

MEDIA RELEASE

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'Payment protection plan' sold by The Cash Store offers borrower little protection.

Consumer Action Law Centre and the Consumer Credit Legal Centre NSW have questioned whether it was appropriate for payday loan broker The Cash Store to sell a 'payment protection plan'—a loan insurance product—to an individual with a Centrelink income.

Consumer Action believes the experience of one of its clients suggests the insurance sold by The Cash Store is in the interests of the payday lender, not the borrower. Catriona Lowe, co-CEO of Consumer Action, said her organisation was assisting a client who was sold a payment protection plan by The Cash Store despite her only income being Centrelink payments.

'The insurance sold to our client included coverage for job loss, but our client wasn't employed. In fact, the only way our client could have claimed on this insurance was in the very unlikely event that she suffered dismemberment, cancer, a stroke, a heart attack, catastrophic illness or died during the period of the two week loan. Even then, the payout of a few hundred dollars would have been paid to the lender - not our client.

'Insurance like this isn't an appropriate product for someone who lives on Centrelink benefits because they're unlikely to be able to claim. If companies like The Cash Store are going to sell insurance with their loans, they need to ensure they're only selling it to customers who may one day be able to make a claim,' said Ms Lowe.

Kat Lane, Principal Solicitor of Consumer Credit Legal Centre, said she was concerned that, while the insurance may have increased The Cash Store's bottom line, it was virtually useless for the consumer.

'Payday lenders and brokers often come up with creative ways to add fees and charges to their products and we're concerned that inappropriate insurance has been used to increase the price of the loan. In its most recent annual report, The Cash Store admitted that revenue increases related in part "to the successful introduction of loan insurance"', said Ms Lane.

Consumer Action is also concerned that the insurance contract its client received named the wrong insurer as having underwritten the product.

'Once we get to the bottom of which insurer has underwritten the product we'll be asking it to identify every customer who was sold insurance through The Cash Store and ensure it was an appropriate product for them in the circumstances—where the insurance is not appropriate, the insurer should be offering full refunds. And, while they're at it, they should seriously consider whether insurance is an appropriate product to be sold alongside payday loans,' said Ms Lowe.

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