

16 January 2019

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

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

Dear Sir/Madam

Senate Economics References Committee - Credit and financial services targeted at Australians at risk of financial hardship – Response to Consumer Action Law Centre case studies

We refer to the Senate Economics References Committee ("**Committee**") inquiry into the credit and financial services targeted at Australians at risk of financial hardship and the public hearing on 12 December 2018.

On the morning of the hearing Cash Converters was provided a copy of a letter submitted to the Committee by the Consumer Action Law Centre ("**CALC**") (copy attached). The letter contained three de-identified case studies involving loans within the preceding 18 months. We understand the case studies arose from phone calls to the CALC legal advice service. We also understand that CALC was not representing the respective consumers referenced in the case studies as noted in our correspondence with CALC.

As the letter was provided on the morning of the hearing, there was no advanced notice or opportunity to verify the information. As a result, Cash Converters was not in a position to respond to the letter or any questions regarding the case studies during the hearing. In this regard, we note that the Committee has kindly provided an opportunity to formally respond to the information presented in the letter.

On 17 December 2018, Cash Converters requested further detail from CALC to allow appropriate inquiries into each case study to be conducted. On 20 December 2018, CALC provided a response to that request which included additional information for two of the three case studies. CALC was unable to contact the relevant consumer for the third case study and consequently no further details, which would allow verification of the information from that case study, were forthcoming.

In the process of preparing a response to the Committee, Cash Converters extended the request for information to Mrs Sandra Blake who appeared at the hearing as a representative of Financial Counselling Australia (letter attached). In particular, a request was made for further information regarding the consumer example referred to in the evidence of Mrs Blake. At the time of the request, Mrs Blake was on leave and remains on leave as at the date of this letter.



Upon receipt of some additional information from CALC, appropriate inquiries have been undertaken by Cash Converters. Those inquiries clearly evidence a number of inaccuracies in the information presented in the case studies to the Committee. Cash Converters reiterates its view that it has operated compliantly within the relevant legislative framework.

Cash Converters also made additional inquiries in relation to the case study referenced in the NILS Network of Tasmania submission. Those inquiries also showed inaccuracies in the case study. Once again, Cash Converters has operated in a compliant manner within the relevant legislative framework.

What is evident from the inquiries Cash Converters has been able to undertake, is the factual inaccuracies within the reviewed case studies are significant and an inaccurate position reflected. The inaccuracies for both the CALC and NILS Network of Tasmania case study are identified in the attached appendix A along with required Hansard corrections.

Your sincerely

Sam Budiselik

Interim Chief Executive Officer

Appendix A

1. Consumer Action Law Centre – case studies

a) Case Study X

No further information was provided to enable an investigation of the claims made.

b) Case Study Y

CLAIM	RESPONSE
'At the time of obtaining the loan, Y had three other concurrent SACCs with other lenders and Cash Converters... This may be a contravention of s118(3A)...'	<ul style="list-style-type: none"> • Cash Converters appropriately Identified all SACCs. • Cash Converters demonstrated the Presumption of Hardship trigger and rebuttal as required under s118(3A) (b). • The system-controlled rebuttal process was reviewed by Deloitte as a part of the enforceable undertaking and deemed appropriate in terms of meeting responsible lending obligations. • In this instance the customer had: <ul style="list-style-type: none"> ○ no SACC in default in 90 days; ○ clean credit history; ○ was a non-PEA applicant; ○ was employed; ○ no bank dishonour fees present on the bank statements; and ○ reason for loan was verified. <p>On the above basis, Cash Converters is satisfied it met its obligations and did not contravene s118(3A) as alleged.</p>
'Cash Converters I&E shows \$0 listed income for Childcare & Insurance expenses... Groceries being only \$172.99/month...'	<ul style="list-style-type: none"> • One insurance payment was identified. The payment was one off in nature, with no other insurance payments made throughout the preceding 90 days of the loan being written. • No payments referencing childcare appear on the bank statements. No childcare or insurance payments were declared by the applicant. • The signed loan documentation clearly identifies the expense categories and the attestation by the customer, upon further and reasonable enquiries, was satisfactory that no childcare (or further insurance expenses) expense was being incurred. • Groceries were calculated as per bank statements and were higher than the customers declaration of \$108/month. A total of \$173/month was used in the assessment.
'..the customer was working casually, receiving Centrelink and..'	<ul style="list-style-type: none"> • The customer was employed with no Centrelink payments evident nor included in the income assessment.
'I&E may not be reflective of a consumers realistic or actual expenses...'	<ul style="list-style-type: none"> • As required by legislation, 90 days of bank statements reviewed and assessed accordingly.

	<ul style="list-style-type: none"> • Further reasonable enquiries were made to validate the income and expenditure assessment. • The higher of a customer declaration or bank statement analysis amount used in all cases. • The customer signed the income and expenditure position as accurate prior to the loan being approved.
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c) Case Study Z

CLAIM	RESPONSE
'had 20 SACC's over 12-month period between 2017 & 2018 ...'	<ul style="list-style-type: none"> • The customer in question had 16 loans in 2017 (11 of which were short term) and 11 in 2018 (7 of which were short term). • The customer borrowed on average \$648 per loan in 2017 and \$480 per loan in 2018. • The customer was employed at the time of loan approval.
'demonstrates the failure to comply with s118(3A) ...'	<ul style="list-style-type: none"> • Cash Converters identified all SACCs and the Presumption of Hardship was triggered under s118(3A). • On the 8/6/2018 a \$500 loan application was declined on the basis the loan could not be made without the customer experiencing hardship. • Where not declined, the Presumption of Hardship as outlined under s118 (3A)(b) was rebutted on the basis of: <ul style="list-style-type: none"> ○ no SACC in default in 90 days; ○ no Centrelink payments received, as customer employed; ○ no DDR reversals/dishonour fees on bank statements; ○ reason for loan verified; and ○ all previous loans successfully settled. <p>On the above basis, Cash Converters is satisfied it met its obligation and did not contravene s118(3A) as alleged.</p> • The core issue in this case appears to be a significant change of circumstances for the customer after the last loan was approved, as follows: <ul style="list-style-type: none"> ○ customer applied for hardship 26/10/2018; ○ customer confirmed lost employment on 1/11/2018; ○ the last loan written was 16/08/2018 and no further lending was permitted once the hardship process was invoked; and ○ Cash Converters ceased accruing any fees and charges.

2. NILS Network of Tasmania – Public Submission response – Payday Loans: a case study

CLAIM	RESPONSE
<p>'The income stated is correct, but the monthly expenditures are grossly understated so that it looks like the applicant has plenty of 'free and uncommitted' income... shows that this budget is at best irresponsible, at worst fraudulent...'</p>	<p>There are number of significant factual inaccuracies in the NILS Network of Tasmania case study.</p> <ul style="list-style-type: none"> • The expense position was not \$93.45 as stated in the NILS submission, it was recorded as \$1681 monthly as outlined in the loan contract. • This resulted in a 52% pre-loan commitment level. • Cash Converters assess 90 days of bank statements as required by law. If no record is apparent on the statement we make reasonable enquiries and rely on the customer declaring their expenses (where greater than what we have deduced from bank statements – if less, the higher amount is used). • Cash Converters factor in essential expenditure, that is, committed expenses. Discretionary purchases may be excluded on the basis they are not deemed essential. • Cash Converters disclose in a transparent manner the fees, charges, total amount owing and final expense position. This is confirmed by the applicant when signing the loan contract. • Cash Converters expense categories have been reviewed by Deloitte and ASIC and approved, as part of the enforceable undertaking process. • Cash Converters check for Centrelink crisis payments, dishonour fees, bank fees, loan disbursements and gambling transactions - all of which were not evident in this case but could contribute to a lending decline if evident. • The expense position outlined in the NILS submission excluded accommodation \$650, groceries \$413 and other expenses \$135. These were all included in the Cash Converters assessment. • There was no evidence of medical expenses on banking statements nor were these declared by the customer.



Level 6, 179 Queen Street
Melbourne, VIC 3000

Info@consumeraction.org.au
consumeraction.org.au
T 03 9670 5088
F 03 9629 6898

12 December 2018

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

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

Dear Sir/Madam

Cash Converters case studies

We provide three de-identified case studies below for your information. All of which involve loans in the last 18 months. These case studies are from calls to our legal advice line service.

Case study X

- X is a Centrelink recipient.
- X obtained a personal loan of \$720 (including establishment fee) from Cash Converters Personal Finance Pty Ltd in early 2018.
- The personal loan involved 18 fortnightly repayments of \$49.27 and one final payment of \$49.14.
- X was assisted by a financial counsellor whose Income and Expenditure statement shows expenses that are not present in Cash Converters Income and Expenditure statement (no account scraping information has been provided). In particular, the Cash Converters Income and Expenditure statement does not include \$270 in childcare expenses and negotiated payments with two other creditors.
- The financial counsellor tells us that based on her Income and Expenditure statement X could not afford to repay the \$49 repayments each fortnight.
- X's case study demonstrates that loan scraping does not include all of a consumer's expenses if those expenses are not being paid from the relevant bank account that is examined by the lender.

Case study Y

- Y obtained a loan for \$1200 from Cash Converters in 2018. The loan was over 38 weeks with repayments of \$41.06 and final repayment of \$40.78.
- At the time of obtaining the above loan, Y had three other concurrent SACCs with other lenders and Cash Converters which are listed in Cash Converters Income and Expenditure statement. This may be a contravention of section 118(3A) NCCPA.
- Cash Converters Income and Expenditure statement shows \$0 listed income for childcare or insurance and groceries being only \$172.99 per month.
- Y was being assisted by a worker who tells us that Y was working casually and receiving Centrelink. Y's worker has reviewed Y's bank statements which she says show a lot of online gambling and she believes the SACC was borrowed for gambling purposes.
- Y's case study demonstrates the failure to comply with the presumption in section 118(3A) NCCPA and that Cash Converters Income and Expenditure statement may not be reflective of a consumer's realistic or actual expenses.

Case study Z

- Z works part time and her husband receives Newstart allowance.
- Z has had 20 SACCs from Cash Converters in a 12 month period between 2017 and 2018. We are instructed that at one stage C had 8 loans on foot.
- We have the I&E Statement from Cash Converters but not loan scraping documents.
- Z instructs: the process for applying for the payday loans - you go in you give them your online banking username and password, you choose your bank who you bank with. They ask utilities, transport, shopping, etc.
- Z's case study demonstrates the failure to comply with the presumption in section 118(3A) NCCPA.

Please contact us on [REDACTED] if you would like to discuss further.

Yours Sincerely,

CONSUMER ACTION LAW CENTRE

Katherine Temple
Acting Director, Policy & Campaigns



4 January 2019

Mrs Sandra Blake
Financial Counselling Australia
Uniting Care Wodonga
PO Box 189
WODONGA VIC 3690

By email: [REDACTED]

Dear Mrs Blake

Senate Economics References Committee - Credit and financial services targeted at Australians at risk of financial hardship

We refer to the Senate Economics References Committee ("**Committee**") inquiry into the credit and financial services targeted at Australians at risk of financial hardship.

Cash Converters has been asked to formally respond to information provided to the Committee and is in the process of preparing a response. In formulating that response, we have sought details which enable us to undertake inquiries and verification of the information presented to the Committee.

At the Public Hearings held on 12 December 2018 you provided the following evidence:

"I see loans issued where there's clearly no capacity to repay that loan. A lady I met last month had 30 Cash Converters loans in the last four years. Three of those loans were issued after a Cash Converters loan had been defaulted and not repaid, and 17 of those loans had been issued when she had two or more loans in the previous 90 days, and that would indicate that she has an incapacity to meet that loan, particularly when you look at her bank statements that show several overdrafts."

We would welcome the opportunity to extend our response to the Committee to include the matter referred to in your statement above. In this regard, so that we can conduct appropriate inquiries and respond to the Committee in an accurate manner, we would be grateful if you could please provide all relevant information along with the customer details.

Given the urgency of our required response to the Committee, we require the information as soon as possible but in any event by no later than **Thursday 10 January 2018**.

In order to expedite the process, please forward any information by email to [REDACTED]

Thank you for your assistance and we look forward to receiving the information.

Your sincerely

Peter Waddell
Senior Legal Counsel