



# A REDUCED PROTECTED EARNINGS AMOUNT IS BAD FOR CONSUMERS AND BAD POLICY

## SACC RULES AND REGULATIONS ARE WORKING AS INTENDED

The Government is being pressured into **RESTRICTING** a consumer's ability to access Small Loans by **CONTROLLING** how you use **YOUR** money and in turn **INCREASING** the Cost of Credit!

### Consumer on Government Benefits

Example Loan Amount - \$900 Income per Week - \$460	Status Quo	Increased Cost of Credit and Financial Exclusion	PATHWAY TO PROHIBITION
<b>Protected Earnings Amount (PEA)</b>	<b>20%</b>	<b>15%</b>	<b>10%</b>
<b>Impact to Consumer</b>			
Amount Available for Repayments	\$92	\$69	\$46
Minimum Loan Term in Months	3	5	7
Total Fees Payable	\$288	\$360	\$432
Total Amount Payable	\$1,188	\$1,260	\$1,332
<b>Additional Cost to Consumer</b>	<b>-</b>	<b>\$72 (25%)</b>	<b>\$144 (50%)</b>
Additional Period Unable to Borrow	0 months	2 months	4 months
<b>Impact to Small Business**</b>			
SACC Loans Approved FY18	298,458		
<b>Consumers Financially Excluded</b>	<b>0</b>	<b>122,367</b>	<b>205,936</b>
Increase in Financial Exclusion	0%	41%	69%

### STATUS QUO

PEA left at 20% for unemployed and RLOs for employed consumers.  
Vital Small Loans Businesses continue to operate and provide **FINANCIAL INCLUSION** to the 3 million Australians who are currently financially excluded or choose not to use credit cards

### Employed Consumer

Example Loan Amount - \$1,500 Income per Week - \$750	Status Quo	Increased Cost of Credit and Financial Exclusion	PATHWAY TO PROHIBITION
<b>Protected Earnings Amount (PEA)</b>	<b>RLO*</b>	<b>30%</b>	<b>20%</b>
<b>Impact to Consumer</b>			
Amount Available for Repayments	\$375	\$225	\$150
Minimum Loan Term in Months	2	3	4
Total Fees Payable	\$420	\$480	\$540
Total Amount Payable	\$1,920	\$1,980	\$2,040
<b>Additional Cost to Consumer</b>	<b>-</b>	<b>\$60 (14%)</b>	<b>\$120 (29%)</b>
Additional Period Unable to Borrow	0 months	1 month	2 months
<b>Impact to Small Business**</b>			
SACC Loans Approved FY18	540,578		
<b>Consumers Financially Excluded</b>	<b>0</b>	<b>64,869</b>	<b>140,550</b>
Increase in Financial Exclusion	0%	12%	26%

### INCREASED COST OF CREDIT & FINANCIAL EXCLUSION

PEA changed to 15% for unemployed and 30% for employed consumers.  
**67% of businesses** would continue to trade **BUT** there will be job losses and Branch closures as a result.

### PATHWAY TO PROHIBITION

PEA changed to 10% for unemployed and 20% for employed consumers.  
**83% of businesses** would either discontinue trading **AND** close their business or will continue to trade with significant job losses and Branch closures

### Total Impact for All Consumers

	Status Quo	Increased Cost of Credit and Financial Exclusion	PATHWAY TO PROHIBITION
SACC Loans Approved FY18	839,036		
<b>Consumers Financially Excluded</b>	<b>0</b>	<b>187,236</b>	<b>346,486</b>
Increase in Financial Exclusion	0%	22%	41%

\*Responsible Lending Obligations (RLO) based on 50% expenses

\*\*The National Credit Providers Association (NCPA), the peak body for small loan lenders in Australia, engaged an independent research firm CoreData, to undertake research into the small loans sector identifying the impact to Small Business as a result of proposed reforms.

# REPEAT BORROWING IS NOT A DEBT SPIRAL NOR IS IT HARMFUL TO CONSUMERS

## 3 MILLION AUSTRALIANS ARE FINANCIALLY EXCLUDED\*\*\*

The National Credit Providers Association (NCPA), the peak body for small loan lenders in Australia, engaged an independent research firm, CoreData, to undertake research into the small loans sector – the single largest research project since legislation changes came into effect in 2013. Full analysis of SACC data for FY 14-15, FY 15-16, FY 16-17, FY 17-18, FY18-19, FY19-20 & FY20-21 is available as well as full analysis of the 3,044 consumers surveyed in FY 16-17. \*\*\*Good Shepherd website –

	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18 - 19	FY 19 -20	FY 20 -21
Number of SACC Applications	1,990,882	1,753,501	1,438,013	1,364,666	1,608,758	1,435,926	1,273,006
Number of SACC Applications Approved	1,328,881	619,549	567,910	839,036	662,292	522,651	404,452
SACC Approval Rates	67%	35%	39%	61%	41%	36%	32%
Cash Out from SACCs	\$667.4M	\$476.8M	\$538.5M	\$532.6M	\$471.4M	\$384.9M	\$301.6M
Average SACC Loan Size	\$502	\$770	\$948	\$635	\$712	\$736	\$746
% of SACC Consumers Who Are Employed	64%	74%	81%	64%	61%	60%	53%
Average Number of SACCs per Consumer	1.35	1.35	1.66	1.3	1.34	1.35	1.37
Proportion of SACC Repayments Met		84%	81%	84%	89%	88%	90%
Number of EDR Complaints	106	119	110	240			
Average Length of SACC Loans (Days)	117 days	134 days	162 days	114 days	182 days	193 days	195 days
EDR Complaints as a % of SACC Loans	0.01%	0.02%	0.02%	0.03%			

80%

of Consumers surveyed indicated **there are no viable alternatives to small amount loans** and they would struggle without access to small amount loans

81%

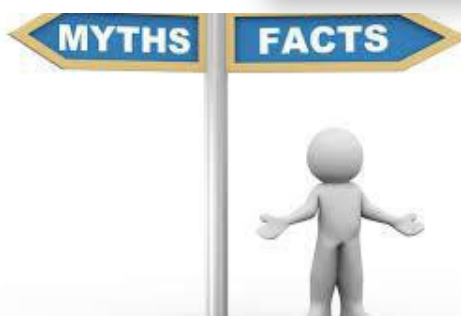
of Consumers surveyed indicated that **if their loan application isn't approved** they would either try another lender, borrow from family or friends, or suffer hardship

98%

of Consumers surveyed advised **they chose to apply for a small loan** due to a previous positive experience and/or ease and convenience

SACC RULES AND REGULATIONS ARE WORKING AS INTENDED

A consumer who takes out multiple SACC loans is being charge exorbitant fees and is in a debt spiral of which they cannot recover from. This is the rhetoric from media, senior financial counsellors and consumer advocate organisations.



Repeat borrowing is not a debt spiral. Multiple loans as shown below are more affordable for the consumer and in most cases, more suitable for their needs. A debt spiral is when a consumer is in a situation they cannot recover from. It could be argued that credit cards and larger loans cause debt spirals.

Repeat \$100 SACC Loans over 12 Months is <b>\$10.15 CHEAPER per Week</b>			
Month	Credit Advanced	Establishment Fee (20%)	Monthly Fee (4%)
1	\$100	\$20	\$4
2	\$100	\$20	\$4
3	\$100	\$20	\$4
4	\$100	\$20	\$4
5	\$100	\$20	\$4
6	\$100	\$20	\$4
7	\$100	\$20	\$4
8	\$100	\$20	\$4
9	\$100	\$20	\$4
10	\$100	\$20	\$4
11	\$100	\$20	\$4
12	\$100	\$20	\$4
<b>Weekly Repayments on Fees \$5.54</b>			
<b>Total Fees Payable \$288</b>			
<b>Total Amount Repayable \$1,488</b>			

Single \$1,200 SACC Loan for 12 Months is <b>183% MORE EXPENSIVE</b>			
Month	Credit Advanced	Establishment Fee (20%)	Monthly Fee (4%)
1	\$1,200	\$240	\$48
2			\$48
3			\$48
4			\$48
5			\$48
6			\$48
7			\$48
8			\$48
9			\$48
10			\$48
11			\$48
12			\$48
<b>Weekly Repayments on Fees \$15.69</b>			
<b>Total Fees Payable \$816</b>			
<b>Total Amount Repayable \$2,016</b>			