Good Shepherd
Australia New Zealand

Submission in response to the National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2019 (No. 2)

Senate Economics Legislation Committee

Contents

Good Shepherd Australia New Zealand
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About us

Good Shepherd Australia New Zealand (Good Shepherd) was established to address the critical, contemporary issues facing women, girls and families. We work to advance equity and social justice, and to support our communities to thrive. We aspire for all women, girls and families to be safe, well, strong and connected.

For over 30 years Good Shepherd has partnered with community organisations and peak bodies, local, state and federal governments, and universities to work collaboratively and in place-based settings to improve outcomes for vulnerable people. Our service provision focuses on safety and resilience, economic participation and microfinance, including the delivery of financial inclusion programs to vulnerable people which include No Interest Loans (NILS) delivered in over 600 locations across Australia, Good Money Stores and the provision of financial counselling.

A central part of our purpose is to challenge the systems that entrench poverty, disadvantage and gender inequality. The Women's Research, Advocacy and Policy (WRAP) Centre does this through a range of research, policy development and advocacy activities.

Acknowledgements

We thank the practitioners from Good Shepherd client services who shared their practice wisdom with us and which we have referenced in this submission. Their insights from working with women, girls and families enhance our understanding of the need for regulation of small amount credit contracts and benefits of financial services.

Executive Summary

Good Shepherd welcomes the opportunity to provide a response to the *National Consumer Credit Protection Act (Cth)* (2009) (No.2) (The Bill), including the National Credit Code, to strengthen the regulatory regime for Small Amount Credit Contracts (SACCs) and consumer leases.

The Bill shares strong resemblance to the Government's own Bill introduced into parliament in 2014 which sought to amend the consumer credit system and make it safer for vulnerable consumers.

Good Shepherd strongly supports the Bill's aims to:

- Introduce new protected earnings amounts for SACCs and consumer leases for household goods;
- Impose a cap on the total payments which can be made under consumer leases; and
- Require SACCs to have equal payments and equal payment intervals.

The under-regulation of SACCs and consumer leases are of growing concern and continue to present an issue for many Good Shepherd clients. The proliferation of these products in the market and targeting of vulnerable and low-income people with no capacity to pay back loans is a very real issue.

We welcome the Committee's recognition of the importance of protecting vulnerable consumers of financial products. The proposed changes are an important step toward regulating the consumer credit system, so it is safer, smarter and more accessible. Good Shepherd would welcome further opportunity to provide verbal evidence and expand on any of the points raised in this submission.

Recommendations

Recommendation: Pass the *National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2019 (No. 2)* in its current form.

Recommendation: Endorse the recommendation made by Consumer Action Law Centre to ensure that Buy now pay later providers are also regulated under the *National Consumer Credit Protection Act (2009) (Cth)*. This would mean providers are required to:

- Undertake responsible lending checks;
- Assess an individual's capacity to repay;
- Ensure there are hardship arrangements; and
- Include proper dispute resolution processes are available to consumers.

Recommendation: Ensure the progression of anti-avoidance protections by strengthening ASIC's ability to respond.

Recommendation: For the Committee to look at additional regulation of the payday lending sector to ensure safer lending practices.

- This includes having an eligibility criterion for these products that assesses a person's capacity and willingness to pay; and
- Regulation of the exorbitant costs of payday loans by proposing a cap on loans.

Recommendation: Increased access to tailored financial education is a key area which could empower women's financial capability.

1. Introduction

The National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill (2019) (No. 2) (Referred to hereafter as 'The Bill') seeks to amend the *National Consumer Credit Protection Act (2009) (Cth),* including the National Credit Code.

Good Shepherd supports the amendments outlined in this Bill and has made submissions to previous consultative processes, in support of the proposed amendments. These submissions include:

- Submission to National Credit Reform Green Paper 2010[1];
- Submission to the Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill (2011) – Discussion Paper[2];
- Submission to the National Consumer Credit Protection Amendment (Small Amount Credit Contracts) Regulation 2014 – Exposure Draft[3]; and
- Submission on the Draft Bill to implement Small Amount Credit Contract (SACC) reforms 2017[4].

In previous submissions, Good Shepherd has outlined strong support for the proposed amendments as they will work toward ensuring a balance between consumer choice and consumer protection; and, safeguard people on low and middle incomes who choose to access credit through these channels from becoming financially stressed.

We note there has been no movement since 2014 to make the credit system safer for consumers, despite calls for reforms from those working in the sector. We strongly support the amendments proposed in The Bill and welcome the opportunity to endorse the new Bill and encourage the government to pass the legislation without delay. We also highlight additional recommendations for consideration to further strengthen the consumer credit system.

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[1] This submission is no longer available online and can be provided on request.

[2] See Submission to the Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill (2011) – Discussion Paper: https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/bd/bd1112a/12bd071

[3] See Submission to the National Consumer Credit Protection Amendment (Small Amount Credit Contracts) Regulation 2014 – Exposure Draft: https://treasury.gov.au/sites/default/files/2019-03/C2014-004_Good_Shepherd.pdf

[4] See Submission to Draft Bill to Implement Small Amount Credit Contract (SACC) Reforms: https://goodshepherdmicrofinance.org.au/researchreports/draft-bill-implement-small-amount-credit-contract-sacc-reforms/

2. Predatory Lending Practices

SACCs such as payday loans and buy now pay later schemes require additional regulating and the measures outlined in The Bill are a positive step to addressing the current shortfalls.

The 'Stop the Debt Trap' alliance[5], of which Good Shepherd is a member, has been calling for the government to implement stronger laws to protect Australians from irresponsible lenders (Consumer Action Law Centre, 2020). It is pleasing to see that The Bill specifically outlines recommendations proposed by the alliance, including:

- Introducing a cap on the total payments that can be made under a consumer lease;
- Requiring small amount credit contracts (SACCs) to have equal repayments and equal payment intervals; and
- Removing the ability for SACC providers to charge monthly fees in respect of the residual term of a loan where a consumer fully repays the loan early.

The Bill goes further and also requires regulations to be implemented by making changes to the *National Consumer Credit Protection Act (2009) (Cth)*. These changes include:

- The protected earnings amount for SACCs will be reduced from 20 per cent of a consumer's gross income in relation to Centrelink recipients, to 10 per cent of a consumer's net income for each pay period. This would prevent SACC providers from issuing loans where the repayments of all the customer's SACCs would exceed this proportion of their income.
- Amend the credit regulations to implement a new similar protected earnings amount for consumer leases for household goods. This would mean that lessors would be prevented from entering into a lease contract where the repayments would exceed 10 per cent of the customer's net income for each pay period. This new protected earnings amount on consumer leases will be consistent with the protected earnings amount for SACCs.

Good Shepherd supports the amendments being made to the *National Consumer Credit Protection Act (2009) (Cth)*, seeing them as positive steps to protecting those on income support. However, it is imperative that in order to improve the financial situation of people on low incomes that there is an increase to Newstart and other related payments.

Good Shepherd's financial counsellors advise that their clients survive on advances from Centrelink (Good Shepherd, 2019). The income support system keeps individuals so

[5] See Stop the Debt Trap Alliance, which is a coalition of over 20 consumer advocacy organisations from around Australian including financial experts, community advocates and service provider: https://mailchi.mp/consumeraction/debttrap

impoverished that they are forced into debt by the system itself and often have no option but to look at payday loans and buy now pay later schemes.

People are often going into debt for basic needs that should otherwise be met by income support payments. Even when considered as a short-term payment to tide individuals over between jobs, people are often on Newstart and other related payments for extended periods of time and for situations beyond their control. The payment is entirely inadequate and not enough to cover day-to-day living costs including rent, food, and travel expenses (Good Shepherd, 2019). Our data suggests that there has also been a rise in borrowing to pay utility bills (Good Shepherd Microfinance, 2018).

The Newstart payment in particular, does not factor in the costs associated with a job search, including an appropriate wardrobe, transportation, computer, phone and internet (Richards, Kjærnes & Vik, 2016; Jovanovski & Cook, 2019; Temple, Booth & Pollard, 2019). There is broad agreement across the political spectrum and a range of business leaders that the payment level – which has not risen in 25 years – is too low, and as a result people are forced to look at alternatives such as predatory loans.

2.1 Payday loans

Payday loans are a high cost, small loan (Moneysmart, 2020) that are short-term and designed to tide someone over until 'pay day'. Current working definitions are that the loan is expected to be paid back between 16 days and 1 year. Although this type of loan is technically not legal in Australia (Falk, 2019), the term has become a colloquial one used to describe SACCs.

While legislative changes to increase consumer protections in 2013 were welcome there has been little evidence to show that the changes have made a positive impact (Falk, 2019). Unsafe, unfair and predatory practices within the payday and short-term credit lending market need curtailing so that SACCs do not increase the financial hardship of already vulnerable consumers, especially women.

Individuals reliant on payday loans tend to have high levels of financial stress and struggle to repay the full amount. The Australian Securities and Investments Commission (ASIC) has a payday loan calculator (Moneysmart, 2020), which indicates that a $500 loan repaid at 30 days on time will generate $120 fees, making the total repayment $620.

Good Shepherd supports the need for stronger regulation of payday loan applications, in particular the universal availability of them (including to customers experiencing financial stress). This would include looking at having an eligibility criterion for these products that assesses a person's capacity and willingness to pay.

Recommendation: Pass the *National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2019 (No. 2)* in its current form.

2.2 Buy now pay later

Buy now pay later schemes (BNPL) are not providing credit as defined by the *National Consumer Credit Protection Act (2009) (Cth)*, which has left them largely under-regulated. The lack of compliance has meant providers are not required to meet responsible lending laws.

In line with the concerns expressed by partners and our own research into predatory loans, Good Shepherd has concerns about deferred payment schemes, such as After Pay, due to:

- the temptation by consumers to over-spend or make impulse purchases;
- the lack of hardship provisions;
- the lack of credit checks or other assessments of ability to repay; and
- the high numbers of After Pay and similar debts that are represented in financial counselling cases.

The 'Stop the Debt Trap' campaign has highlighted that high cost fast loans have "a history of non-compliance with responsible lending guidelines. They profit by entrenching Australians in a cycle of debt, limiting their ability to participate actively in the economy and use their money to pay rent, feed their kids or keep the lights on." (Consumer Action Law Centre, 2020).

Despite responsible lending obligations, there is evidence that lenders continue to offer loans to people who cannot afford to pay them (Consumer Action Law Centre, 2020).

While there is no interest charged on services such as Afterpay, there are fees if payments are missed (Mozo, 2020). If a payment is not received by the due date, a late fee of $10 is automatically applied; if a week passes without payment being received, a further $7 fee will be charged. For debts less than $40, fees are capped at $10, but for debts over $40, late fees can accrue to 25 per cent of the value of the purchase or $68 (whichever is less). Additionally, because it is neither a credit nor a debit card, nor affiliated with a bank, Afterpay is not regulated by the Australian Prudential Regulation Authority (APRA) (Mozo, 2020).

An estimated 30 per cent of Good Shepherd clients have an Afterpay or similar account(s) (Parliament of Australia, 2019). The Consumer Action Law Centre has also reported seeing many clients with multiple debts, including credit card, payday loans, overdue utility bills and Afterpay. This allows access to multiple advances. An ASIC study also found that 40 per cent of users had incomes of less than $40,000, and 23 per cent of debts were paid off using a credit card.

In August 2018, ABC News reported that Afterpay earned almost 25 per cent of its income (with the balance coming from merchant fees) from late fees; this represents a 365 per cent increase from the prior year, to $28.4 million (Chau, 2018).

As Queensland Legal Aid (Taylor, 2019) argues, the lack of regulation on this credit source means that they are not required to provide hardship provisions which leads to a transfer of debt from one platform (e.g. Afterpay) to another (e.g. credit card).

The 2016 SACC Review Report outlined that laws applying to SACCs and consumer lease providers "should be designed in a way that promotes financial inclusion and attempts to protect consumers from descending into a spiral of financial exclusion" (The Treasury, 2016). While government has accepted most of the Reviews' recommendations, it is unlikely that we will see a regulation of the exorbitant costs of these loans unless the government intervenes and proposes a cap on loans.[6]

Anti-avoidance protections

At present BNPL providers are not regulated under the *National Consumer Credit Protection Act 2009*. However, BNPL products do fall under the definition of 'credit facility' under the ASIC Act, and the definition of 'credit' under the credit reporting provisions of the *Privacy Act 1988* (Cth) (Consumer Action Law Centre, 2018). We endorse the recommendation made by Consumer Action Law Centre to ensure that BNPL providers are also regulated under the *National Consumer Credit Protection Act 2009*. This would mean providers are required to:

- Undertake responsible lending checks;
- Assess an individual's capacity to repay;
- Ensure there are hardship arrangements; and
- Include proper dispute resolution processes are available to consumers.

While ASIC has been making strides in trying to regulate the sector and crack down on dubious lending practices, it is apparent there is unscrupulous behaviour from the sector that ignores proper lending guidelines. We recommend there is additional support of ASIC so it can effectively regulate the sector and progress anti-avoidance protections. This could take the form of additional staffing capacity to regulate the sector within ASIC.

Good Shepherd strongly supports The Bill preventing the door-to-door selling of consumer leases at residential homes. As a minimum standard, providers should not be lending to people who are vulnerable, not in stable employment or in insecure housing. However, anecdotal evidence from Good Shepherd practitioners suggests that providers have a history of targeting people from low socio-economic backgrounds.

There is also evidence of payday lenders presenting during disaster recovery events, and the under regulation of these services presents a real problem. Vulnerable people who may not have access to emergency relief assistance are turning to payday lenders for quick cash as an instant solution (Taylor, 2019). Ancillary financial services such as debt recovery agencies also present an issue for people in crisis, and while they must not harass, mislead or take unfair advantage of vulnerability as per the Australian Competition & Consumer Commission guidelines (Australian Competition & Consumer Commission, 2020), unscrupulous behaviour is occurring.

[6] This recommendation has also been suggested by the Consumer Action Law Centre in their submission to the Inquiry on Targeted Australians Risk Financial Hardship. See: https://consumeraction.org.au/inquiry-targeted-australians-risk-financial-hardship/

While it is positive to see that The Bill explicitly outlines preventing consumer leases being sold door-to-door, it is worthwhile exploring the ease and availability of SACCs and consumer loans online and ensuring that anti-avoidance protections extend to the online domain. Feedback from Good Shepherd practitioners reveals that the convenience and ready availability of payday loans and rent to buy schemes online makes them attractive for consumers. Even with a relatively quick turnaround, NILS can take up to 48 hours to process. Women in particular, are most likely to use online methods to get loans quickly, conveniently and confidentially. Many lenders are exploiting this with considerable investments in sophisticated online platforms. Only 5.6 per cent of payday loans originated online a decade ago (Stop the Debt Trap, 2019). That figure was expected to reach 85.8 per cent in 2019 (Stop the Debt Trap, 2019).

We reiterate our call for the government to ensure that the unsafe, unfair and predatory practices within the payday and short-term credit lending market should be curtailed so that small amount credit contracts do not increase the financial hardship of already vulnerable consumers, especially women.

Recommendation: Endorse the recommendation made by Consumer Action Law Centre to ensure that Buy now pay later providers are also regulated under the *National Consumer Credit Protection Act (2009) (Cth)*. This would mean providers are required to:

- Undertake responsible lending checks;
- Assess an individual's capacity to repay;
- Ensure there are hardship arrangements; and
- Include proper dispute resolution processes are available to consumers.

Recommendation: Ensure the progression of anti-avoidance protections by strengthening ASIC's ability to respond.

2.3 Women and Payday Lending

Based on household data, women are more likely to live in households below the poverty line than men (Good Shepherd, 2019). As such, women's financial security is a cornerstone of the activities undertaken by Good Shepherd and through our services there has been noticeable patterns of financial behaviour that women engage in. It is apparent that predatory lending practices have a particularly harmful effect on women.

Research commissioned by Good Shepherd in 2018, and conducted by Digital Finance Analytics (DFA), on 'Women and Payday Lending' offers unique insights into the role and impact of payday lending in Australia, how women are using these products and what the specific drivers are (Good Shepherd Microfinance, 2018).

This research indicates three discrete groups of women using payday loans including single women, single parents and families. Single parents have the highest poverty rates at 32 per cent and children in single-parent families have a poverty rate of 39 per cent. They are more than 3 times as likely to live in poverty as children in couple families (Good Shepherd, 2019).

Single women and single parent families are most likely to opt for payday loans to get themselves out of financial distress, and often have concurrent loans (Good Shepherd Microfinance, 2018). Analysis of women's payday lending habits show they use these loans to pay for car expenses, utility bills and other one-off items. These are also the same women who "admit to the highest levels of chronic overspending and poor budget management" (Good Shepherd Microfinance, 2018).

Our research has found that while the average size of a payday loan fell between 2015-2017 from $776 to $613 for the general population, for women the figure rose significantly from $427 in 2005 to $651 in 2017. The research outlines several factors for this including:

- The proportion of loans to women has increased between 2005 and 2017;
- More single women are receiving loans;
- Lenders have changed their lending criteria; and
- Women are experiencing greater levels of financial stress and borrowing more.

In fact, women's use of payday lending has grown between 2005 and 2015 from 84,000 to 177,000 respectively, and then to 222,000 in 2017 (Good Shepherd Microfinance, 2018).

Increased access to tailored financial education is a key area which could empower women's financial capability and decision making.

No Interest Loans (NILS)

NILS provide a safe and affordable alternative to the high cost finance options provided by payday loans or 'rent to buy' products, which promise fast cash, but often compound a person's financial situation (Good Shepherd Microfinance, 2020).

Good Shepherd offers loans up to $1,500 from 160 community organisations at 625 locations across Australia. To be eligible for NILS you must have a healthcare or pension card, earn under $45,000, have lived in your current residence for three months, and have a willingness and capacity to repay the loan. There are no credit checks with NILS loans.

Women represent 66 per cent of NILS clients, and 23 per cent of clients identify as Aboriginal and Torres Strait Islander. Our research shows that four in five NILS clients are moving away from crisis and hardship towards stability and resilience – achieving economic mobility. Four in five NILS clients who have previously used payday lenders in the past have stopped using them since accessing NILS (Good Shepherd, 2020). The NILS program is supported by the Australian Government as part of its five-year, $33.3 million investment in microfinance, and Good Shepherd's long-standing corporate partner the National Australia Bank (NAB).

Some key facts about NILS:

- 33 per cent of clients live in single parent families with dependents
- 22 per cent identify as Aboriginal or Torres Strait Islander
- 68 per cent of loan recipients were women
- 95 per cent of loans are fully repaid
- 205,000 people have been reached through the NILS program.

Recommendation: For the Committee to look at additional regulation of the payday lending sector to ensure safer lending practices.

- This includes having an eligibility criterion for these products that assesses a person's capacity and willingness to pay.
- Regulation of the exorbitant costs of payday loans by proposing a cap on loans.

3. Financial Inclusion

Good Shepherd believes that all Australians should be financially included as a basic right, with access to affordable, appropriate financial products and services. However, seventeen per cent of adults in Australia experience financial exclusion and are unable to access a small amount of credit, a transaction account or general insurance (Good Shepherd Microfinance, 2018). These individuals and families are at risk of poverty and poorer social, emotional and health outcomes.

With three million people in Australia severely or fully excluded from financial institutions and their banking products, it puts them at risk of financial hardships and leads to vulnerability to predatory lending practices, and poor social, emotional and health outcomes. There is great potential to improve the understanding of how financial counselling and no-interest loans increase financial security.

As a result, Good Shepherd offers a suite of people-centred, affordable financial programs and services to people who are financial excluded to promote economic wellbeing and counterbalance dubious lending practices for people with low incomes, especially women and girls.

Financial Inclusion Action Plan (FIAP) Program

In 2015 Australia committed to financial inclusion by agreeing to international obligations under the G20 Financial Inclusion Action Plan[7] and the United Nation's Sustainable Development Goals. As part of this commitment, the Australian Government appointed Good Shepherd to develop a Financial Inclusion Action Plan (FIAP) program.

The FIAP program provides an opportunity for organisations to take action to realise financial inclusion, with a focus on women. Currently there are 40 organisations that have joined the FIAP program, with an aim of boosting the financial wellbeing of their employees, clients and partners. By providing access to financial education, resources, tools and support, organisations are creating a culture that looks at removing the stigma attached to financial hardship, boost support for individuals and improve outcomes.

Financial Counselling

Good Shepherd financial counsellors support and empower people in financial distress. The outcome of the Financial Services Royal Commission has reiterated the need for additional financial counselling assistance because dedicated staff are trained to understand the specific issues facing clients and respond appropriately (Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, 2019). The data indicates that financially distressed households are taking out payday loans and also indicates that the proportion of women in this cohort continues to increase (Stop the Debt Trap, 2019).

According to Good Shepherd data, the typical financial counselling client is female, on low (Newstart) or medium income (less than $60,000), single or a single parent and aged between 30 and 60 years of age. 52 per cent of clients are renting and are likely to have a credit card or utility debt, while 21 per cent are particularly vulnerable living in community or public housing, prison, refuges or are homeless. Figure 1 provides a breakdown on housing type.

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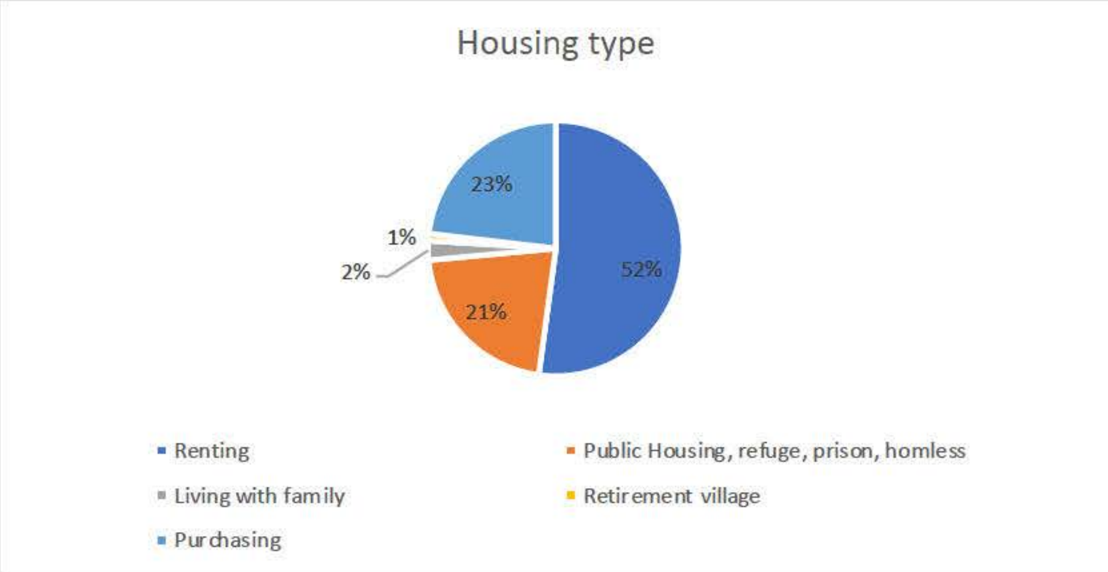
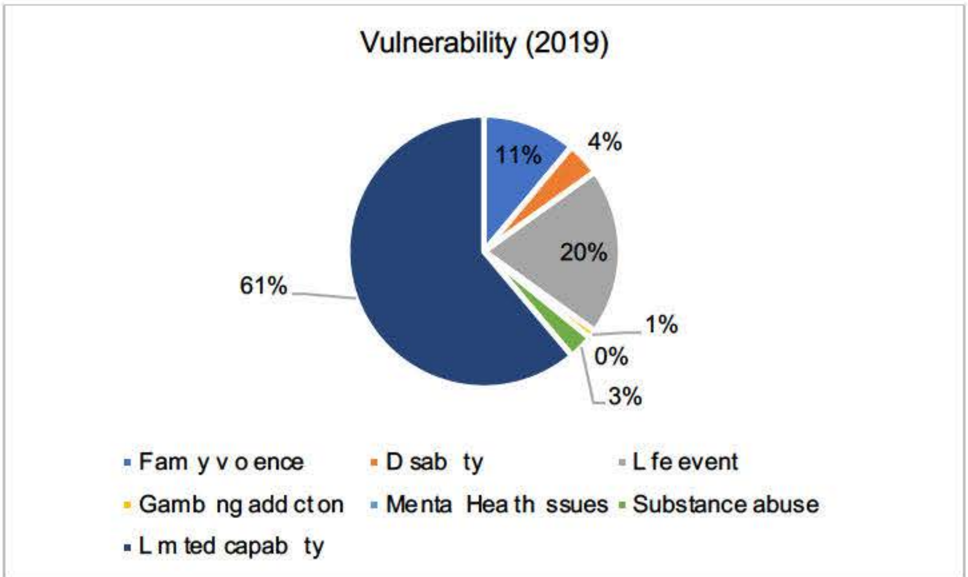
[7] See: https://www.gpfi.org/about-gpfi

Figure 1. Good Shepherd Financial Counselling Client Demographics, by housing type



In 2019, 94 per cent of clients using financial counselling services were highly disadvantaged, with the majority dealing with significant household, utility or credit card debt (64 per cent). The people accessing these services were either receiving a Centrelink benefits, had no income, were financially disadvantaged or had insufficient income. Figure 2 shows a range of factors that can increase a client's financial vulnerability, and the existence of predatory loans only compounds this. These findings were echoed by the Stop the Debt Trap alliance who also stated that women who are under the most significant financial pressure are most likely to access payday loan services.

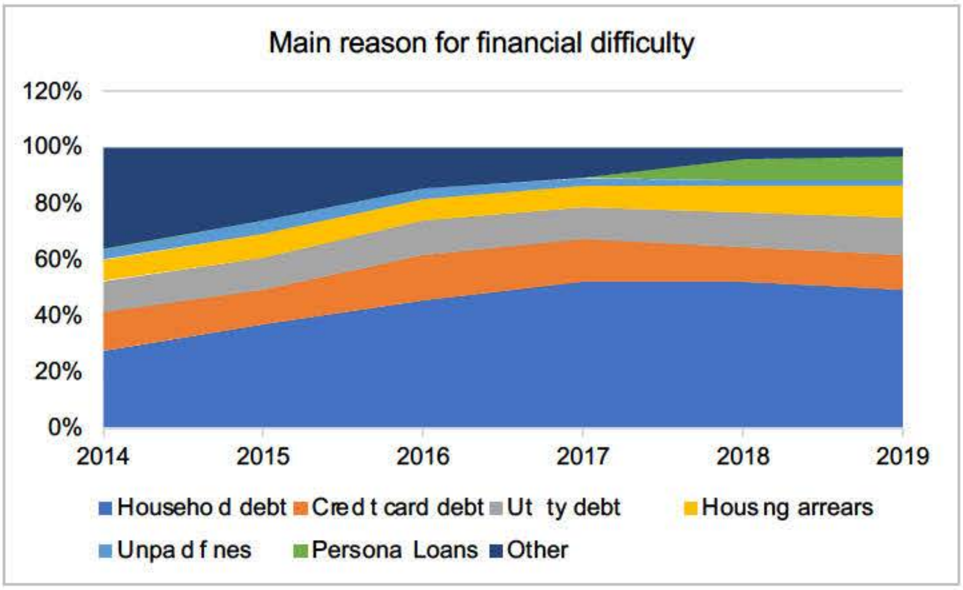
Figure 2. Good Shepherd Financial Counselling Client Demographics, by level of vulnerability



Good Shepherd financial counsellors report that the main drivers of financial difficulty and vulnerability have changed over the last five years with household debt increasing.

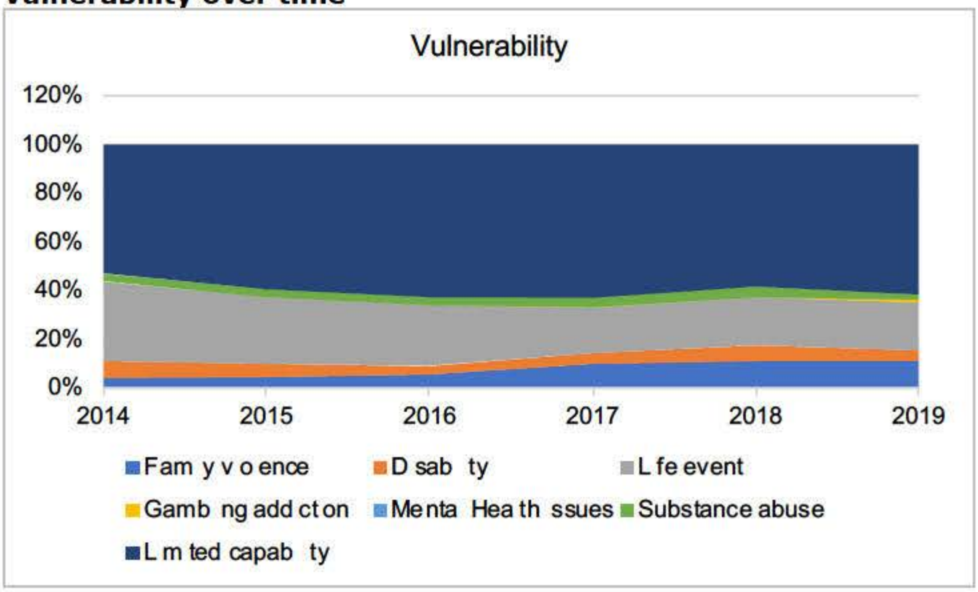
Maintaining the status quo in the household is becoming increasingly difficult with cost of living rises. This has been reported by 46 per cent of clients. Credit card debt is the next largest driver of financial difficulty, though the impact of this has remained static over time. Personal loans, while a relatively small driver of financial difficult has increased significantly over the last 2 years from zero per cent in 2014 to 9 per cent in 2019: see Figure 3.

Figure 3. Good Shepherd Financial Counselling Client Demographics, by main reason for financial difficulty



Good Shepherd's experience shows that clients have a limited capability to manage their current financial situation. This has been cited as the most common vulnerability at 60 per cent of clients. A life event, such as divorce or death of a spouse can also trigger financial difficulty, and approximately 20 per cent of clients have reported this in the past five years: see Figure 4.

Figure 4. Good Shepherd Financial Counselling Client Demographics, by vulnerability over time



When a person is going through a crisis or is needs emergency relief or quick cash, they often turn to predatory or payday loans. Feedback from Good Shepherd practitioners found these people often have no understanding of what they are signing up to and don't understand the product disclosure statement. There is significant room for improvement to mainstream the financial system and greater scope to offer small loans products that are safe and affordable.

Recommendation: Increased access to tailored financial education is a key area which could empower women's financial capability.

Family Violence and Financial Hardship

Family violence is endemic in Australia, with one in 5 women (or 1.7 million women) having experienced sexual violence since the age of 15 (Australian Institute of Health and Welfare, 2018; AWAVA, 2019). There are 5,000 family violence incidences dealt with by the police every week, on average, which is the equivalent on one every two minutes (AWAVA, 2019; Blumer, 2016). The impact of family violence is inextricably linked with economic security and financial hardship. Inaccessibility to income or welfare support puts an enormous strain on women leaving violent relationships and can render them destitute. In fact, family violence is the biggest driver of homelessness in Australia (Fitzsimmons, 2019).

For 11 per cent of Good Shepherd clients, financial difficulty is the result of family violence. While this figure only represents a small proportion of clients, there has been a steady increase in family violence related financial counselling cases since 2014; from 4 per cent in 2014 to 11 per cent in 2019 (Good Shepherd Microfinance, 2019).

Women escaping family violence and experiencing financial hardship are at a much higher risk of accessing predatory loans. This has also been reported by Good Shepherd practitioners who state that they often find that women experiencing family violence and financial hardship have used a number of predatory loans to bridge the gap during times of financial hardship.

Programs such as NILS intentionally offer integrated services that include family violence and financial counselling, to ensure an appropriate service response for women escaping family violence, opportunities to discuss financial hardship, and all within a trauma-informed framework.

However, practitioners highlight that this same level of service response and care is not displayed with payday lenders and this should be of concern for the Committee. This was similarly echoed by a recent report released by the Northern Rivers Community Legal Centre, which outlined that payday loan and consumer lease providers do not do any screening for domestic and family violence when handing out loans (Northern Rivers Community Legal Centre, 2019).

There are systemic issues that persist in the payday lending sector and very real "economic consequences" that arise from service providers not asking the right questions, or failing to understand the impact of financial hardship, shame, trauma and abuse when there is an inability for women escaping violence to pay back a debt (Northern Rivers Community Legal Centre, 2019).

The changes proposed in The Bill to explicitly identify family violence as a reasonable cause of financial hardship for the purposes of the hardship provisions under the Code marks a positive step towards reducing financial hardship for women escaping violence, and ensuring financial inclusion. Good Shepherd strongly supports this change.[8]

5 Conclusion

Good Shepherd thanks the Senate Economics Legislation Committee for the opportunity to provide a response on the National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2019 (No. 2).

There is strong need to regulate the consumer credit sector and the amendments proposed in The Bill herald long overdue reforms. We note the previous submissions and consistent calls for reform to make the system safer for consumers. Good Shepherd also highlights a bipartisan commitment to pass critical protections to make payday loans and consumer leases safer for vulnerable consumers.

Good Shepherd strongly supports the proposed amendments outlined in The Bill and would welcome additional opportunities to expand on any points raised in this response.

[8] [Schedule 1, items 43 and 59, paragraph (a) of the note to subsection 72(3) of the Code and paragraph (a) of the note to subsection 17B(3) of the Code].

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