



## Cash in the crosshairs

As concern intensifies about payday lenders preying on vulnerable families, National Australia Bank will today announce a digital venture with the not-for-profit Good Shepherd Microfinance that offers fast online cash loans.

Called Speckle, the initiative will make loans of up to \$2000 that are 50 per cent cheaper than most other small cash advances.

While most lenders charge the maximum fees allowed by the law, Speckle, as a not-for-profit, will significantly undercut other operators.

Fees include a 10 per cent establishment fee and 2 per cent monthly fee, compared to the market norm of 20 per cent and 4 per cent.

The use of short-term cash loans by Australian households has exploded over the past 12 years, up from 356,000 in 2005 to 786,500 in 2017.

Use by women is growing faster than overall market growth.

With an increasingly casual workforce, a rising cost of living and low wage growth, recent research has found that one in five households have used payday loans in the past three years.

The most common reason is cash for household expenses such as food and clothing, which rose

from 30 per cent of respondents in 2005 to 35 per cent in 2015.

Two striking developments have emerged over the decade.

First, the percentage of borrowers using a payday loan for telephone, internet or TV subscription bills, which are now regarded as essential services, has jumped over the same period from 1.2 per cent to 7.8 per cent.

Second, the level of borrowing to repay existing loans has fallen from 18 per cent in 2005 to 10 per cent in 2015.

Federal Labor yesterday called on the Turnbull government to take action against payday lenders exploiting financially stressed households, pointing out that two years had elapsed since recommendations had been received from the government's own small amount credit contract (SACC) laws committee.

To qualify for a Speckle loan, applicants must be over 18, earn more than \$30,000 a year excluding government benefits, have no more than half their total income from government benefits, and no more than a single SACC in the past 90 days.