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21st October, 2011

Parliamentary Joint Committee on Corporations and Financial Services
and the Senate Economics Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee Members

Inquiry into the Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill 2011

This letter, and the attached report "What Financial Counsellors Say About Payday Lending" form our submission regarding the above Bill.

Financial Counselling Australia is the peak body for financial counsellors in Australia. Financial counsellors assist people in financial difficulty. They provide information, support and advocacy to help consumers deal with their immediate financial situation and minimise the risk of future financial problems. Their services are free, confidential and independent.

Our comments focuses on those aspects of the Bill concerning small amount credit contracts. These loans are more commonly known as payday loans. The submission from the Consumer Action Law Centre (CALC) covers other aspects of the Bill, including consumer leases and reverse mortgages. We endorse the comments made in the CALC submission about these issues.

Financial counsellors see many clients who have loans with payday lenders and we are therefore well placed to comment on this aspect of the legislation. In September this year, we surveyed financial counsellors about their actual experiences in assisting clients with payday loans. There were 341 responses to the survey, representing almost 40% of the sector.

The overwhelming experience of financial counsellors is that payday loans are harmful and leave the majority of consumers worse off. As a general principle, more credit, particularly at such high cost, is not the answer to financial difficulty.

Our sector has long advocated for an all inclusive interest rate cap of 48% (including fees and charges) along the lines of that already in place in Queensland, New South Wales and the ACT. This Bill does not go this far, instead proposing a two-tier structure. While this is not our preferred position, we support the legislation as a reasonable compromise.

Yours sincerely

Fiona Guthrie
Executive Director
Financial Counselling Australia

What Financial Counsellors Say About Payday Lending

Financial Counselling Australia (FCA) is the peak body for financial counsellors in Australia.

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About This Report

Financial Counselling

Financial counsellors assist consumers in financial difficulty. They provide information, support and advocacy to help consumers deal with their immediate financial situation and minimise the risk of future financial problems. The majority of financial counsellors work in community organisations, although some are employed by government. Their services are free, confidential and independent.

Financial counsellors have extensive knowledge in a range of areas: consumer credit law, debt enforcement practices, the bankruptcy regime, industry hardship policies, and government concession frameworks.

Financial Counselling Australia

Financial Counselling Australia (FCA) is the peak body for financial counsellors in Australia. FCA's members are the financial counselling associations in each State and Territory. Each association elects one person to the FCA Board.

Contact person for this submission

Fiona Guthrie
Executive Director

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Executive Summary

Background

- In September and October 2011, financial counsellors in every State and Territory completed a short survey about payday lenders.
    - There were 341 responses – an overall sector response rate of 39%.
    - In terms of sheer numbers, this is the largest survey of financial counsellors, on this topic, to date.
- The purpose of the survey was to get a clearer picture of what financial counsellors were seeing in their casework with clients who had payday loans, and to document their views about this form of lending.

How common is it for financial counsellors to see clients with payday loans?

- The large majority of financial counsellors (92%) had seen clients who had borrowed from a payday lender in the past 12 months.
- 24% of financial counsellors had seen less than five clients with payday loans. At the other end of the spectrum, 21% of financial counsellors had seen 16 or more clients with payday loans.
- Based on the survey sample, a conservative estimate is that this group of financial counsellors had collectively assisted more than 2,500 clients in the past 12 months who had payday loans. This is a large number of clients, providing an unparalleled insight into the effect of payday lending.

What do financial counsellors say about the impact of payday lending on clients?

- The majority of financial counsellors (62%) said that where a client had borrowed from a payday lender, either "most of" or "all of" them, were repeat borrowers.
- The majority of financial counsellors (79%) said that payday lending "never" improved their client's financial situation. While 21% said there were "sometimes" improvements, later qualitative comments make it clear that any relief of financial difficulty is short-lived.
- Financial counsellors provided some examples of client stories from their casework experience (101 in total).
    - There were a number of common themes: that payday loans were a debt trap; clients are generally on low incomes (particularly Centrelink) and can be vulnerable to exploitation; there is evidence of irresponsible lending practices and of avoidance of current laws.
- 259 financial counsellors shared their views about the impact of payday lending. The comments are unequivocally negative as well as consistent. The common theme is that payday loans trap people in a cycle of debt.

Conclusions

- Financial counsellors are experts in assisting clients in financial difficulty and have considerable expertise, based on their casework experience, about the way the credit marketplace operates.
- There is absolutely no doubt about their views in relation to payday lending - the sector is highly critical of this industry. Payday loans do not solve financial difficulty; they exacerbate it. Regulatory reform is needed.

1. Background

1.1. Purpose of the Report

This report sets out the views of the financial counselling sector about payday lending.

The impetus for the report is the current debate about the appropriate regulation of payday lending. This debate has intensified in recent weeks, with the introduction by the Federal Government of legislation that will impose a two-tier cap on payday loans.[1]

It is important therefore that the views of financial counsellors are put on the public record, as the sector has significant up close, day to day practical knowledge of the impact of payday lending on their clients.

The report is based on the findings of a survey of financial counsellors conducted in September and October 2011. The purpose of the survey was to tap into the grassroots experiences of financial counsellors, to understand more about what they were seeing in their casework.

1.2. Survey Methodology

The survey was primarily administered during meetings of financial counsellors with financial counsellors completing the survey on the spot. This approach was chosen to take advantage of already planned meetings, with four of the states holding their annual conferences in September: Victoria, New South Wales, South Australia and Western Australia. Financial counsellors in the ACT, Queensland, Tasmania and the Northern Territory were able to complete the survey online.

As the majority of respondents were not in their offices when the survey was undertaken, the survey was deliberately short and did not ask for detailed case studies.

Appendix 3 includes the survey questions.

[1] Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill 2011.

1.3. Limitations and Strengths of the Methodology

The strength of the methodology was the ability to reach a large number of financial counsellors and to reach them quickly.

- A number of financial counsellors have in the past completed various surveys, usually collecting de-identified case studies about clients, but there has never before been an Australia-wide survey of this nature.

- Attendance at state financial counselling conferences is very high, so using this mechanism for administering the survey ensured a high response rate, as well as an adequate representation of views.

- The survey is based on the views of a large number of respondents. Similarly, this large number of financial counsellors assisted a large number of clients with payday loans in the past 12 months – estimated at over 2,500 (see later).

  The sheer weight of these numbers provides significant credibility to the data. It is reasonable to draw conclusions about the perceptions and experiences of financial counsellors regarding their clients' experiences and financial circumstances regarding payday loans, based on this large data set.

The limitations of the survey include:

- The majority of surveys were completed whilst financial counsellors were attending state conferences. As such, they did not have access to files to check data and relied on memory alone. Even those financial counsellors who completed the survey online probably also did the same.

- People seeking the assistance of a financial counsellor do so almost always because of financial difficulty. Some may argue this means that the experience of the financial counselling sector is skewed. On the other hand, financial counsellors see large numbers of clients and have considerable expertise, based on their casework experience, about the way the credit marketplace operates.

Finally, there are three jurisdictions in Australia that have interest rate caps, where the cap also includes fees and charges. These are Queensland, New South Wales and the ACT. Financial counsellors in these jurisdictions report widespread avoidance of the cap. We therefore did not undertake any analysis of the data by comparing differences between states. As can be seen from the comments, the feedback from the sector is consistent across the various state and territory jurisdictions.

1.4. Response Rate

Overall, there were 341 responses to the survey. There are approximately 870 financial counsellors in Australia, so this represents a response rate of 39% across the total financial counselling population. (At individual state conferences, the actual response rate would have been much higher, as the majority of people attending them completed the survey.)

The response rate per State/Territory is shown in Table 1, ordered from the highest number of responses to the lowest number. The most responses were received in New South Wales.

State/Territory	Number of Responses	% of Responses
New South Wales	105	31%
Western Australia	91	27%
South Australia	66	19%
Victoria	45	13%
Queensland	20	7%
Northern Territory	6	2%
Tasmania	4	1%
ACT	4	1%
Total	**341**	**100%**

Table 1: *Survey Response Numbers by State*

2. Survey Findings - Prevalence

This section provides an indication of how common it is for financial counsellors to see clients who have had payday loans.

2.1 Overall Prevalence

Of the 341 financial counsellors who completed the survey, 92% (313) had clients who had taken out payday loans and 8% (28) did not have clients who had payday loans.

In other words, the large majority of financial counsellors see clients who have payday loans.

This finding is consistent with the location of many financial counselling services, which tend to be in low income areas. This is also where payday lenders tend to congregate.

2.2 Intensity of Client Casework re Payday Lending

Some financial counsellors see more clients with payday loans than others.

The survey asked respondents to estimate how many clients they had seen with payday loans in the last 12 months. This data is shown in Table 2.

24% of financial counsellors had seen less than five clients with payday loans. At the other end of the spectrum, 21% of financial counsellors had seen 16 or more clients with payday loans.

These figures indicate that it is relatively common for a financial counsellor to see clients during their day-to-day casework who had payday loans.

No of Loans	No of Responses	% of Responses
Less than 5	82	24%
5 to 10	110	32%
11 to 15	47	14%
16 or more	71	21%
None or did not answer	31	9%
TOTAL	**341**	**100%**

Table 2: *How many clients had financial counsellors seen*

Using the data in Table 2, it is possible to estimate the number of clients that this particular group of financial counsellors had assisted in the past 12 months:

- taking the most conservative approach possible, this figure is 2,285[2]
- using instead the upper bounds for the estimates, the number is 3,269[3]
- the mid-point estimate, which is probably the most reasonable approximation, was 2,777.

In other words, the information in this survey from the financial counselling sector is based on their experiences with a very large number of clients, probably well in excess of 2,500.

[2] Estimated by assuming that for the 82 financial counsellors who said they had seen “less than 5” clients that the actual number was 1, that for the 110 financial counsellor who had seen between “5 and 10”clients, that the actual number was 5 and so on. This is the most conservative estimate (the lower bound).

[3] This estimate used the upper bound for each category. For example, for the 82 financial counsellors who said they had seen “less than 5” clients that the actual number was 4, that for the 110 financial counsellors who had seen between “5 and 10” clients, that the actual number was 10 and so on.

3. Survey Findings – Impact on Clients

A number of survey questions explored the impact that payday lending had on clients. These questions asked about repeat borrowing patterns, whether clients had multiple payday loans at the same time and whether, in the assessment of the financial counsellor, the lending had improved the client's situation.

The data in this section obviously only refers to those financial counsellors who had assisted clients who had payday loans.

3.1 Borrowing Patterns

The survey asked "Approximately how many clients had been repeat borrowers (i.e. the payday loan had been rolled over immediately or the client had paid the loan back, but took out another loan very soon afterwards)?"

This data is shown in Figure 1 below. The key finding is that repeat borrowing was the most common pattern. 195 financial counsellors (62%) said that either "most of" their clients, or "all of" their clients were repeat borrowers.

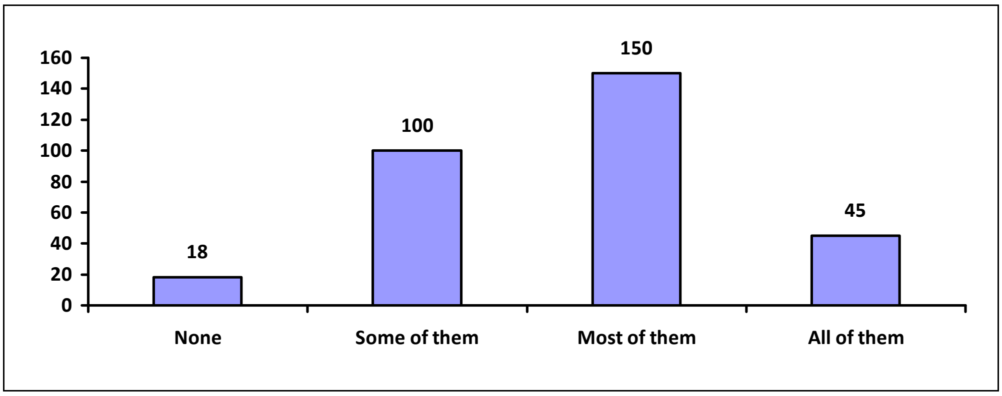

Figure 1: *No of responses to the question "approximately how many clients were repeat borrowers"?*

Repeat borrowing is just one facet of payday lending. The survey also asked about the number of clients who had multiple payday loans at the same time. This would indicate more serious financial issues. This data is shown in Figure 2 on the next page.

Over 90 financial counsellors did not answer this question and the data is based on the responses of 247 people (still a large sample however). It may have been that some financial counsellors did not have enough information about all of their clients to make an estimate. However for the group of financial counsellors that did answer the question, the most common pattern was that "some" clients had multiple loans at the same time.

The number of clients of financial counsellors who only had one payday loan at a time was in the minority.

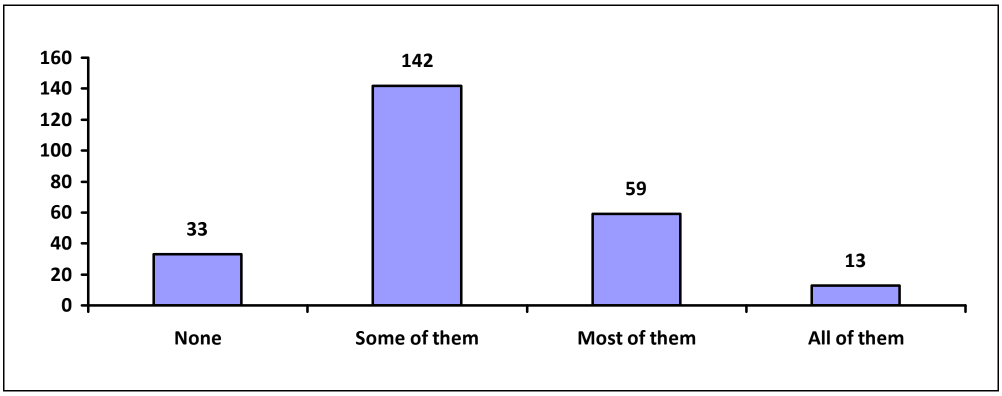

Figure 2: *No of responses to the question "approximately how many clients had multiple payday loans at the same time"?*

3.2 Did the Lending Improve the Client's Financial Situation?

The survey asked "Thinking about the majority of your clients who had payday loans, did the payday lending help improve their financial situation?" The results for this question are shown in Figure 3 below.

The majority of financial counsellors (269 or 79%) said that payday lending "never" improved their client's financial situation. No financial counsellor said that payday lending either "often" or "always" improved their client's financial situation.

Figure 3: *Did the payday lending help improve the client's situation?*

It is clear from the qualitative comments in Section 3.3 (immediately below) and Section 4, that any improvements are seen as short-term by financial counsellors.

While a payday loan might address an immediate financial crisis, such as payment of car repairs, clients then struggle to actually repay the debt when it falls due.

3.3 Top of Mind Client Stories

As set out in the methodology, most of these surveys were completed by financial counsellors when they were at conferences, and therefore not in the office and with access to files. The question in the survey asked the financial counsellor to think about one client and provide some broad detail about the loan (amount, term) as well as the client's story.

This data is set out in Appendix 2. There were 101 responses to this question. Of most interest are the client stories. Some of these are produced below as illustrative of common themes.

A debt cycle

A common story was that clients with payday loans became trapped in a debt cycle.

> Client borrowed money from lender, had to pay it back next fortnight with Centrelink income and immediately had to borrow again to live until the next payday. Paid back $100 more on loan each time. Could not get out of cycle. Payday lender not willing to help her out of cycle in any way – would not negotiate. *(Comment 5)*

> On Newstart – serious medical issues – when payday (Centrelink) comes in, she pays the rent first, then does not have enough to live on. Gets a loan (and also pawns her laptop) to survive. Cycle continues – costing heaps in interest, fees. *(Comment 41)*

> Client has been paying her $500 loan for 2 years (of course she missed her payments) and she still owes them $700!! *(Comment 69)*

Reasons for borrowing

As has been documented in other reports,[4] a number of the client stories involve borrowing for everyday living expenses, such as electricity, food or clothing or for car repairs and registration.

> Client has no money for food due to unexpected medical expenses, so she went to (payday lender) to enable her to purchase food. *(Comment 51)*

[4] For example, *Caught Short: Exploring the Role of Small, Short-Term Loans in the Lives of Australia*, Interim Report, RMIT University, September 2011 and *Payday loans: Helping Hand or Quicksand?* Consumer Action Law Centre, September 2010.

> Car broke down and needed car fixed to take kids to school. Client always borrowing from friends/ family to buy food to repay the lender/ excess fee. *(Comment 52)*

Client Circumstances

Many clients are on low incomes, often Centrelink payments. For example, for the surveys completed by financial counsellors in Queensland, Tasmania, Northern Territory and the ACT, 18 of the 24 clients described were in receipt of a Centrelink benefit.[5]

Other clients are vulnerable:

> The client, 20 years old with brain injury, history of drug use in housing, no understanding of the repayments, the client would hand over bank details. *(Comment 22)*

Lending Practices

Some of the client stories suggest inappropriate or predatory lending or debt collection practices. Others indicate irresponsible lending.

> Wheelchair-bound client with mental and physical disabilities. Would use all his money gambling then borrow from payday lender and go straight to club and gamble again. Payday lender was definitely aware of his gambling problem but continued to provide loans. *(Comment 8)*

> Client has four payday loans, ended up homeless and they threatened to repossess her fridge because she was behind in payments. *(Comment 10)*

> Client with mental health issues constantly offered more money to borrow every time a payment was made. *(Comment 35)*

Avoidance of Current Laws

A couple of the stories refer to clients having to purchase financial literacy type DVDs as part of the payday lending package. This is an avoidance technique used by payday lenders in jurisdictions where there is an interest rate cap.

> Mrs O on a Widows Pension, borrowed $1000, $200 went to pay out her first loan. She had to borrow $900 to buy a money management DVD. She already had the money management DVD from her first visit. *(Comment 1)*

> Client needed his car for work – rego was due. Car needed new tyres, and although he had some money put aside. Had to pay $400 for 2 CDs on money management. This was first time he had been to (payday lender). Did not watch the CDs. Loan secured by household furniture and car.

[5] Because of time constraints this data analysis has yet to be undertaken for the other states.

Could a financial counsellor assist?
On the information provided, it was not possible to assess the extent to which the financial counsellor had been able to assist a client. There were a couple of cases however where the financial counsellor had specifically commented on this aspect. One example is below.

> Client contacted agency as payday lender was pressuring client to meet repayments. Unable to do as repayment was unrealistic in relation to income. Debt grew to interest and late payment fees. Assisted client to obtain advance from Centrelink to pay out debt and prepared budget for ongoing money management. *(Comment 6)*

4. Survey Findings - Financial Counsellor's Comments

4.1 What Do Financial Counsellors Say?

Financial counsellors were asked:

> "From your casework experience, what is the impact of payday lending on your clients? (Or make any other comments that you think are relevant)."[6]

There were 313 financial counsellors who had seen clients with payday loans in the last 12 months. Of these, 259 (83%) responded to the question above. The actual comments are included in Appendix 1.

The comments are remarkably consistent and are almost invariably negative about the impact of payday lending on clients. To illustrate this point, the selection of quotes below is based on choosing every 25th response (to give a total of 10 comments – an adequate sample to get the flavour of the responses).

> Makes their situation worse. *(Comment 25)*

> Destroys any chance to manage financially. *(Comment 50)*

> Hooked into an ongoing debt situation. Cannot afford repayments – debt level increased. (Payday lender) gives people "Gift Cards" to value of loan. *(Comment 75)*

> Clients neglect their living expenses eg utilities, rent etc in order to pay these debts, because they are direct debited. In many cases they become so overwhelmed by their financial difficulties, they try to consolidate with another payday lender compounding their situation. Then they end up with default banking fees etc. *(Comment 100)*

> Worsened their financial stress. Caused them to ask for material assistance from community support services, to meet food costs. *(Comment 125)*

> Further financial hardship. They get harassed more from payday lenders so they pay them and become further behind re rent. *(Comment 150)*

[6] Question 6.

> Creates more difficulty ongoing. Instant relief. Is not long term solution. *(Comment 175)*
>
> High repayments through direct debits not equal to income/expenditure %, putting them in further financial hardship and stress. *(Comment 200)*
>
> Leads to further debt and hardship. *(Comment 225)*
>
> The payday loans can help people in the short term to pay for an unexpected expense or for an expense that people did not save for. Even if they can pay the money back it simply means that they have paid a lot more than the original cost of the debt or activity. Some clients see the payday lenders as their "friends" because they give them what they want without much fuss. People don't understand interest and only focus on what they want. The payday loans just add to the debt that is usually already there. *(Comment 250)*

There was only one comment, from the whole 259, that could potentially be interpreted as positive about payday loans. This was “helps them get from one pay to the next” (Comment 247).

In a sense, this one comment only highlights the unanimity and consistency of views exhibited by the remaining 258 financial counsellors.

The theme running through many of these comments is that payday lending leaves clients worse off.

5. Conclusions

5.1 Discussion

The most striking feature of this survey is the consistency of the results, particularly the qualitative comments. Based on significant casework experience, financial counsellors are highly critical of payday lending. To sum up these views in a sentence: payday loans do not cure financial difficulty; they exacerbate it.

The survey also confirms other research into the payday lending industry, most notably, the recent research documented in Caught Short, a report from RMIT.[7] That research, and this survey, show that clients are generally on low incomes, borrowing to meet day-to-day living expenses and that the majority of clients roll over their loans.

5.2 Harm and Effective Reform

We need safe and affordable financial products
Payday lending first surfaced in the Australian marketplace just over ten years ago - it is a relative newcomer and an unwelcome one. Over this time, financial counsellors have been involved in an ongoing campaign for adequate regulation of the industry.

Payday lenders target people who are poor and in financial difficulty. This is a group of consumers who need adequate protection from predatory lending practices.

For some reason, our consumer protection laws seem to differ in their application in financial services, in comparison to other areas. Our product safety laws for example, clearly require products to meet certain defined standards. Where a product is shown to be harmful, it is either withdrawn from the market or modified. Sellers are sometimes prosecuted.

This should also be the case for financial services. Financial products must also be safe and affordable and not harm the people who use them. Payday loans however are a harmful product: they are extraordinarily expensive and target a vulnerable group of consumers on low incomes, who are in desperate straits. This combination means that the loans are almost never one-offs, so that borrowers become trapped in cycle of debt.

[7] *Caught Short: Exploring the Role of Small, Short-Term Loans in the Lives of Australia*, Interim Report, RMIT University, September 2011

Fixing the Problem – Address Income Inequality
The fundamental issue with payday lending is poverty. Too many people simply do not have enough to live on, and turn to payday lenders to make ends meet. This was also the situation ten years ago, before payday lenders entered the market. For these groups of people in our society, payday lending has simply exacerbated what was already a precarious financial situation.

Fundamental reform is needed in Australia's welfare system, to return welfare benefits to adequate levels. The growing disparity in particular between income support allowances such as Newstart and pensions is unsustainable. It is next to impossible to live on $35 a day, the current level of the Newstart Allowance.

For example, the media release accompanying the ACOSS Poverty Report lists the following indicators:[8]

- approximately 2.2 million people or 11% of Australians lived in poverty in 2006 - the latest date for which statistics are available. This was up from 10% in 2004 and 8% in 1994.

- Australian Bureau of Statistics data showing that the wealthiest 20% of households in Australia increased their average net worth by 15% in the past 5 years compared to just 4% for the poorest 20%.

- the annual Australian Community Sector Survey reported that more people are turning to community groups for help, leaving services unable to meet demand. The survey provides the most comprehensive picture of how the non-government community services sector is travelling, and this year showed a 12% increase in assistance provided by agencies. It revealed that 1 in 20 people were being turned away, a 19% increase on the previous year.

Unless the fundamental issue is addressed, people in dire financial straits will continue to be exploited by payday lenders.

Alternatives to Payday Lending
As the Federal Government has recognised, more can be done to provide alternatives to payday lending or to address marketplace issues that make it harder for low income consumers to make ends meet. This includes:

- more funding for No Interest Loans Schemes and Low Interest Loans Schemes. The purposes for which these loans are given could also usefully be expanded to include things like car repairs;
- State governments need to allow consumers to pay car registration in fortnightly instalments and via Centrepay;

[8] ACOSS Poverty Report Launched: It's Time to Raise Newstart, Media Release, 21st October, 2011.

- Centrelink benefits could be paid weekly, rather than fortnightly, making it easier for people to budget and manage expenses;
- Industry hardship practices in banking, and particularly in utilities, need to dramatically improve. Many people who struggle with electricity bills for example, do not know about the existence of hardship programs that could assist them;
- Centrelink advances could be more flexible – however consultation about how this is done is needed, as unless carefully targeted, advances can also go awry;
- the Australian Communications and Media Authority announced on 11th October, that it plans to change Australia's Numbering Plan so that calls from mobiles to 1800 numbers will actually be free. This change needs to occur as soon as possible. Financial counsellors know that many of their clients rely solely on mobile phones (often as a budgeting tool). Calls to 1800 numbers are unavoidable for many financial counselling clients, for example, to talk to a job agency, Centrelink, a bank or utility. People go without food as they need to buy pre-paid mobile credit to make these calls. This reform will have a big impact on reducing the cost of living for people on very low incomes.

Greater access to free and independent financial counselling is also a part of the solution. Continued government support for the expansion of the national financial counselling hotline, accessed via the Australia-wide number 1800 007 007, will go a long way toward this. Phone financial counselling reaches a far larger number of people in financial difficulty and together with face-to-face services, provides a fuller spectrum of assistance.

Financial Counselling Australia is also working cooperatively with the banking industry to introduce a free repayment service to Australia. Such an option does not exist in the Australian marketplace at present. A free repayment service could arguably reach many people before they got into more serious financial difficulties. The repayment service will free up people's income so they have enough money to live on and help them get back on track, so that they do not need to access payday lenders.

Fixing the Problem – Regulatory Reform

Finally, financial counsellors have long argued for a comprehensive interest rate cap of 48% as a way of mitigating the harm caused by payday lending.

The current regulatory proposal, although not optimum, is a reasonable compromise.

Appendix 1 – Impact of Payday Lending on Clients

Question 7
From your casework experience, what is the impact of the payday lending on your clients? (Or make any other comments that you think are relevant)

Some answers have been edited slightly for clarity, for example to correct spelling or grammar. Names of payday lending companies and locations have generally been removed.

New South Wales

1. My clients seem to be in a cycle of borrowing. Gambling has caused the loans to be borrowed in the first place, and then the loans seem to piggy back.
2. Behind in rent; up to date on payday loans.
3. Easy to access loan but hard to get out of cycle due to large fee each fortnight.
4. “I could not get a loan from anywhere except payday lenders /pawn broker.”
5. Exacerbates the (client’s) financial position. Puts pressure on the client and causes anxiety. More likely to go back again and again due to ease of obtaining credit.
6. Keeps them in the debt cycle. Keeps them dependent. Gives them false impression the pay day lenders are their friends.
7. Easy access to credit but lead them to a more deeper hole where they could not get out of because of high interest charges and organised direct debit payments.
8. Adds to their burden. Allows customers to deviate from following budget control.
9. Clients cannot afford food and their stress levels rise.
10. Payday lending is a debt trap, easy to get into, very hard to claw your way out of.
11. They cannot afford it.
12. Makes a bad situation desperate. Beneath a benign exterior these lenders ruthlessly exploit the vulnerable.
13. Entrenched clients into debt, causing stress, legal issues and loss of assets.
14. Causes additional stress.

15. It becomes the prime debt to repay and other repayments miss out. The client knows with a good payment history they can go back.

16. Makes the situation worse. Gambling clients often use payday loans to close their losses and it makes their situation worse.

17. A sign they have just loss control, feel desperate and make knee jerk decisions.

18. Extremely negative – it pushed the clients over the edge financially as most are on Centrelink.

19. Generally the loan funds are not used productively and the repayments present a further drain on resources of the client, reinforcing hardship.

20. Helped them at the time to improve their situation. Impacted on them paying it back.

21. They had come to the service with depression, were on Newstart and could not possibly afford to meet commitments to payday lender and live without financial assistance and community assistance with living skills

22. Not eating. No savings. Stress.

23. They should never have been given the loan in the first place.

24. Extra stress because clients are aware of interest rates. All were struggling to meet payments.

25. Makes their situation worse.

26. Payday leeches (sorry lenders) only succeed in continuing in speeding up the decline in client's financial problems. They never improve their situation and are only interested in making money from them.

27. Too easy to get the money. Too little checking on ability to pay. No check re mental health, gambling problem.

28. Too easy to obtain (loans). Client feels "captured" once money obtained.

29. Unconscionable lending/ unconscionable marketing (misleading).

30. They know it is a very expensive way of borrowing.

31. Payday loans are not affordable for clients to pay back. I have found payday lenders easy to deal with when asking for hardship .

32. It helps immediate issue but leaves them with long term financial hardship. Clients usually don't realise that they have rights with these lenders.

33. They don't have money for essentials – payday lenders make sure they get paid from Centrelink benefits.

34. Compounds problems. Delays client seeking help.

35. Never ending debt cycle. Effectively reduces income. Lenders often do not have a shop front.

36. Will not talk to financial counsellors.

37. Put them further into debt hardship.

38. Place them in debt.

39. Costs more. Temporarily delays trying to resolve the real issues

40. Once they have a loan they can never catch up, the cycle keeps going, borrowing to pay a previous loan.

41. Makes the situation worse, as they usually have the other debt as well. Then they move into default etc.

42. Over the years payday lenders have frequently led clients to pursue bankruptcy as an option.

43. Their situation is worse, particularly when money is borrowed for re-occurring expenses such as utilities, car rego etc. Repayments impact on ability to purchase food when on benefits

44. Other cheaper forms of finance were available. Household budget, Centrepay deductions, Centrelink advance were all available. The payday loan was quicker and more convenient, but far more expensive.

45. I would show other options to my clients.

46. Extremely negative. Chronically behind. Surviving mostly on charity.

47. Stressed and worried.

48. Clients' comments include "The debt grows very quickly" and "I'm getting nowhere with this debt".

49. Many clients got a payday loan after seeing me to help them with an immediate payment (usually car registration) because they had already taken out a Centrelink loan. In every case this has seriously delayed their eventual financial recovery and delayed any repayment plans we were trying to put in place. Whilst they may have a place, this place is not for people already overextended or on a limited income.

50. Destroys any chance to manage financially.

51. Payday lenders create a client dependency on their services to see them through to the next payday. Clients are aware of the unfairness of the loans but there are so many other pressures on them, clients find it hard not to go to them. I have worked

with clients and helped them with strategies – most of the time they work but sometimes they don't.

52. More stress.

53. It probably resulted in them eventually coming to a financial counsellor.

54. Helped force them into bankruptcy.

55. Stress.

56. Always makes situation worse in the medium term. Clients who are in debt, the worse thing for them is more debt.

57. Digging them further and further into a hole. Essentially lending the maximum against their Centrelink income (eg $300 and direct debiting $450) leaving clients with little or no payment, therefore requiring client to borrow the reduced amount again (and again and again...).

58. Most of clients are on Centrelink DSP and use payday to pay the rent, food. Payday lenders debit Centrelink. Payment is then short from Centrelink payment. Clients go to payday lender for another loan to pay the rent. The cycle begins again fortnightly.

59. Enters them into a cycle of relying on payday lending as a means to get by.

60. It creates more poverty.

61. Payday loans made the financial situation of the clients worse.

62. It was very stressful trying to make the repayments. It clearly worsened their financial situation.

63. They felt trapped by their financial situation.

64. Increases client stress through incurring greater and more expensive debt. Bill of Sale issued in many cases with threat of property seizure (in most instances client presented with debt problems and payday loan was one of the debts).

65. Used payday lending amount borrowed to subsidise the shortfall on every day living expenses.

66. After repayments – no money left.

67. Fees and interest have impacted on client's budget and limits available money for essentials eg rent, food, clothing.

68. Get further into debt.

69. The fact that they were seeing a financial counsellor speaks for itself.

70. Does not help long term. Compounds their financial difficulties. Leaves them short for other bills.

71. Causes undue stress as they have limited time to pay if in arrears. Cannot afford repayments. Household items are used as security.

Victoria

72. One client described it as an "addiction"! It often overdraws the account, costing significantly in overdrawn fees. It keeps them in worse/constant financial hardship. Payday loans have been paid before utilities or rent or food. Clients then often need to go to ER agencies for assistance.

73. Debts spiral and costs usually exacerbate financial hardship already being experienced.

74. Clients will pay the payday lender first as it is a set amount per fortnight and they see the balance going down. They don't appreciate the interest rate being charged. They, however, are angry about credit card interest rate as they only pay minimum payment and never see the debt decrease. They again did not fully appreciate the amount of interest being charged on each type of loan.

75. Hooked into an ongoing debt situation. Cannot afford repayments – debt level increased. (Payday lender) gives people "Gift Cards" to value of loan.

76. Creates a sense of helplessness and hopelessness. Clients forget what it is like to prioritise school shoes and lunches.

77. It either starts or amplifies a cycle of debt where essentials begin to go unpaid eg utilities and rent.

78. Large repayments means they can't pay rent, buy food, pay electricity and gas. % takes too much excess out of budget.

79. Disempowerment of the client, they become reliant on the payday lender, making repayments and then having to borrow again.

80. Increased their level of other debt.

81. Increases their stress level. Money often not spent on essentials.

82. Compounds financial hardship.

83. Once on the bandwagon almost impossible to get back on track. Have seen clients borrowing from payday to payday. With the interest added each new loan in higher than the last. Impossible to get back on track. Finally seek financial counselling assistance when no longer able to pay living costs.

84. Anxiety, stress, increased financial hardship

85. Clients have been skilful enough to understand that such high fees and interest will not advantage them. Only client (2 years ago) was upper middle aged couple where investment was lost, wife felt desperate and pawned jewellery to pay rent. Received $1,450 and was charged $450 to receive jewellery back. Financial Counselling Service prevented further issues by supporting husband to find work, counselling (referral) for grieving from loss of savings, referral for wife's medical issues (early Alzheimer's), budgeting option for advice if further financial issues arise ie can contact financial counsellor. Also had (payday lender's) fee waived and found out rights for clients re the debt and fees. Also obtained interest free loans for couple for husband's clothes for employment and equipment.

86. Very few clients seem to be able to get out of the debt spiral with payday lenders unless they bankrupt. Most clients have a real loyalty to payday lenders because they provide access to credit which they would not otherwise have, regardless of terms, conditions and costs.

87. Clients are extremely loyal to the lenders. Most of time repayments are a priority.

88. Most pay goes on interest.

89. Increase borrowing to meet repayments.

90. The client felt shame. The store asked her "what is it this time?" She never wants to feel that feeling of walking into the store again. The staff were nasty.

91. They never get off the roundabout. Once they borrow and have to pay back, they have to borrow again as they are always behind and never catch up. Also the interest is so high!

92. "Robbed Peter to pay Paul"! Just shifted the debt (with an energy provider) to (a payday lender) due to lack of information by client prior to coming to financial counsellor, plus adding 48-54% interest on to their debt burden.

93. They seem to and do get further and further in debt to the lender and have no funds left to pay for their everyday expenses (rent, food). Most of the clients are Centrelink income only.

94. Adds to liabilities. Reduces capacity for current day to day living. High emotional cost and family friction. Cycle of recurrent payday lending and the client's belief that they won't be able to break the cycle. No one else will lend them money – they have approached mainstream without success. Recurring calls from payday lenders adding to distress.

95. Cycle difficult to break. Become reliant. Requires emergency relief to meet payments and pay essential living expenses.

96. Payday lending sometimes provides short term relief, but for clients to our service it mostly results in long-term financial difficulties. The fact that lenders charge exorbitant interest only locks clients into a vicious debt cycle. As clients on a low

income can access no/low interest loans for essential items, payday lenders can be said to profit from (prey on) the vulnerability of these consumers.

97. In the short term (ie directly) after they get the money, it helps, but as soon as the repayments are due, their financial situation is much worse. Often to meet the first repayment, they will take out a second payday loan – further compounding their hardship. For many of the clients most of their income then goes to service multiple loans.

98. Causes them to spiral into a worse financial situation.

99. My clients go to a payday lender to pay a bill and get themselves out of the stress of not having enough money. In actual fact the interest and fees put my clients into debt. Then they tend to begin a cycle of one payday lender to another payday lender and so on.

100. It essentially puts them further in the hole, and they feel compelled to pay back so they can borrow again.

101. Clients neglect their living expenses eg utilities, rent etc in order to pay these debts, because they are direct debited. In many cases they become so overwhelmed by their financial difficulties, they try to consolidate with another payday lender compounding their situation. Then they end up with default banking fees etc.

102. Often client is desperate and signs payday lending agreements without looking at longer term consequences. Sometimes client gets another payday loan to repay the first, and can never get back in front. Sometimes they will use different payday lenders. Direct debits are set up without negotiation – client will pay this instead of rent, food, school expenses. Clients often report they feel in a vicious cycle.

103. It is a debt trap. Although it does provide money, the debtor/consumer is then left with a much larger debt with a low income.

104. I had a client with (payday lender) – very difficult to deal with. Manager admitted she knew nothing about legislation. I worked with the Consumer Action Law Centre on the case as I am pretty new as a financial counsellor. This was referred to the Credit Ombudsman Scheme Ltd and a complaint to ASIC is forthcoming.

105. Increased financial hardship. Stress.

South Australia

106. Puts them in a worse position than before taking the payday loan out. They then need Emergency Relief – food parcels, etc.

107. Continue spiral of financial hardship as often they take out more loans when they can't afford it, and have lack of family support and ability to repay loan.

108. Experience a cycle and struggle to get out, but will turn to loan sharks and pawn broking as well

109. Often create a “vicious” cycle of continuing debt/lending that quickly blows out. Clients feel they are never able to “get on top” of the debt – adds /worsens stress, depression, hopelessness.

110. My experience is that they get further into debt until a Financial Counsellor is sought to help them and liaise with cashies.

111. Less money for food, petrol. More dependent on Emergency Relief Services

112. Every day expenses and low income and budgeting problems.

113. Increases debt, stress. Family and interpersonal issues

114. Increases debt, stress, creates marital, family and interpersonal issues.

115. Loss of important belongings (necessities of life) eg car, washing machine, tools.

116. Caused ongoing hardship – tenancy at risk due to unpaid rent, power cut off due to unpaid debt.

117. Met the immediate need, however fell into a bigger debt and without assistance from Salvation Army financial counsellors would have got into worse debt; need of continual loans.

118. They borrow more to pay off another payday lender.

119. Increase in debt-spiralling.

120. Instead of making their lives better as some would lead you to believe (ie “we are doing a public service”!!!), they (payday lenders) are making their lives more miserable and stressful. This is due to the fact that the clients are spending so much, to pay back their loan (and are not wanting to lose their precious things). This is to the detriment of everything else, especially rent, food, utility bills – “the essentials”.

121. They get caught in a poverty trap – pay high interest fees and can’t pay for basic necessities.

122. Drastic harmful impact.

123. Roller coaster of borrowing, paying back. Never getting ahead. It becomes a chronic cycle of dependence.

124. They keep increasing their debt. The amount they pay back is just ridiculous compared to what they borrowed. They are not in a position to pay back the money at the next pay, as interest rates are way too high. Needs to be controlled in what they can charge.

125. Worsened their financial stress. Caused them to ask for material assistance from community support services, to meet food costs.

126. (Limited experience as a financial counsellor), but it is a vicious cycle that seems unbreakable due to current lack of education.

127. Deprives them of funds to cover basic living costs, fall behind in other areas and take additional payday loans for food etc. Payday loans can only help sometimes if loan is a one off and not a repeat user.

128. Just gets them deeper into debt. Make hasty payment arrangements they cannot afford.

129. It keeps them on the “drip feed” – they don’t want to know that the interest amount is so high when they only borrow such small amounts.

130. Cycle of dependency.

131. Paying higher interest. Less willing to negotiate.

132. Not able to buy enough food / medicine.

133. Forcing client to be in hardship each week, by maintaining payments. This means that they borrowed again to manage. Clients also saw it as an easy way to get access to money quickly.

134. No budgeting or savings plan.

135. Impacts on meeting basic living expenses. Increases/exacerbates existing utilities, etc bills.

136. Creates dependency on a form of managing expenditure that is not only unsustainable but contributes to a downward spiral of increasing poverty.

137. Makes a bad situation worse.

138. Worsens situations.

139. Lending money from a payday lender increases the financial stress of the clients because long term they have to repay so much more because of the huge amount of interest charged of which the client is mostly not aware.

140. Increase in their debts, placed hardship and stress financially.

141. They tend to stay in debt.

142. Worry, anxiety, depression, reversion to alcohol and other addictions. Lack of hope, frustration. More visits to cash lenders.

143. Client was not able to repay the required amount. No I&E was done before the loan. No assessment was made on their ability to repay. Clients just saw the “easy get out’ without considering repercussions.

144. Increased financial problems (hardship). Unaware of how much interest they are actually paying.

145. Extra payments deducted without client’s consent. No assessment is made as to the client’s ability to repay.

146. Continual financial stress.

147. Shame. Unable to sleep. Doubts on self worth. Depression. Stress.

148. Very negative.

149. Puts clients further and further in debt with no way they can get out of debt without some help from welfare agencies.

150. Further financial hardship. They get harassed more from payday lenders so they pay them and become further behind re rent.

151. Never ending cycle of debt. Harassed – have a real fear of retribution. Pay this debt at expense of food/ medication.

152. Impacting on ability to buy food.

153. Long term worsens their situation.

154. Payday lending could assist some clients sometimes, but only in the short term, definitely not in the long term.

155. Trapped in “the system”.

156. Put client further in debt, couldn’t afford to make the payments and nearly lost their belongings.

157. BAD

158. Invariably can’t meet repayment obligations and seek donations.

159. Drags them down – constant feeling of pressure.

160. The repayments put the client in further financial hardship.

161. Always borrowing to pay lender.

162. Clients have fallen behind in their rent. Clients have gone hungry. Clients have not sent their children to school. clients have had the electricity disconnected. Clients have not been able to buy medicine.

163. Puts them into further hardship. It becomes their priority payment. They then turn to charity organisations to support them.

164. Rent or other essentials not being paid due to the direct debits.

Western Australia

165. They get further into debt, harder to get out of it

166. Clients become dependent upon the payday lenders for "topups". They can never break the cycle of spend, borrow, spend.

167. Clients seek assistance from ER providers. This is a stop gap measure initially which balloons into a cycle of indebtedness with ever diminishing funds available for essential requirements such as rent, food, utility payments

168. It traps them into keep borrowing, client can't get ahead

169. Further debt and the pressure to pay the lender back first before utilities etc.

170. Generally makes it more difficult to manage their finances. Usually a short term gain for a long term pain

171. Often will condemn them to long term debt. However, for some of these clients it is possibly the only way they will be able to get credit for an emergency. So, to help them we have to find some alternatives. Extension of NILS (is one solution).

172. They often remain in debt for a long period and struggle even more.

173. Clients using Centrelink payments to pay loan, as a result utilities have been disconnected etc.

174. Direct debit dishonours = fees from the banks. Over commitment for repayments. Gambling use. Loss of items.

175. Creates more difficulty ongoing. Instant relief. Is not long term solution.

176. Some clients have been at threat of losing their tenancy because of not enough funds remaining in their bank. Clients have sometimes stopped their rent deduction from Centrelink so they can keep their payments so they can get another loan after they have paid off their current loan.

177. Sometimes a short term fix but many clients are not aware of the long term consequences.

178. Debt spiralling. Continuing having to borrow.

179. Compounds their financial hardship. Trying to pay these debts has taken priority over necessities ie rent, food and utilities. Increases their bank fees due to direct debit dishonours (so, therefore indirectly banks/lenders profits increase). Clients are locked into a poverty trap. It creates a false sense of a good "option" to consumers in need.

180. People are using payday lending for essentials – school books/uniforms – this is causing a lot of hardship, as they then can't afford other necessities including food/rent.

181. It puts them in a worse financial position. The repayments are high and many of them cut down on essentials like food etc to make the repayments.

182. People are grateful for the cash up front, but final repayments plus interest rates are very difficult to repay.

183. Due to high interest, ability to repay loan is difficult, thus clients become reliant on obtaining more loans, thus the cycle is continuous.

184. Clients are trapped in a vicious debt cycle and can't get out of Payday lenders. They can't afford to repay the loan and borrow from their friends to pay for utilities and their normal living expenses.

185. Huge interest rates. Majority of clients are on Centrelink benefits (long term).

186. They were trapped in a cycle of debts. Always robbing Peter to pay Paul.

187. Increased debt - more problems - loss of items, stress, suicidal.

188. We do not have options for payday lending in our community.

189. They seem to sink deeper and deeper into debt where the debt becomes unmanageable, especially young people who think that these types of loans are easy to get and totally ignore the interest rate or don't know the consequences if they can't pay and the total cost of the interest. In most cases they go bankrupt or take out more loans to pay them back.

190. Exacerbate their financial hardship

191. One loan was secured on household furniture, and car loan was for $500. Client had the car(valued at under $1000) seized when client failed to keep up with payments

192. It only makes the financial situation worse

193. Spiral effect – borrow money - from others to help meet their essential costs.

194. It delays clients from seeking assistance and addressing the real issues

195. Financial hardship. No consideration given to their other financial commitments ie rent, food, utilities.

196. Substantial increase in debt due to inability to meet repayment.

197. Increased stress. Move from one crisis to another.

198. I presently have a client who has loans with 6 different payday lenders, a total of 9 loans. Payday lender direct debit repayments are a constant problem for clients and create constant disadvantage for people on low incomes.

199. Gives a short term gain but put them further behind and usually take more debt to keep payments up.

200. High repayments through direct debits not equal to income/expenditure %, putting them in further financial hardship and stress.

201. False sense of hope when really it is extremely detrimental to client

202. It exacerbates the financial difficulty they are already experiencing. It does not rectify nor solve their difficulties. It serves to offer them a promise to get what they (think) they want without understanding the financial consequences. Often it is a quick fix to the problems.

203. Clients are unable to pay the repayments without financial hardship and financial assistance from emergency relief agencies for assistance to cover food and utility costs.

204. Fosters a belief on normality that high borrowing costs are OK. The ease of these facilities circumvents the seeking of possible better alternatives and in turn creates dependency (eg NILS, ER alternatives etc are not considered).

205. Clients are unable to meet repayments. Subsequent financial stress. Growing debt, growing interest.

206. Immediate relief to obtain the money was usually for a bill or essential services. Once repayments start – spiral of debt starts and can not keep up. Often borrow again to pay out one.

207. Their regular use has seen them budget this into their practice. They plan for the next loan.

208. The clients took the loans out due to “emotional spending reasons”. They bought goods and items that were not essential, and were experiencing financial hardship when they took the loans out.

209. Debt cycle.

210. Further into debt, loss of “hocked” items, borrowed further into debt.

211. Perpetuates their financial hardship and stress. Most were unaware of the % rates they were paying.

212. Immediate money for perceived crisis.

213. It is a deep well, clients do not realise they are sinking in to it and can never come out of it.

214. Causes increased financial hardship.

215. Made it put mortgage in arrears and risk of home repossession. Money taken made mother of three small children unable to afford food until next Centrelink payment. Direct debits meaning insufficient funds for other direct debits so clients getting many bank fees on dishonours, compounding repayment arrears.

216. Payday lending is geared towards the most disadvantaged in the community ie, the people who can least afford to pay astronomical interest rates. Payday lending is a financial trap that “takes away” money for essential needs.

217. It compounds the clients’ debt problems.

218. Clients unable to access credit due to low income and/or bad credit rating. Approach Payday lenders to fix their immediate financial crisis but lack the understanding or forethought of the consequences with the high interest rates. They feel they have no other choices to access funds.

219. Reduces income for essentials – food, rent. Clients are often not aware of the charges and interest. Offers a quick fix – does not allow clients to explore other options or consequences. Pressure from family members.

220. Negative cycle. Client is unable to break out of it. Not paying other debts/ essential services.

221. Clients accept enormous repayment schemes. No budget, can’t afford it. Hock things to pay it and the cycle goes on. The pressure is enormous and they often get another loan to pay out loans.

222. Payday lending does not improve the financial position of many of our clients, in fact it most often makes them more financially vulnerable.

223. Leads to hardship in other areas ie rent, utilities, food and other essential living expenses.

224. Further hardship. Unrealistic and inappropriate payment arrangements. Stress and anxiety. Vicious cycle – many clients had to take out another loan within 4-6 weeks to meet repayments. Debt trap.

225. Leads to further debt and hardship.

226. Vicious cycle of borrowing/paying back/ borrowing etc : also payday loans utilised for basic expenses.

227. Difficulty with managing other financial liabilities. Sometimes short term/immediate relief but long term difficulties.

Queensland

228. They become further drawn into borrowing money because they can't pay it back so it escalates. Further, a couple of my clients had very apparent mental disabilities yet lender would say "they know what they are doing". It is like training a pet in this case. They do a certain thing - e.g. ask for money or pawn a watch and their reward is cash. Easy to teach anybody that. This is not something they reason through they just do it because they know what the outcome is - they become conditioned.

229. if it had a 2 week turnaround the extra charges for brokerage fees or card fees then made it necessary to borrow even more the next time and they had to borrow

immediately again as they couldn't afford to do anything else. Long term loans have high costs, (double) for the loan and these people are mostly on Centrelink payments so can't afford all the charges and interest. It is Centrelink recipients who go for these loans and they are the ones who can least afford it.

230. Payday lending ensnares clients to dependency on the money/service they provide. several clients have been bullied and harassed to the point of suicide.

231. Short term solution to a pending bill payment. In the longer term not sustainable as the high level of repayment demanded by this type of loan meant client was then over-committed.

232. Clients are of the opinion that they need these lenders as none of the formal financers will assist.

233. Clients end up digging a deeper financial hole for themselves. Repayments are by direct debit made the day that pay/Centrelink is received. In effect repayments end up being a preference payment over normal living expenses of food and rent.

234. The clients are already in hardship when they go to a payday lender. They get further into debt and it spirals due to interest, fees and charges. Most of my clients have been Centrelink recipients and can clearly not afford to repay. It is hard for a financial counsellor to become an advocate based on the pay day lenders avoidance tactics and the fact they don't have appropriate hardship responses. They seem very quick to sell the debt to a collector.

235. Due to the high interest and charges they are unable to meet the basic repayments within the timeframe so they borrow from another payday lender.

236. The client borrows money initially and once its paid has to re-borrow every pay to be ale to make ends meet. these clients are already living outside their means and cannot afford the extra repayment. They get stuck in a cycle that’s very hard to be broken.

237. Clients get payday loans because they are desperate for cash. Often there is not much thought about whether they can afford to pay them back. When they can't repay them, they get stung with huge interest rates and fees which cause further financial distress. Payday lenders act like friends who are there in times of need. My clients rarely calculate the cost of these loans. They only know how broke they are.

238. Speeds up the process to financial hardship and bankruptcy.

239. Clients are already struggling financially, usually not working and take the loan to pay bills or buy groceries and they then get stuck in a loan cycle, they continuously take more loans as once a loan is repaid they still don't have money for essentials and then have to take another loan and so on.

240. Bills and rent.

241. It stresses them as a lot of times the car is taken as security and the debt collectors are relentless.

242. Clients who access payday loans become entrenched within a debt cycle characterised by high interest and charges. Clients do prioritise payments to these creditors over essential payments to household expenses, ie rent, electricity, food, due to their perceived relationships. Often the only way to break the cycle of payday lending is through bankruptcy.

243. Client's led to living in poverty. Generational cycle continues as this debt trap becomes the only financial means for all members of family.

244. Clients rarely get out of the spiralling debt burden, as the loan money is used for essential items like food and bills but the rates of interest clients pay mean they never will have enough money after paying the loan. Clients say they are desperate and that's why they take the loans, even when they know how much they have to repay.

245. It always gained control of their financial situation and there seemed little escaping.

246. The payday lending experience sets clients on a desperate cycle of need and poverty. The repeat borrowing ensures clients will never have access to fairer lending. Totally depressing all round.

Tasmania

247. Helps them get from one pay to the next.

248. They are all on government benefits and cannot afford these loans at these high interest rates. The contracts are not explained until collection activity starts.

249. In the end only increases their financial and mental stress levels.

250. The payday loans can help people in the short term to pay for an unexpected expense or for an expense that people did not save for. Even if they can pay the money back it simply means that they have paid a lot more than the original cost of the debt or activity. Some clients see the payday lenders as their "friends" because they give them what they want without much fuss. People don't understand interest and only focus on what they want. The payday loans just add to the debt that is usually already there.

Northern Territory

251. Gets them into a vicious circle.

252. The high interest rate keeps them indebted and in my mind becomes almost an addiction.

253. Due to the very high interest it takes them a very long time to pay the loans out, most the time they are struggling just to pay the interest charge each fortnight. If the client's personal property was used as security for the loan, they usually end up losing those items.

254. Payday lending only exacerbates their financial problems and contributes to the majority of their stress.

255. They never get out of the debt due to the high rate of interest.

ACT

256. Never ending cycle, they borrow the money to pay for food especially when utility bills arrive.

257. For some repeated cycle of high cost loans - with repeat borrowing to cover other costs that would be met if loan did not exist.

258. Client is usually not able to afford living expenses until the loan is repaid, making repeat loans more likely. Other financial obligations such as rent and other loans can fall over as a result. I have sometimes had to refer clients to emergency relief providers so they can live until the loan is repaid.

259. They get caught in a trap of ongoing loans and their pay is gone before they've got it.

Appendix 2 – Client Stories

Question 7
Thinking about one client, can you provide the story relating to their experience with a payday lender?

Some answers have been edited slightly for clarity, for example to correct spelling or grammar. Names of payday lending companies and locations have generally been removed.

Note: Data on loan amounts and terms were generally provided by financial counsellors relying on their memories, rather than with access to their files (as the majority of surveys were completed during state association conferences). The figures therefore may not be completely accurate. They are however a useful guide to the usual way in which payday loans operate.

New South Wales

1. Mrs O on a Widows Pension, borrowed $1000, $200 went to pay out her first loan. She had to borrow $900 to buy a money management DVD. She already had the money management DVD from her first visit.

2. Client borrowed money from lender, had to pay it back next fortnight with Centrelink income and immediately had to borrow again to live until the next payday. Paid back $100 more on loan each time. Could not get out of cycle. Payday lender not willing to help her out of cycle in any way – would not negotiate.

3. Client contacted agency as payday lender was pressuring client to meet repayments. Unable to do as repayment was unrealistic in relation to income. Debt grew to interest and late payment fees. Assisted client to obtain advance from Centrelink to pay out debt and prepared budget for ongoing money management.

4. Married couple, both on DSP for years. Supplement their income frequently this way. Two loans taken out in 2010, are still being rolled over each two months. Last year the payday lender booked their holiday and accommodation in Queensland – the clients think they are their friends.

5. Borrowed $200 to pay bills, became homeless (single mum, one child). Housing NSW put in temporary accommodation, buying takeaways etc. No money in bank account when payments were due, debt just kept climbing with defaults and penalty fees.

6. Client has mental health/ past trauma. Client partner is a gambler. Client and partner have drug/alcohol history. Three children in care. Couple are Aboriginal. Client pregnant and must see financial counsellor as recommended by DOCS. Client also has other independent debt > $9,000.

7. Client's husband had recently died. She was grieving and lonely. Her daughter rang asking for money - $600 as a loan. Client's borrowed from a payday lender. Daughter never repaid nor increased her support of her mother.

8. Wheelchair-bound client with mental and physical disabilities. Would use all his money gambling then borrow from payday lender and go straight to club and gamble again. Payday lender was definitely aware of his gambling problem but continued to provide loans.

9. Client has four payday loans, ended up homeless and they threatened to repossess her fridge because she was behind in payments.

10. Single mum, son with learning difficulties, extra expenses. Nil child support. Went bankrupt, new beginning, much happier.

11. Client needed money to register car! Had already borrowed $500 from Centrelink! So this put client into a worse financial hardship! Had to go to welfare for food assistance from a few agencies! Client couldn't get out of the hardship cycle!

12. She had four payday lenders. She had to keep borrowing as her salary was going straight to them, was not paying her rent, was being evicted.

13. Client was a man with bipolar disorder, and a Centrelink income.

14. The (financial counselling service) has seen a number of cases through financial counselling and NILS. Working with Legal Aid on issue.

15. Revolving door! Borrowed to meet basic living costs, needed to re-borrow to pay original loan.

16. Client needed his car for work – rego was due. Car needed new tyres, and although he had some money put aside, was $600 short. Had to pay $400 for 2 CDs on money management. This was first time he had been to (payday lender). Did not watch the CDs. Loan secured by household furniture and car.

17. DSP recipient with mental health issues. He used payday lenders over many years out of convenience and habit. He thought it was too hard to find short term small amounts of money from other sources. He was aware of the cost, but did not fully realise in the long term how it made his financial situation worse.

18. Sole parent, son aged six with problems, mental health issue, in community housing – living beyond means ie $500 for Royal Easter Show. Unable to live and meet repayment.

19. Breakdown of relationship.

20. Client is an Indigenous person. She has obligations to her family and community. Client finds it difficult to say "no" to family members who ask her for money.

21. This payday lender had also taken out security on basic household items, TV, fridge, microwave and lounge.

22. The client, 20 years old with brain injury, history of drug use in housing, no understanding of the repayments, the client would hand over bank details.

23. Single mother, three young children, public housing. Problems paying electricity and phone accounts constant struggle and has become reliant on short term loans.

24. Had difficulty repaying a $700 loan. The payday lender “solved the problem” by lending $1000 to pay the $700 loan and added $500 for administration. The client now has a $1500 debt instead of $700.

25. Client borrowed to pay utilities debt and vehicle registration. Had existing adverse credit rating. Indigenous client.

26. Client needed money for funeral expenses.

Victoria

27. Full time prison officer. Family commitment said to be motivation of borrowing. Had credit card debt. Happy to only pay minimum payment on credit card but pay back payday lender.

28. Client pawned goods over a few months. Goods were of sentimental value (ie late husband’s wedding ring) and client did not want to forfeit them. Was only given around $20 on each item. Had paid back a considerable amount more in interest and goods still in hock. Had borrowed money from (the payday lender) to pay the fees for the goods so was trying to pay the loan and ongoing pawn fees.

29. (Client) had problems paying her rent each month. She’d had car problems and had to get it repaired. She borrowed to meet the monthly rent payment and had to pay it off plus interest in a month. She therefore had to borrow again to pay the rent and it never stopped!

30. The client had been previously banned from payday lender 1! Client negotiated lifting of ban - this happened. Then secured $2,000 loan. He has drug issues. Also has an asset (house). Accessed payday lenders to pay bills, including rates, fines etc. Client presented in great distress.

31. Went recently to the Victorian Civil and Administrative Tribunal for $3,000 rent arrears, unable to pay day to day bills. Mother who has three adult children (who are unemployed) living with her. Rent is $300 per week. Gambling problem.

32. Went to (payday lender) as needed cash for rent and food. Forced to rent a $400 DVD for financial literacy. The consumer can’t repay.

33. Client on a Disability Support Pension and has mental health issues. A week after the client took the loan – cash, she withdrew $105 from the account. She was due to pay back the full $421 on the next pension – so took the money (part of it) early.

South Australia

34. (A victim of domestic violence) and needed funds to get out and no charity/emergency assistance/domestic violence service able to help with moving costs. Felt had nowhere to go to get the funds. Now felt trapped and unable to pay the debt. Put arrangement of $65 per fortnight (to the payday lender) and this was agreed to.

35. Client with mental health issues constantly offered more money to borrow every time a payment was made.

36. Separated from partner, money to set up house.

37. Single mum, just moved property, needed money to pay electricity bill to connect to new property and buy Christmas goods.

38. Client is going to lose his $4,000 car for a $700 loan. Client was unable to raise the $700 in total to pay the loan back. Client was paying a percentage to keep car from being sold, but needed to come up with the total amount of $700 to get the car back.

39. Lady recently separated, no transport. Country area. Needed to access services in town.

40. On Newstart – serious medical issues – when payday (Centrelink) comes in, she pays the rent first, then does not have enough to live on. Gets a loan (and also pawns her laptop) to survive. Cycle continues – costing heaps in interest, fees.

41. A single parent with 3 children took out a short term loan at (payday lender) to help them financially when bills, rego came in or at Christmas/ birthdays. With an interest rate of 30% per month, the client's debt increased so quickly that the client felt totally helpless and out of control.

42. Client needed to borrow money to pay for car, registration and needed to pay for car costs that was necessary for use to take wife to doctors regularly (elderly couple), due to illness.

43. Client had two previous loans, managed to repay on time then had to borrow $500. Could not repay on time and had loan rolled over 12 months later. Now owes $1000. Has no way to repay.

44. Thought $4,000 would get him out of debt. Did not realise the lender would be ringing him each week to ensure repayment was made. When he worked out just how much he had to repay he had a nervous breakdown. Other debts were let slide and he wanted to renegotiate. Showed him the ITSA (bankruptcy) papers and he filled them in immediately.

45. Client borrowed the money to be able to relocate from Adelaide to Whyalla. She noticed that there was money missing from her account (left there for rent to be direct debited). She rang them asking about this and how much was left on the loan, to which they asked if she wanted to pay the outstanding amount. She replied no, she just wanted to know how much was still owing for tax time as she planned to

pay the rest then. They assured her that they wouldn't take extra money out again. They did this again about a month later and she rang them again. And their attitude was that of "what is the problem? Your loan will be repaid faster!" She told them that if it happened again she would take legal action, and they responded that there was no need for her to be upset. About six weeks later they rang to inform her that her loan was repaid and asked if she wanted another one.

46. Miss X on DSP, divorced lady, initially borrowed from payday lender, as needed money for car repairs. Had gone to Credit Union to borrow $1,000 - when this was refused, went to payday lender – was talked into borrowing more. Has since decided to go bankrupt.

47. Borrowed $500 for gambling. Could not repay and ended up with default fees and collection fees.

48. Borrowed to help get through until next pay – unable to pay next fortnight or the next – increase in fees etc.

49. Re loan, current moratorium in place as she cannot afford to pay it.

50. Client has no money for food due to unexpected medical expenses, so she went to (payday lender) to enable her to purchase food.

51. Car broke down and needed car fixed to take kids to school. Client always borrowing from friends/ family to buy food to repay the lender/ excess fee.

Western Australia

52. (The client) always relies on this source and renting goods which is why budget does not meet.

53. Payday loan to pay car repairs to allow client to get to part time work and drop child at childcare.

54. Married man with kids. Depressed on his birthday. Borrowed from (payday lender) to go to casino to make him feel better. Client has mental health issues

55. Only been a financial counsellor since August 15th, and living in xxx don't have as big an issue with this, I think.

56. Have seen the destruction payday lending has caused in our community.

57. Single parent, 6 children at home plus two older ones – needed a vehicle, spent the $2000 on a van, next loan was for repairs to that van.

58. Client had bills and fines to pay. Had no money left to buy children's birthday presents. Client on Newstart.

59. It was for school books/ uniforms for her two children. Didn't have any option but to borrow from payday lender.

60. Centrelink client with low literacy skills. Disabled, psychiatric issues, and alcohol dependency, borrowed from xx. Direct debit repayment arrangement via Centrelink Pension, which she spasmodically stopped. Harassment from lender to repay – took her five years. Financial counsellor managed to get interest waved which helped her repay.

61. No payday lenders in xx area. We have book up but not payday lending.

62. There are no payday lenders in xxx. Clients are receiving these loans from Geraldton and Perth WA.

63. Assist client with vouchers (Coles) to help him to use his own money to repay loan and for him to have a reasonable "diet". Many clients I see are on a Disability Pension, and who use (payday lender) who are right in the heart of Fremantle.

64. More debts/stress.

65. We do not have payday lending in xx or surrounding areas. And we are very glad of it as we believe it would compound the issues in our area. We do not want payday lending, and support all other financial counsellors dealing with this issue in their bid to assist their clients by asking for reduced interest rates across the board for payday lenders.

66. Creates greater hardship.

67. Client has been paying her $500 loan for 2 years (of course she missed her payments) and she still owes them $700!!

68. Working full time – client had family financial obligations overseas – could not manage on wages. Borrowed from one payday lender – kept spiralling, could not keep up. He had up to three payday lender loans by the time he saw the financial counsellor.

69. Mother with three children, always struggling with the budget. Usually had at least two payday lending accounts. Did not want to change this as client felt that she was managing very well. Case is a few years old so I don't have the exact details. But case always remains in my mind. Client didn't want budgeting assistance. Just help with application for a no interest loan.

70. I also see people who hock their wedding rings and then the payday lender will offer a loan to repurchase.

71. Client lost son in a car accident – had borrowed money, around $8,000 on a flexi interest over 4 years. Client is currently grieving and unable to work due to depression and no income. Client now owes a debt of over $15,600 and is unable to make any repayments at all. Client has been informed if unable to pay there would be debt collectors coming to her.

72. Client who has limited capacity to budget due to mental illness, consistently uses (payday lender) to make ends meet. He refuses to stop using them despite counselling.

73. My clients have on-going debt issues. If family come to stay they have to help them. One client in particular will not ask for money to help pay the electricity and has accumulated over $8,000 (in debts), and had her power disconnected with no way of making payments to have her power restored – keeps borrowing money without capacity to pay back.

74. Client is on age pension. Owns her home. Obtained pay day loans (multiple) to pay off some unexpected expenses a few years ago. She is still paying off these loans. Also has two credit cards, legal action pending. She can't afford these repayments due to payday loans.

75. Started off to pay utilities and paid each fortnight.

76. Client initially took out loan for tenancy arrears, as the clients income does not cover rent, client is always in arrears and always gets payday loans of increasing amounts.

Queensland

(There is slightly more detail about loan amounts, terms etc in this section as these surveys were completed online.)

77. Disability pension. Has severe cognitive impairment as a result of medical health problems. Very apparent to anyone speaking with him. Borrows money every fortnight.

78. Carer's pension. Has 2 children, needed it to pay rent and had to get vouchers for food because of paying back the loan.

79. Loan $22,000 over three years. Has borrowed three times. Income source is Disability Support Pension. Loan was secured by a car which was worth a minimum of $4,000.

80. Client also had loans with two other Payday Lenders and a credit card which were not disclosed at time of loan. Lender was aware client had a problem with alcohol and gambling. Income was Centrelink.

81. Client with mental health issues. Loan was over three months and has been rolled over three time so far. This will go on as long as the client pays the interest. Income source is the Disability Support Pension.

82. After all other loans and this new loan, client has $100 per month to live on after he paid rent. Apparent in correspondence with lender, that lender did not get his rent commitment as part of the application for credit. Income – wage.

83. The 'package fee' was 50% of loan. Why doesn't the QLD govt enforce the cap? We all know which ones are the biggest rogues. Why don't they check them? (The loan

was $800 over a couple of months, with a total of $1,200 to be repaid. The client had borrowed four times and was on a Disability Support Pension.)

84. Loan was taken out to buy groceries/pay bills ($200 loan, with $500 to be repaid, rolled over more than once, income source – Disability Support Pension)

85. Client has a brain tumour. ($500 loan with 16 payments of $128, total to be repaid of $2,048, rolled over twice.) Income – Disability Support Pension.

86. Sole parent with Aspergers child. ($607 loan to be repaid in 13 days, total to be repaid $888, client had borrowed three times previously from this lender, was in full-time employment)

87. Loan repayments more than income received, cycle continues, debt deepens, poverty increases. Eviction, reliance on handouts, crime prevails. ($750 loan over 7 days, total to be repaid $1,110. Client had borrowed 26 times previously. Income Disability Support Pension.)

88. Client was employed but is now on Centrelink benefits. ($2,000 loan over 7 months, total to be repaid $3,030. Client has borrowed twice before from this lender.)

89. Yes. Client suffers from bipolar disorder and believes he has strong friendship and support networks with the payday lenders. It is very important to him to be well liked by these people. (Loan of $800 over 6 months with total to be repaid of $1,500. Had borrowed three times previously. Income – Disability Support Pension)

90. Client on Disability Support Pension. (Loan $500 over 12 weeks, with $1,000 to be repaid. Had borrowed seven times before from this lender.)

Tasmania

(There is slightly more detail about loan amounts, terms etc in this section as these surveys were completed online.)

91. The client is happy with the pay day lender system (Loan of $150, 90 days, income is part-time employment).

92. Client had multiple payday loans. (Loan $250 over 1 month, total to repay $325, previously borrowed five times from this lender. Income – single parent pension.)

93. the real problem is that people just want things and don't care how they get them. There is a real ignorance when it comes to planning with money. (Loan $300 over 2 weeks, with $450 to repaid. Client had borrowed three times previously. Centrelink benefits.)

Northern Territory

(There is slightly more detail about loan amounts, terms etc in this section as these surveys were completed online.)

94. Centrelink client (Loan $400 over 2 months, with $620 to repay. Has borrowed twice before from this lender.)

95. Centrelink (Loan $200 over 3 months, with $400 to repay. Has borrowed 2 – 3 times before from this lender.)

96. Centrelink, has been credit listed. (Loan $300 over 1 month, with $560 to repay. Has borrowed 3 times before from this lender.)

97. Client borrowed about $2,000 in total with 3 payday lenders, over a period of a year. Over $500 in total interest. Is in paid work.

ACT

(There is slightly more detail about loan amounts, terms etc in this section as these surveys were completed online.)

98. Aboriginal client, wage income. (Loan $100 over 2 weeks, with $170 to repay. Had borrowed from this lender previously about 10 times.)

99. Disability Support Pension. (Loan $100 over 1 month, with $160 to repay. Had borrowed from this lender previously 3 times.)

100. Aboriginal client, wage income. (Loan $100 over 2 weeks, with $170 to repay. Had borrowed from this lender previously about 10 times.)

101. Income – Disability Support Pension and Comsuper (Loan $402, over 51 days with $417.15 to repay. Had borrowed from this lender about 6 – 7 times.)

Appendix 3 – Survey Questions

Please circle your answers.

1. **In the last 12 months, have you seen clients who had debts to a payday lender?**

   Yes No

2. **If yes …. approximately how many clients did you see who had payday loans?**

   Less than 5 5 – 10 11 – 15 16 or more

3. **Approximately how many clients had been repeat borrowers (ie the payday loan had been rolled over immediately or the client had paid the loan back, but took out another loan very soon afterwards).**

   None Some of them Most of them All of them

4. **Approximately how many clients had multiple payday loans at the same time?**

   None Some of them Most of them All of them

5. **Thinking about the majority of your clients who had payday loans, did the payday lending help them improve their financial situation?**

   Never Sometimes Often Always

6. **From your casework experience, what is the impact of the payday lending on your clients?**

It would be great in the survey report to include a few examples of actual cases. We know this is a bit difficult without access to files, but some rough outlines will still help.

If you aren't able to complete question 7 below, but would still like to provide a case study, please write down your email address and we'll contact you separately

………

7. **Thinking about just one client … can you provide the story relating to their experience with a payday lender?**

a. how much did the client borrow most recently (ie the principal of the loan including amounts to payout previous loans if any)	
b. over what period was the loan	
c. what is the total amount that has to be repaid	
d. How many times has the client borrowed from this payday lender in the past year	
e. Client income source	

Story