

Committee Secretary
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

19 February 2020

Dear Committee members,

Inquiry into National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2019 (No. 2)

I thank the Committee for the opportunity make a submission in relation to the review of legislation that would finally put an end to the harmful trap that sees so many people fall into debt with payday loans and rent-to-buy contracts. The *National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2019 (No. 2)* – the SACC Bill would make payday loans and consumer leases safer and fairer and I call on the Federal Government to pass this legislation as a matter of urgency.

As a student financial counsellor based in Adelaide, South Australia, I have quickly come across on placement the adverse impact of reckless lenders on everyday people in our community. Payday lenders and providers of consumer leases target vulnerable people. An example of this is a mother of three children (one with a disability) who came to the financial counselling service just before Christmas in 2019 experiencing financial hardship. She had been provided credit from two different pay day lenders and now uses this credit to pay for essential items. The client does not view this credit given to her as a debt and following a review of her Income and Expenditure the current shortfall equates to that of her repayments for the pay day loans. If the proposed amendments included in the SACC Bill were passed, the pay day lenders would have an obligation to review a person's financial position before they became trapped in the cycle of debt.

In 2016 an independent review that was commissioned by the Federal Government recommended that the reforms included in the proposed legislation should be implemented. It's now been more than three years since the Government accepted the majority of those recommendations. Each day that goes by without sensible safeguards, more and more people are harmed. There has already been enough consultation on these reforms.

Payday loans and consumer leases are aggressively marketed to people experiencing vulnerability. This probably prevents them from accessing vital services, such as free and confidential financial counselling or no/low interest loan schemes. Ads on social media and the internet are making payday loans more accessible than ever.

The late fees and charges with payday loans and leases can mean that one loan quickly becomes multiple loans, trapping someone in a cycle of debt. People fall

behind on utility bills and rent, then take out additional loans to try and meet repayments.

The legislation currently includes a 10% cap on repayments. This is to ensure that no more than 10% of someone's fortnightly income can be taken to repay either a loan or consumer lease, leaving them with enough income to cover daily essentials, utilities, and rent. There is a risk that industry will push back on this cap and ask for it to be increased. It is very important the Committee hears that the 10% cap is essential for people to afford a basic standard of living while making repayments.

I call on the Committee to support this legislation and recommend Parliament pass this Bill.

Yours sincerely,

Marissa Payne
Student Financial Counsellor