

Pay Day Loans

What will this information sheet help you with?

- if you have entered into pay day loan
- If you want to complain about a Pay Day Lender

Pay day loans are small loans, often for \$100-\$500, to be paid back over a short term of two to four weeks. They have high interest, fees and charges.

Pay day loans are offered by stores including Cash Converters, Safrock Finance, The Cash Store, City Finance, Money 3, Cash First, Fundco and more.

Why are pay day loans such a bad deal?

Some of the big problems with pay day loans are:

1. the fees and charges are extremely high.
2. direct debited repayments means you have no choice whether to repay.
3. they can put low income earners further into debt.

1. The fees and charges are extremely high

Fees and charges combined with interest can add up to 500% per annum. For example, a small loan of \$314.95 after adding fees may amount to \$416.90.

A pay day lender can only charge you 48% interest, but fees and charges are separate from this. There is currently no limit on the amount of fees and charges a pay day lender can charge.

2. Direct debited repayments means you have no choice whether to repay

Most pay day lenders require you to make repayments automatically from your bank account by way of direct debit.

If payments are taken automatically, this means you have no choice whether to pay important living expenses, or your pay day loan.

3. They put low income earners further into debt

Pay day lenders target vulnerable low income earners who use loans to pay for common living expenses like groceries or electricity bills.

Often the loan will be so large that the consumer will pay it off and then be unable to meet other expenses making them resort to another loan.

People who are unable to repay these loans become repeat borrowers trapped in a **debt cycle**.

Some other things to investigate:

There are many consumer protection laws that may apply to your dealings with a pay day lender. Below are some things you might wish to get advice about:

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1. Were you able to afford repayments?
2. Did the pay day loan contract disclose all of the fees and charges to you?
3. Were you misled about anything in the contract?
4. Did the pay day loan meet your needs and objectives?
5. Were there any terms which were unfair in the pay day loan contract?
6. Are any of the fees and charges extremely high?

Further information

Consumer Action Law Centre

Telephone: (03) 9629 6300, or 1300 881 020 for country callers.

Email: advice@consumeraction.org.au

Free telephone and email information regarding credit and debt and consumer law matters



If you are deaf or have a hearing or speech impairment, you can call through the National Relay Service (NRS):

- TTY users can phone 133677 then ask for 1300 881 020
- Speak & Listen (speech-to-speech) users can phone 1300 555 727 then ask for 1300 881 020

How do I complain if I think I have been treated unfairly?

You should first complain to the pay day lender.

If this is unsuccessful you can complain to the External Dispute Resolution scheme to which the pay day lender will belong, this includes the [Credit Ombudsman](#) or the [Financial Ombudsman](#).

- Internet relay users can connect to NRS on www.relayservice.com.au then ask for 1300 881 020

Financial Ombudsman Service

Tel: 1300 78 08 08

http://fos.org.au/centric/home_page.jsp

Credit Ombudsman Service

Tel: 1800 138 422

www.cosl.com.au

Moneyhelp

Telephone: 1800 149 689

www.moneyhelp.org.au

Warning: This fact sheet is intended as a guide to the law and should not be used as a substitute for legal advice. This information applies only in Victoria and reflects the law as at 20 March 2012.