



MEDIA RELEASE

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New website delivers the cold hard and sad facts about payday lending

A coalition of consumer and financial counselling organisations has launched a new website to ensure the hard truths are heard in the debate about the future of short term high cost loans - www.debttrap.org.au. The new website delivers the confronting facts about payday loans, busts myths currently being spread by payday lenders, and outlines safer credit options available to low income earners.

Spokesperson for the coalition, Catriona Lowe said borrowers typically take out payday loans when they're having trouble paying for everyday living costs like food, utilities and rent - but that the huge interest rates put already struggling people further into financial hardship.

'There's research on the website that shows the overwhelming number of borrowers use these loans for basic, everyday items, and that under half of borrowers have full-time employment, so typical borrowers are people already in financial hardship,' said Ms Lowe.

The website, sponsored by the Consumer Action Law Centre, Financial Counselling Australia and the Consumer Credit Legal Centre, also illustrates broad based support for the Federal Government's proposed payday lending reforms which would put an end to exorbitant interest rates which are typically between 400 and 1000 per cent.

Ms Lowe said anyone doubting the need for greater regulation should jump on the website and read the open letter to Minister Shorten supporting change which, significantly, is signed by over twenty consumer and community organisations including ACOSS, Anglicare Victoria, the Brotherhood of St Laurence, and St Vincent DePaul's.

'Financial counsellors and emergency relief workers from around Australia have been hearing payday loan horror stories, day in, day out, year in, year out, so it's no surprise that so many organisations have come together to support changes to the lending industry.'

The payday lending industry is fighting the new regulations. This is not surprising - it is a profitable business. So debttrap.org.au features information which clears up some of the myths being spread by industry as part of its scare campaign.

'The industry is fiercely lobbying to stop the proposed regulations, even claiming that it will lead to an increase in black market lending - but there's not a shred of credible evidence here, or anywhere else in the world, to support their claim,' said Ms Lowe.

'Payday lenders will also have you believe that they can't survive under the proposed regulations - yet they already operate in Queensland, New South Wales and the ACT under harsher restrictions than what the Government is proposing. This suggests that either they are operating effectively within the cap or avoiding the law.'

'Given Cash Converters recently announced that their "New South Wales payday lending business is profitable and is expected to remain profitable"¹ under a 48 per cent cap, the idea that payday lenders won't be able make a dollar under the proposed regulations seems a little far-fetched.'

Ms Lowe said that debttrap.org.au gave consumer and financial counselling organisations a much needed voice in the debate and gave them a chance to set the record straight.

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¹ Cash Converters announcement and press release, *Response to article in the Australian Financial Review*, 1 June 2011