

## **Additional Comments by the Australian Greens**

1.1 The Australian Greens welcome the findings of this committee. We are pleased that Australians at risk of financial hardship have had the opportunity to have their experience examined and that this committee has considered what regulatory frameworks are necessary to protect them.

1.2 We know many Australians struggle to make ends meet. The rising costs of living, wage stagnation, attacks on penalty rates and the inadequacy of government assistance create a ripe environment for predatory lending practices. The Australian Greens strongly believe we need to address the underlying causes of financial hardship, as well as dealing with the excesses of payday lenders who leverage the vulnerability of Australians in financial hardship.

1.3 While we welcome Recommendation 1, which urges the protection of penalty rates and a review of government payments including Newstart, the Greens remain committed to the call of the social services sector to immediately raise the rate of Newstart and Youth Allowance by \$75 a week. We know that current payments are wholly inadequate and call for the rate to be urgently raised.

1.4 We support Recommendation 2 and the adoption of the SACC legislation. However, we also believe this legislation could go further and that maximum interest rate caps should be significantly reduced from 48 per cent. Even if the maximum cap was halved to 24 per cent per annum, a two per cent per month interest rate is still substantially above credit card interest rates, but is a significant reduction from four per cent per month, 48 per cent per annum. This change, in concert with the rest of the report recommendations, would help reduce the impact of payday lenders on vulnerable Australians.

1.5 Buy now pay later services are emerging technologies creating diversity in the market that challenges the monopoly of the big banks and credit card companies. Buy now pay later services are used largely by younger people who are much less likely to use traditional credit products than their parent's generations. Research by Alpha Beta showed that steady declines over the decade leave only 41 per cent of millennials using credit cards compared with two thirds of older generations. Their research indicated that the greater financial pressure on younger people means that they are less likely to use traditional credit products, more likely to budget and use buy now pay later services as a budgeting tool.

1.6 These new models require fit for purpose regulation, especially given the diversity of standards amongst the current and emerging cohort of buy now pay later services. It should be the role of ASIC to understand and regulate this new sector appropriately. We are concerned that the right regulatory balance is struck to allow the convenience and obligation free use of buy now pay later services to continue, and to protect consumers from potential excesses, rorts and exploitation.

1.7 We broadly support the remainder of the report's recommendations and are particularly pleased to see recommendations in support of the Banking Royal Commission, and others designed to bolster financial counselling services and for

community and financial legal services. Vulnerable Australians should be able to access services to support them when they are in need. Equally, they should be able to depend on regulatory frameworks and enforcement regimes that address the predatory behaviour of payday lenders. We believe the recommendations of this report begin to tackle loopholes, compliance, and breaches in the existing regulatory framework.

**Senator Sarah Hanson-Young**  
**Senator for South Australia**