



MEDIA RELEASE

PEAK CONSUMER BODIES CALL FOR IMMEDIATE ACTION ON THE PAY DAY LOAN LEGISLATION

The Western Australian Council of Social Service (WACOSS), Consumer Credit Legal Service (WA) Inc (CCLSWA) and the Financial Counsellors Association of WA (FCAWA) are calling on the Federal Government to urgently pass legislation to protect vulnerable consumers from the lending practices of pay day lenders.

'Too many vulnerable people are being trapped in a debt cycle as a result of the pay day lending products which charges customers a 20% establishment fee, or \$400 on a \$2,000 loan, and fees upwards of 40%' says Bev Jowle, Executive Officer of the Financial Counsellors Association of WA.

'Financial Counsellors are then having to deal with the aftermath of the spiralling debt cycle many people find themselves in once they realise they can not repay the loan within the specified time'.

Roberta Grealish, Senior Solicitor at CCLSWA says that many vulnerable people call CCLSWA's free telephone advice line when they are experiencing financial hardship and feel trapped in a "debt spiral". Roberta says 'unfortunately many of our callers are at the end of their tether, reforms are necessary to prevent these people from becoming easy prey for unscrupulous payday lenders'.

Consumer groups are concerned that the Federal Government is now stalling the legislation which incorporates the recommendations of the Small Amount Credit Contracts (SACC) review conducted in 2016. These recommendations would see greater regulation of the payday lending industry, however lobbyists from the pay day lending sector are now applying pressure to the government backbenchers seeking a watering down of the proposed changes. Despite a commitment to have these changes presented to parliament in late 2017, recent comments by the assistant Minister to the Treasurer, Michael Sukkar, indicate that the government will progress this legislation this year, but the changes will not apply for another 12 months.

In the meantime, people are enticed by this product that prides itself on how easy it is to obtain with little scrutiny of the consumers capacity to repay the loan and the funds being available in bank accounts 'within 60 minutes'. This is attractive to people on low incomes who cannot borrow from banks and use pay day loan to get by. In fact, many financial counsellors report clients using pay day loans to repay other cost of living debts such as utilities and groceries.

The recommended reforms would see legislation protect people's earnings such that lenders could not seek repayments larger than 10% of their disposable income after all other debts

and cost of living expenses are taken into account. Changes would also prevent customers being hit with continued unsolicited offers to increase their credit level.

'If the Banking Royal Commission tells us anything it's that financial services cannot always be trusted to act in the best interest of their customers. These proposed changes would protect people on low incomes from getting into cycles of crippling debts that simply are not affordable and render them even more financially disadvantaged' says Louise Giolitto, CEO of WACOSS.

Ends.

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