



Charity gives, justice changes.

3 August 2011

Hon Bill Shorten MP
Minister for Financial Services and Superannuation
Parliament House
CANBERRA NSW 2600

Dear Minister

Proposed Consumer Credit Legislation - high-cost, short-term lending

Collectively, our organisations continue to be concerned about the significant harm caused by high-cost, short-term lending, otherwise known as 'payday lending'.

We write to urge you to include effective consumer protections by way of a comprehensive interest rate cap (inclusive of fees and charges) of 48 per cent per annum in the proposed

consumer credit protection bill that we understand is to be considered by Federal Parliament this year.

The harm experienced by consumers of payday loans arises from a number of factors. The majority of payday loans are taken out by low income earners who overwhelmingly use the loans for basic or recurrent living expenses. Borrowers often find themselves borrowing money again just to service the costs of their existing loans. Coupled with exorbitant interest rates and fees, many borrowers find themselves in a cycle of repeat borrowing from which it is very difficult to escape.

The provision of credit to those already in financial hardship does nothing to improve the financial situation of the borrower, but serves to exacerbate financial problems—particularly when the credit is high-cost and short-term.

We acknowledge the significant investment your Government has made in this year's budget for programs to improve support for vulnerable and disadvantaged Australians, including:

- an extra \$83.3 million over the next four years in emergency relief services to provide vulnerable families and individuals with life essentials such as food and clothing, pharmacy and transport vouchers, and help with accommodation and utility bills;
- ongoing funding for 77 full-time financial counselling positions established during the global financial crisis through an extra \$28.0 million over the next four years; and
- the provision of \$60.6 million over four years for innovative projects such as no- and low-interest loan schemes, matched savings schemes, and financial literacy projects for Indigenous Australians.

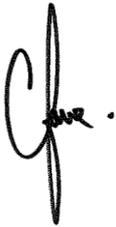
We also note that banks are key partners in the delivery of this support through no- and low-interest loan schemes and matched savings schemes.

The Government, banks, utility providers, as well as the community sector can and should do more to support those in financial stress who are accessing "quick cash" solutions. We would like to work with your Government to build upon current initiatives, particularly through:

- improving access to banking and utility financial hardship policies and programs;
- improving access to no-interest, low-interest loans, savings programs, and financial literacy initiatives; and
- improving the operation of Centrepay, especially for the payment of irregular expenses like car registration.

To support this work, we believe that the Government must take real action to reduce the harm caused by payday lenders. Experience in Australia and internationally suggests that a simple comprehensive interest rate cap (inclusive of fees and charges) is the most effective measure to protect consumers. We ask you to extend the 48 per cent comprehensive interest rate cap that operates in Queensland, New South Wales and the Australian Capital Territory nationally.

Your sincerely



Catriona Lowe
Co-CEO
Consumer Action Law Centre



Fiona Guthrie
Executive Officer
Financial Counselling Australia



Tony Nicholson
Executive Director
Brotherhood of St Laurence



Robyn Roberts
CEO
Good Shepherd Youth and Family
Service



Dr Cassandra Goldie
CEO
Australian Council of Social Service



Karen Cox
Coordinator
Consumer Credit Legal Centre



Andrew Crockett
Chair
National Legal Aid