



MEDIA RELEASE

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Consumer group says Cash Converters' processes need formal investigation

The Consumer Action Law Centre has asked the Australian Securities and Investment Commission (ASIC) to undertake a formal investigation into the internal dispute resolution processes of Cash Converters, Australia's biggest payday lender.¹ In its letter of complaint, Consumer Action asks ASIC to investigate whether Cash Converters breached the *National Consumer Credit Protection Act 2009*, saying that, based on the entities it has dealt with, it has grave concerns about Cash Converters' approach to resolving disputes.

Co-CEO of Consumer Action, Catriona Lowe, said her organisation has provided advice to at least 100 consumers in relation to Cash Converters in the last two years, and has raised a number of complaints with Cash Converters entities directly. 'Our concerns are based on cases we've seen, cases we've assisted with and cases we've run over the last two years—clients who've had genuine reasons to lodge a dispute with Cash Converters.

'In one example, we raised a range of detailed concerns about compliance with consumer credit laws. We received a three line response which stated "it is your client who has behaved in an unfair manner towards us in order to deliberately avoid her obligations" without providing any basis for such allegations,' said Ms Lowe.

In response to a complaint from a financial counsellor seeking the information relied upon by Cash Converters in undertaking a credit assessment, Cash Converters stated on the one hand that one would expect that fewer documents would be required to be relied upon when undertaking a credit assessment for small loans, but on the other that they have detailed assessment processes.

'Cash Converters may be confused about this point—ASIC is not. ASIC has released regulatory guidance, which says the opposite. ASIC says that more extensive inquiries are likely to be necessary if the size of the loan is large relative to the consumer's capacity to repay the loan. It also says that even a small loan can cause financial difficulties for a low-income borrower and, therefore, lenders need to make more inquiries in order to meet responsible lending obligations' said Ms Lowe.

In another response to a complaint on behalf of a recipient of a carer's payment who also has significant health conditions, Cash Converters stated "how can [the borrower] be a Carer when according to your letter he himself is suffering from some very serious mental conditions? As the situation is portrayed, it is [the borrower] who requires care rather than imparting it". Ms Lowe said that given a significant proportion of Cash Converter's customers receive welfare payments, it is disappointing to say the least that it does not have a better understanding about the challenges facing so many benefit recipients when it comes to both their financial and health status.

'Cash Converter's letters are also littered with language that I wouldn't call professional. For example, in one letter, its representative responded "with incredulity" to allegations that it lent irresponsibly and that it

"therefore deserve(s) to be penalised" after the borrower requested to payback a loan in \$20 fortnightly payments,' said Ms Lowe.

Ms Lowe said the law was clear about what is required of lenders—section 47 of the *National Consumer Credit Protection Act 2009* sets down general conduct obligations which among other things says that licensees must:

- do all things necessary to ensure that the credit activities authorised by the licence are engaged in efficiently, honestly and fairly;
- ensure that its representatives are adequately trained, and are competent, to engage in the credit activities authorised by the licence; and
- have internal dispute resolution processes that comply with the standards and requirements of ASIC.

Ms Lowe said that according to the Australian Standard on complaints handling, credit providers should be using complaints to identify recurring or systemic problems with its practices, and taking steps to eliminate the underlying cause of these complaints.

'We question whether Cash Converters takes such an approach. In our view, the underlying cause of many complaints is the nature of the product offered by Cash Converters—payday loans and a failure to assess borrowers' capacity to repay without substantial hardship.

'Most of payday lending we see is harmful and traps borrowers in an ongoing cycle of high cost borrowing. The best way to deal with that issue would be for the Federal Government to implement an effective cap on the cost of loans. This would encourage lenders to offer loans on terms that are more reasonable and more affordable to a borrowers' requirements,' said Ms Lowe.

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ⁱ Cash Converters operates through a direct store network and as well through franchised outlets. The Credit Ombudsman Service lists over 90 Cash Converters related entities that are members of that external dispute resolution scheme. Consumer Action has not dealt with the internal dispute resolution procedure for each Cash Converters entity, but our concerns relayed to ASIC relate to a number of entities, including Cash Converters Personal Finance Pty Ltd.

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