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

February 2020

www.anglicare.asn.au

About Anglicare Australia

Anglicare Australia is a network of independent local, state, national and international organisations that are linked to the Anglican Church and are joined by values of service, innovation, leadership and the Christian faith that every individual has intrinsic value. With a combined expenditure of \$1.82 billion, and a workforce of 20,500 staff and 9,000 volunteers, the Anglicare Australia Network contributes to more than 50 service areas in the Australian community. Our services are delivered to 450,000 people each year, reaching over 1.33 million Australians in total. Our services are delivered in partnership with people, the communities in which they live, and other like-minded organisations in those areas.

Anglicare Australia has as its Mission “partner with people, families and communities to build resilience, inclusion and justice.” Our first strategic goal charges us with reaching this by “influencing social and economic policy across Australia... informed by research and the practical experience of the Anglicare Australia Network.”

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Introduction

Anglicare Australia strongly supports the measures in the National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2019, and we recommend this Bill be passed.

Last year Anglicare Australia Network members supported more than 65,000 Australians across the country with emergency relief and more than 35,000 people with financial support services. Our Network has been providing these services for over twenty years.

We have found that a combination of low income, lack of savings, and poor access to mainstream banking and financial services can lead people to use pay-day loans for short-term and sudden financial crises.ⁱ In line with our experience, the Consumer Action Law Centre (CALC) estimates that less than five percent of pay-day loans are for the purchase of a lasting item or for one-off payments that don't involve financial hardship.ⁱⁱ These short-term needs are trapping people in long-term debt.

We commend the strong cross-party interest in addressing the harms from pay-day lending, which have now been clear for years. We note that this Bill replicates the Government's exposure draft circulated during the previous parliament and we thank Senator Griff and Senator McAllister for reviving this issue as a priority. We hope this spirit of cross-party reform continues and the Bill becomes law.

This submission summarises the Anglicare Australia Network's experience with pay-day lending and the harm the industry causes the people we work with. It is unacceptable that pay-day loans are, for some people, the only option they have to access emergency credit. From this position we provide advice on wrap-around reforms that could strengthen the positive impact of this Bill.

Our Network will continue to advocate for the people we serve until these reforms are passed.

The Case for Change

For people on low incomes, unforeseen expenses such as replacing appliances, an unexpectedly high power bill, or funeral costs can create a need for emergency funds. In one example from our Network, a family became trapped in debt after their children returned home from care. The need to provide them with furniture and clothes saw them turn to a pay-day loan. In cases like these, the need for basic items such as clothes and furniture should never result in debt worth near double, or triple the original payment amount.

People on low incomes tend to be highly resourceful and resilient. They often survive exceptionally difficult circumstances through careful budgeting, living highly precarious lives without any buffers for crises. Because they are on low incomes and have no savings, they can't access more secure and regulated forms of credit. As the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry found, there is an urgent need for major reform of financial services. Pay-day lenders, who we believe are acting in a particularly problematic market, must now be held to the same standard.

Pay-day lenders deliberately target people on low incomes who are highly vulnerable to sudden debt, exploiting their lack of options to offer 'easy' credit at exorbitant rates of repayment. Even if a loan is repaid quickly, the rates of interest are so high that debts two or three times more than the amount borrowed.ⁱⁱⁱ This is deliberate exploitation of vulnerability, particularly where people have an intellectual disability, mental illness, or speak English as a second language. This power imbalance can be worsened by low financial literacy as well and the general lack of transparency around how pay-day lenders operate.

In the wake of the recent bushfires, the urgency of this Bill is only growing. Anglicare Australia Network members are monitoring pay-day lender activity in fire affected areas. In our experience, many people turn to pay-day lenders after disasters, with serious long-term consequences for their financial and mental recovery. It may be months or years before we can fully comprehend the consequences of the fires on individuals, families and communities. They deserve close attention and support, and should not be left vulnerable to exploitation.

Financial Inclusion and Further Reforms

If no agreement can be reached on amendments, this Bill should be passed. However, the Bill's positive impact could be bolstered by additional measures that focus on financial inclusion and empowerment.

People on low incomes should be as empowered and informed about financial services as any other citizen. We support the Department of the Treasury's view that laws applying to SACCs and consumer leases should, as a chief objective, facilitate financial inclusion.^{iv} It is unacceptable that so many people feel that pay-day lenders are their only option for urgent financial assistance.

Anglicare Tasmania has been raising the lack of affordable credit for people on low incomes for over twenty years,^v and has made a detailed submission to the current inquiry. We commend their expertise to the Committee. We also refer the committee to Anglicare Sydney's detailed [submission](#) to the Independent Review of the Small Amount Credit Contract Laws, initiated by the Government in 2015. Anglicare Sydney called for the expansion of microfinance programs as viable alternatives to pay-day loans, and collaboration between the government, credit unions, and community groups to provide ethical financial products for those who are not eligible for microfinance.

In addition, Anglicare Australia recommends the following reforms:

- Increased education and financial literacy programs. These would help people understand financial products, money management, and energy consumption.
- A requirement that pay-day lenders inform potential consumers of financial counselling, utility bill assistance, and sources of no or low interest loans as alternatives to their services.
- Affordable energy initiatives for people on low incomes.

Conclusion

At its heart this Bill is about poverty, and it is about power. It is clear that the power of pay-day lenders to exploit vulnerable people needs to be curtailed. In the current regulatory environment, pay-day loans only serve to harm. We welcome the continued cross-party interest in this area, and hope it now translates to reform. Passing this Bill would genuinely help people on low incomes to reduce their vulnerability to and reliance on pay-day loans. We further urge the Committee to strengthen the outcomes of this Bill by recommending the additional reforms that our Network has put forward.

This submission is prepared with the on-the-ground expertise of several network members including Anglicare Western Australia, The Samaritans Foundation, Anglicare Sydney and Anglicare Tasmania. Members of our Network would be pleased to present evidence to the Committee in the course of this Inquiry.

ⁱ Anglicare Sydney (2015). Anglicare Sydney response to the consultation re the Small Amount Credit Contract Laws.

ⁱⁱ Anglicare Tasmania (2018). [Submission to the Senate Standing Economics References Committee Inquiry into Credit and Financial Services Targeted at Australians at Risk of Financial Hardship.](#)

ⁱⁱⁱ Ibid.

^{iv} Department of the Treasury (2016). [Review of the small amount credit contract laws.](#)

^v Anglicare Tasmania (2018). [Submission to the Senate Standing Economics References Committee Inquiry into Credit and Financial Services Targeted at Australians at Risk of Financial Hardship.](#)