

20 December 2018

Senator Chris Ketter
Committee Chair
Senate Standing Committee on Economics
Credit and financial services targeted at Australians at risk of financial hardship
Parliament House
Canberra ACT 2600



**Newsagents
Association**
of NSW & ACT Limited

Via email: economics.sen@aph.gov.au

Attention: Mark Fitt
Committee Secretary

Subject: Pay Day Loans – Attempts to Spread Lending to Newsagencies

The Newsagents Association of NSW and ACT Ltd (NANA) is the most significant representative industry association for Newsagents in NSW and ACT. Through our membership of National News and Lotteries Agents Ltd, we are part of the most significant block of Newsagents in Australia.

We appreciate that the deadline for submissions to the enquiry has passed. We believe recent developments in our industry should be brought to the attention of the Committee as it considers issues related to pay day lending.

On 29 November 2018 we wrote to all Members and the wider industry advising that some Newsagents have been offered the opportunity to participate in a pay day lending program, enabling them to derive a small income off the processing of pay day loans which typically have been in the range of \$300 to \$1,000.

In our view, pay day lenders are the bottom feeders of the finance sector. Pay day loans are often viewed as the last resort when those who are challenged socially and financially have nowhere else to turn. The product available in the offer is typically offered through pawn shops, a sector with which NANA sees no value to Newsagents in being associated.

The recent offer to Newsagents typically involves the borrower being charged a 20% establishment fee and 48% annual interest – a total borrowing cost of 68% per annum in the first year.

We question whether Newsagents really want to be involved in a lending system which preys on the less fortunate and which charges astronomical fees and interest rates to those who are often in vulnerable social and financial circumstances?

NANA has also been advised that there may be serious insurance consequences of being involved in these products. Newsagents will also have to consider their existing contractual obligations with being

able to make cash payouts for lotteries products should they be caught short because of paying out one of these pay day loans to a borrower. NANA is also concerned that pay day lending within the Newsagency environment may breach responsible gambling requirements as most Newsagents in NSW and ACT are also authorised franchise outlets for NSW Lotteries Corporation Pty Ltd, part of Tatts Group Lotteries/Tabcorp Ltd. Strict conditions apply to the provision of credit for the purpose of buying lotteries products.



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NANA does not suggest there is anything unlawful about the offer being made to Newsagents. NANA does however suggest that Newsagents can do without being involved in pay day lending programs as they do nothing to enhance the image of Newsagents as responsible businesses supporting their local communities.

Following on from further media reports about the negative impact of pay day loans on the socially and financially challenged, on 5 December 2018 NANA again warned Members and the wider industry that they need to fully think through the offer being made to be involved in pay day lending.

NANA has discussed the pay day lender offer to Newsagents with major industry suppliers, especially those who rely on the wholesome, community focused image attached to Newsagencies. Those suppliers agree with NANA, pay day lending is not something that reinforces the position Newsagents hold in the community. Seeking to make money off socially and financially challenged members of the community is not something NANA recommends to any Newsagent.

NANA has also sought advice on what implications arise for insurance policies for Newsagencies. NANA has warned that professional indemnity sections of business insurance policies may be invalidated if underwriters assess the additional risks associated with pay day loans have not been fully declared by policy holders.

Through its wholly owned subsidiary, Newspaper Insurance Broking, NANA is the largest insurance brokerage in the industry. Newspaper Insurance Broking in conjunction with major underwriters has these pay day lending products under review for possible negative issues and how risks will be assessed.

We have advised Newsagents they should also consider what impact paying out pay day loans may have on their contractual obligations to make lotteries payouts. NANA has raised this concern directly with NSW Lotteries Corporation PTY Ltd and Tatts Group Lotteries/Tabcorp Ltd.

We raise these matters for the information of the Committee.

Yours faithfully

Ian Booth
Chief Executive Officer