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**Bill to crack down on payday lending and consumer leases welcomed by consumer advocates**

Consumer advocates making up the Stop the Debt Trap coalition across Australia have welcomed the introduction of the *Financial Sector Reform Bill 2022* which, among other things, enhances long overdue consumer protections for high-cost payday loans and consumer leases.

A 2016 independent review of these types of high-cost credit arrangements recommended a range of reforms which are now included in a bill introduced into the House of Representatives this morning. The bill includes:

* Provisions that enable caps for repayments on payday loans and consumer leases for household goods—the explanatory memorandum foreshadows regulations that would set caps for each product at 10% of a borrower’s income.
* A new cap on the amount that can be charged for a consumer lease, so that the maximum charge (including add-on fees) cannot be more than 1.92 times of the base price of the good leased.
* A ban on public canvassing of consumer leases, which seeks to address unfair sales practice such as door-to-door and public selling practices where vulnerable borrowers experience pressure to sign up to expensive arrangements.
* A ban on payday lenders engaging in unsolicited communications, so that borrowers

aren’t badgered to take out more credit after taking out a loan.

* A ban on payday lenders referring declined or other loan applicants to other lenders or lead generation marketers.
* An anti-avoidance provision which would help address lending models that use complex contractual arrangements designed to escape consumer protection.

“These reforms will mean safer consumer credit products in Australia. For years, payday lenders have been able to trap borrowers who are experiencing financial hardship in high- cost loan cycles and cause untold misery”, said Gerard Brody, CEO of Consumer Action Law Centre.

“Financial counsellors are delighted that this long-awaited legislation has finally been introduced to the Parliament. Every day we see clients with high-cost payday loans and

consumer leases that they struggle to pay”, said Fiona Guthrie, CEO of Financial Counselling Australia.

“The most important part of this Bill will be in the accompanying regulations that will cap the amount a person can pay for each product to 10% of income. This will make it less likely that people will end up trapped in a never-ending cycle of debt,” said Ms Guthrie.

“Research published by the University of Newcastle recently found that 25 percent of surveyed respondents took out a payday loan in the last 12 months and, on average, these respondents had 6.7 payday loans during the period”, said Roberta Grealish, Principal Solicitor of Consumer Credit Legal Service WA.1

“This confirms the casework experience of community lawyers and financial counsellors— that those who are most vulnerable and under the most significant financial pressure are

more likely to access payday loan services which don’t help borrowers in a tough spot—they exacerbate hardship. We welcome this bill which finally responds to over 7 years of campaigning for change to prevent this industry proliferating at the expense of Australians who are most vulnerable to financial hardship”, said Ms Grealish.

"We are delighted to finally see action taken on payday loans," said Melissa Hardham, CEO of WEstjustice. "For several years now, we've seen the compounding and damaging effect these loans have on individuals and households in Melbourne's West who are already struggling to pay rent and meet the costs of essential services and food on the table. If passed, these reforms will address some of the most predatory aspects of these credit products."

“High-cost rent to buy arrangements have also hurt countless individuals and families. People do need to access essential household items, but that’s not an excuse for lenders to rack people up with additional fees and expensive repayments”, said Toby oConnor, CEO of St Vincent De Paul Society National Council.

ENDS.

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1 See: [https://www.greater.com.au/financialwellbeing,](https://www.greater.com.au/financialwellbeing) page 4.