



19 February 2020

Standing Senate Committee on Economics

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

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

Action on payday loans and consumer leases is long overdue. Please; encourage Parliament to pass this Bill as a matter of urgency.

Payday loans and consumer leases cost so much that they cause customers harm

CHOICE regularly conducts research into the experiences of Australian consumers. Our latest polling shows that a significant group of people are struggling financially - 14% of Australians are finding it difficult to get by on their current income. Even more worryingly, a further 6% are finding it very difficult to get by on their current income.¹

These are the people targeted by the payday lending and consumer lease sectors. It is perverse that Australians with the least capacity to pay are being charged excessively high rates for access to credit and basic household goods.

High cost financial products have a lasting and harmful effect on Australians. Modelling completed for the Stop the Debt Trap Alliance, of which CHOICE is a member, estimates that pay day loans have caused 324,000 Australian households to enter into a debt spiral that leads to bankruptcy or other serious consequences.²

This Bill has been delayed by industry lobbying

The *National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2019 (No. 2)* (the Bill) has been gathering dust in various forms for three years.

An independent review of the Small Amount Credit Contracts and consumer leases was conducted in 2015, with a final report delivered in March 2016.³ The Government accepted the

¹ CHOICE, Consumer Pulse survey, sample size: 1068, data has been weighted to ensure it is representative of the Australian population based on the 2016 ABS Census. Fieldwork conducted 14-29 January, 2020.

² [The Debt Trap](#) (2019).

³ https://treasury.gov.au/sites/default/files/2019-03/C2016-016_SACC-Final-Report.pdf

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recommendations of this review in late 2016 and released a draft Bill for consultation in October 2017. We have been waiting for further Government action since then.

The only reason we can see for delay is industry lobbying and opposition.

The Bill is already built on compromise to appease industry - there should be no further amendments

The independent review, on which this Bill draws from, already gave significant weight to the interests of industry. The review was clear that “[t]he recommendations seek to strike an appropriate balance between enabling consumers to access emergency finance when required, optimising their opportunity to improve their financial situation over time, and the viability of an efficient industry. The Panel’s view is that these recommendations should be expected to provide significantly better outcomes for vulnerable consumers.”⁴

We are aware that payday lenders and consumer lease providers strongly oppose some elements of this Bill. The provisions they oppose are those that provide the greatest benefit and protection for consumers. No amendments should be made to this Bill. Protections like the 10% of income cap on repayments and cost caps on consumer lease arrangements are critical.

For further information please contact CHOICE on [REDACTED]

Yours sincerely,

Erin Turner
Director - Campaigns & Communications

⁴ Ibid, p.6.