



MEDIA RELEASE

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Time for the Federal Opposition to show its hand on payday lending reforms

A coalition of consumer groups has called on the Federal Opposition to back the Government's proposed national credit reforms, which are designed to protect payday loan borrowers from effective interest rates of over 600 per cent per annum and clean up an industry Joe Hockey described as 'insidious'.

Consumer Action Law Centre, Consumer Credit Legal Centre and Financial Counselling Australia said the proposed cap on the costs of short term loans needs to be passed unamended to effectively protect vulnerable borrowers, but warned that lenders would continue to use their substantial financial resources to derail the passage of the legislation unless the Opposition got behind reforms.

Catriona Lowe, co-CEO of Consumer Action, said that Coalition MPs were well aware of the harm caused by high-cost short term loans and that they supported greater protections for borrowers when they were in government.

'When Joe Hockey was Minister for Financial Services and Regulation he said "payday lending is an insidious practice that targets the less prosperous men and women of our society, the less financially savvy and the people who can least handle spiralling debt."¹

Australia's biggest payday lender, Cash Converters, is paying for anti Government adverts to be placed in the local newspapers of a number of marginal Labor seats, but the consumer groups said they're optimistic that this wouldn't be a factor in the Opposition's decision on which way to vote.

Ms Lowe said she was hopeful that the Opposition would put people ahead of politics by offering its support for the bill which will help to protect vulnerable Australians.

'Caps on the cost of credit exist in Queensland, New South Wales and the ACT and financial counsellors and community workers have been calling for these protections to be extended to all Australians as a matter of urgency.

'There's no shortage of anecdotal or academic evidence supporting the need for consumer protections in the payday lending industry, and we don't need research to know that interest rates of over 600 per cent are too high.

'We're looking for Opposition to stand up, show real leadership and support the legislation – the Liberal Government in New South Wales recently extended that state's interest rate cap² which shows this isn't about the competing ideologies of the two main parties, it's about protecting vulnerable members of our community,' said Ms Lowe.

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Media contact: Dan Simpson 0413 299 567

¹<http://www.treasurer.gov.au/DisplayDocs.aspx?doc=pressreleases/2001/023.htm&pageID=003&min=jbh&Year=&DocType=0>

²http://www.fairtrading.nsw.gov.au/About_us/News_and_events/Media_releases/2011_media_releases/20110526_nsw_consumer_s_protected_from_predatory_lenders.html

Consumer Action Law Centre
Level 7, 459 Little Collins Street
Melbourne Victoria 3000

Telephone 03 9670 5088
Facsimile 03 9629 6898

info@consumeraction.org.au
www.consumeraction.org.au

ABN 37 120 056 484 ACN 120 056 484