

Media Release

Embargoed 12:01am until 27 March 2017

120 DAY DELAY INFLICTING GREATER PAYDAY PAIN

Consumer groups call for the Federal Government to take immediate action to protect payday loan and lease borrowers

The Consumers Federation of Australia, CHOICE, Consumer Action Law Centre, Financial Counselling Australia, Financial Rights Legal Centre, Consumer Credit Legal Service (WA) and Good Shepherd Microfinance are calling for the Federal Government to immediately introduce legislation to better protect borrowers of toxic loans and leases and increase funding to financial counselling services and no-interest loans schemes.

"It's been 120 days since the Federal Government responded to the independent review of small amount credit contracts (SACC), stating the importance of implementing the recommendations to protect vulnerable borrowers," says Consumers Federation of Australia Chair, Gerard Brody.

"These industries prey on people on low incomes or in tough spots, trapping them in high-cost products even though they may be struggling to pay for the basics like rent or food. People are often left struggling to pay off multiple loans or leases.

"It's essential that payday lenders and consumer lease companies like radio rentals have to limit how much someone has to devote to these toxic products to 10% of their income. This will see fewer people stuck with dodgy deals like paying over \$3,000 for a clothes dryer worth \$345."¹

On 28 November last year, the Federal Government agreed to introduce legislation that would:

- Cap Consumer lease fees at 4 per cent of the Base Price of the goods per month, for a maximum of 48 months.
- Limit payday loan and consumer lease repayments to 10 per cent of the consumer's net income
- Require equal repayments over the life of a payday loan
- Prohibit monthly fees if a payday loan is repaid early
- Ban unsolicited offers of payday loans to current or previous customers¹

The alliance of consumer groups under the banner of the Consumers Federation of Australia are in Canberra today to urge the Federal Government to act to protect some of our most vulnerable people from these toxic financial products.

"Payday lenders spruik themselves as an easy option to get quick cash but in reality they are a fast track to financial misery. In so many ways, this multi-billion dollar industry trades in hardship and fear and needs to be reined in," says CHOICE's head of media Tom Godfrey.

"It's heart-wrenching when you think that this industry, tipped to be valued at more than \$2 billion by 2018, is built on the pain and suffering of thousands of struggling Australians."

Wooing consumers through television and online advertising as well as in-store promotions, these harmful businesses often target people seeking to replace a vital household appliance such as a washer, dryer or fridge.

"Every day the Federal Government delays this legislation is another day someone walks through our doors in financial distress because of the devastatingly poor practices within this industry," says Financial Rights Legal Centre's Alexandra Kelly.

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The 2015 Small Amount Credit Contract (SACC) Review sought to curb some of the outrageous costs charged by traders in the industry, with most of its recommendations backed by the Federal Government in November 2016.

“Payday loans and consumer leases are often used by people who feel they have no alternative when times get tough, but there are other options,” says Good Shepherd Microfinance’s Adam Mooney.

“We’d like to see the Federal Government increase its investment in safe, smart options such as financial counselling, the No Interest loan Scheme (NILS), and legal assistance.”

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Tips for avoiding payday lenders:

- Speak to a free financial counsellor at the National Debt Helpline on 1800 007 007.
- Apply for the No Interest Loan Scheme (NILS)
- Consider a Centrelink advance