



## **MEDIA RELEASE**

**Wednesday, 21 December 2011**

### **Community lawyers claim The Cash Store's holiday marketing is irresponsible**

A new advertisement from one of Australia's leading payday loan brokers, The Cash Store, has raised the ire of two community legal centres, who fear the advert may result in many Victorian's entering the New Year in a perilous financial position.

The flyer, delivered to households in the Mildura region, is a certificate that states the recipient is guaranteed a loan of 'at least four hundred dollars' and implies that the recipient has been pre-approved without any credit assessment - a practice which would fly in the face of responsible lending laws and undermine the payday lending industry's claims to be lending responsibly.

Catriona Lowe, co-CEO of Consumer Action, said that under Australian law lenders and brokers were required to make reasonable enquiries about each customer's financial circumstances and ensure loan repayments wouldn't cause them substantial hardship before lending them money, but that the flyer cast doubt on whether this was happening.

'ASIC recently released a report revealing instances of fundamental non-compliance with responsible lending laws in the payday lending industry. We are disappointed and concerned to see marketing of this type so soon after the regulator has raised serious compliance concerns.

'This "payday lending certificate" seems to suggest pre-approval for a loan before someone has even stepped through the door of The Cash Store. But lending money on this basis would show blatant disregard for responsible lending laws. If proper assessments are being undertaken, then the marketing may be misleading Victorians to get them through the door,' said Ms Lowe.

The Murray Mallee Community Legal Service, which services the area where the flyers were marketed, also expressed concern that The Cash Store was using the holiday season to market its loans, telling customers to bring in the certificate to "get your extra holiday money today". Tony Masterson of MMCLS said family budgets were already thinly spread at this time of year and encouraging people to take out more debt wasn't the right message.

'People who find themselves tempted by this offer should think twice. Payday loans typically come with exceptionally high annualised interest rates and, if you're already struggling to balance your budget at this time of year, an expensive loan is only going to push you further into the red.

'Research shows that the vast majority of payday lending clients received low incomes or a pension, so the odds are that the people who respond to The Cash Stores offer will be those who could least afford to borrow \$400 at high cost.' said Mr Masterson.

The controversy surrounding the flyer comes at a bad time for the payday lending industry which is fighting Government attempts to introduce much needed consumer protections into the market. Ms Lowe of

Consumer Action said The Cash Store's offer provided further support for our view that responsible lending laws are not enough on their own to protect consumers and that Australia needs an interest rate cap.

'A cap on the cost of credit would encourage lenders to advance loans that have longer terms, and a lower cost, meaning that they would more likely to be affordable appropriate to consumers' needs.' said Ms Lowe.

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