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

Sent via email: [corporations.joint@aph.gov.au](mailto:corporations.joint@aph.gov.au)

14<sup>th</sup> October 2011

Dear Sir/Madam

**SUBMISSION TO THE INQUIRY INTO THE CONSUMER CREDIT AND  
CORPORATIONS LEGISLATION AMENDMENT (ENHANCEMENTS)  
BILL 2011**

We are pleased to submit Moneyplus Corporation Pty Ltd response to the Inquiry into the Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill 2011.

Moneyplus believes that this is an important time to achieve meaningful changes to this industry and welcomes this opportunity to present to the Parliamentary Joint Committee on Corporations and Financial Services our position on this proposed legislation.

We would be pleased to brief the committee in person during the upcoming hearing in Canberra.

If you have any questions or queries regarding this document or our organisation, please do not hesitate to contact me directly for further information.

Yours Sincerely

David M Prosser  
Principal

October 2011

### **About Moneyplus**

- 1) We were one of the originators bringing “payday lending” into Australia in 1999. Our main focus is now micro lending (short term credit). We are a private Australian company (family business)
- 2) Moneyplus operates an 8 branch network in Sydney NSW and employ 25 staff. We served about 25,000 customers last financial year.
- 3) We lend to consumers who are working or about to start work. We do not lend to consumers receiving Government benefits as their sole source of income.
- 4) We lend \$100- \$6,000 over 1-2 years with consumers normally repaying the loan back in 1 - 6 months
- 5) Moneyplus is well regarded as a responsible and ethical player in an industry where there has no doubt been some questionable behaviour from some less reputable organisations in the past.
- 6) Moneyplus is committed to bringing about change that will allow transparency and viability for providers as well as encourage behavioural change in customers who cannot access traditional modes of credit.

### **Market need for short term credit in the credit industry**

- 1) There have been acknowledgements by key stakeholder groups, including government that there is a legitimate need for a short term lending market (RIS. Regulation Impact Study report by Treasury 2011).
- 2) The various NILS and LILS schemes will help less than 1% of the population and only people on government welfare plus taking weeks for loan approval. The Industry normal approval time is within 1 hour. Government has committed \$15.5m pa for the next 4 years
- 3) Currently the industry cash advances \$800 million and serves 500,000 customers annually.
- 4) Based on overseas data the industry will grow to about \$4billion pa
- 5) The Aussie battler (workers) being about 15% (NAB report 2011) of the population will be excluded from obtaining credit.

### **Customers who use short term credit**

- 1) 100% of Moneyplus customers are employed.
- 2) Customers are drawn from office workers, fast food industry, sales people, nurses, hospital, bank officers and tradespeople..
- 3) There are many causes for financial exclusion, some being non budgeted bills, new immigrants, previous bad decision, poor advice, early bankruptcy, behavioural and relationship issues.

October 2011

### **Unintended consequences of the legislation**

- 1) In its current form, the legislation will make the business model unviable.
- 2) Moneyplus will have no choice but to withdraw from the small lending market, leaving many customers without the ability to obtain credit.
- 3) Failure of caps in a recent study conducted by Dr Corones, QUT (March 2011) found that there is no evidence to show that caps are required in this industry. He notes that the regulatory protection measures by ASIC is adequate.
- 4) Caps do not address the impact of short term loans given by dubious companies EG: The consumer pays back the loan in one payment instead over a reasonable pay period.
- 5) To put simply, businesses cannot operate under the proposed establishment cap of 10% of adjusted credit amount plus 2% per month for credit under \$2000 or 2 years duration or the 48% cap which includes third party fees and charges for all other credit.
- 6) The unintended consequences will allow smaller players with less transparency and dubious business practices to fill this space.
- 7) There will be staff job losses across the industry.
- 8) The current exposure draft will leave 500,000 people without much-needed access to credit
- 9) "The Good Shepherd" through NAB small pilot plan study of 2008 found that the break even point was \$18.70 per \$100 for loans between \$1,000 - \$5,000

### **Moneyplus proposed alternative**

Moneyplus believes that the simple solution to protect Australian consumers and allow a viable and transparent industry is possible with amendments to the Bill

- 1) Small amount credit contracts loan amount for \$500 and less to be for a maximum contract period of 6 months or less. These loans to be regulated as per below
  - a. Cap establishment fees at 25% and 3% per month
  - b. Cap repayments to twice credit amount; including loan amount and all fees, including default fees.
  - c. Minimum contract term 31 days. (Stops payment coming from one pay only)
- 2) For all other credit to have an establishment fee set by the market and an interest rate cap at 48% pa with third party fees part of the establishment fee;
- 3) Prohibit rolling the loan over into another loan. 75% of the existing loan must be paid before another loan is approved.
- 4) Allow a 24 hour cooling off period after settlement of funds for customer. Customer brings back the cash. The contract is void. No fees are charged.

### **Conclusion**

Moneyplus believes this is the strongest opportunity to achieve meaningful reform where all stakeholders can work together to ensure the short term financial needs experienced by many Australians can be met whilst at the same time protecting the most vulnerable in our society.