted to breaches in regulation significant harm has already been done.
- › Further investment in inclusive finance is needed to fill the current gap in the market that is creating the increasing demand for consumer leasing.

We call for

Caps and disclosure of the retail mark-up, fees, interest rates and lease lengths of 18 months

Outright limits to the number of payday loans and goods rentals that can be taken

Mandatory credit reporting

Transparent advertising and responsible marketing

The exclusion of goods rental from Centrepay

Low income clients protected by a maximum repayment of 5% of income

Subject consumer leases with a buy option to the same laws as payday loans

The process for reporting breaches in responsible lending laws to be more accessible

Responsible referrals to No Interest Loan Scheme (NILS) and StepUP

The development and implementation of Financial Inclusion Action Plans (FIAPS)

Background

Goods rental companies are booming with the industry estimated at \$525 million and growing rapidly. Business viability is driven by revenue collected from Centrelink clients using the government direct debit system called Centrepay. Recent profit announcements show that half of Radio Rentals' \$197 million revenue in the last financial year came directly from Centrelink through this system. Research by the Australian Securities and Investments Commission (ASIC) and RMIT University in September 2015 revealed that goods rental companies are commonly charging Centrepay customers more for the same goods.

Significant reform of the payday lending laws occurred in 2013, setting caps on interest rates and fees and introducing additional requirements for small amount credit loans. This has created a gap between the regulations applied to payday loans and goods rentals, and the opportunity for businesses to manipulate products to avoid compliance. However, companies offering consumer leases and goods rental contracts must still comply with responsible lending guidelines and ASIC has undertaken successful action against goods rental providers for breaches such as targeting communities in remote Australia.

Recently, the Australian Government tightened access Centrepay for goods rentals, making contracts that are indefinite or for less than four months ineligible for this payment method. We welcomes these new restrictions, however consider that there will be no impact on the vast majority of contracts provided by the largest consumer lease companies.

Laws regarding goods rentals are currently being reviewed by the Federal Government, with a report due in early 2016. Good Shepherd Microfinance prepared a submission as part of this process that can be found [here](#).

About Us

Good Shepherd Microfinance runs Australia's largest community microfinance program, and has reached over 170,000 people and families in partnership with 247 accredited community agencies. Key partnerships include with the National Australia Bank, the Department of Social Services, the Victorian Government and the SA Government.

Good Shepherd Microfinance has a range of programs that provide safe, fair and affordable credit to people who are excluded from mainstream financial providers. The programs include the No Interest Loan Scheme (NILS); StepUp; Good Money; AddsUP and Debt Deduct.

Many microfinance clients have previously rented goods through goods rental companies. Independent evaluations of our microfinance products have demonstrated that they reduce reliance on fringe credit and short term loans with four out of five clients, who had previously used payday lenders, stopping using them since accessing our programs.

Good Shepherd Microfinance believes that all Australians should be financially included as a basic right, with access to affordable and appropriate financial products while being protected from predatory, unfair and inappropriate products.

In line with our values of human dignity, respect, social justice, compassion and reconciliation, Good Shepherd Microfinance will continue to advocate for and provide fair alternatives.



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Research and Policy

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