

## MEDIA RELEASE

Monday, 17 October 2011

### Payday lending practices challenged in court

The lending practices of Australia's biggest payday lender, Cash Converters, are being challenged in proceedings issued in the Victorian Magistrates Court. A disability support pensioner is alleging that two Cash Converters companies ('Cash Converters') breached the *National Consumer Credit Protection Act 2009* and the *National Credit Code* when it gave him at least 64 short-term loans over a three year period.

Mr Ronald Hayes, who battled significant health issues throughout the three year period, says he was forced to rely on family, friends and charities for food and medication because his pension was being eroded by loan repayments.

Catriona Lowe, co-CEO of the Consumer Action Law Centre, said she was saddened but not surprised when she was told of Mr Hayes' case.

"Of the payday loan clients surveyed for the Caught Short report, recently released by the NAB, RMIT and the University of Queensland, 78 per cent were receiving Centrelink payments and over half had taken out at least 10 loans<sup>1</sup> – so clearly this industry relies upon vulnerable Australians.

"Sadly consumer organisations like ours see cases like this on a regular basis. People take out a loan to help pay their bills, but when the repayments are direct debited out of their account they find they don't have enough money left to live off and they go back for another loan," said Ms Lowe.

The case comes at a time when the payday lending industry is fighting the Federal Government's proposal to cap the fees and interest that can be charged by payday lenders, but Ms Lowe said that Mr Hayes' case illustrates why these new laws are desperately needed.

"A typical payday loan can have an annualised interest rate of more than 400 per cent, so it is no surprise that someone in Mr Hayes' position would struggle to repay their loan and find themselves stuck in a cycle of repeat borrowing," said Ms Lowe.

"The proposed regulations would put a cap on what lenders could charge, meaning repayments would become more manageable, and rolling one loan over into the next would be banned which would help stop the cycle of debt that is so common.

Mr Hayes' case, one of the first to challenge a payday lender under recently implemented national responsible lending laws, alleges amongst other things that Cash Converters:

- failed to make an appropriate assessment about the suitability of the loans and
- ought to have been aware that the loans would cause Mr Hayes substantial hardship, which could lead him to borrow more money to pay off his loans.

---

<sup>1</sup> Marcus Banks, *Caught Short: Exploring the role of small, short-term loans in the lives of Australians – Interim Report*, RMIT University, September 2011.

Ms Lowe said there were a range of safer options available for people who might be tempted by expensive payday loans, including applying for hardship provisions from banks or utility providers, NILS loans offered by community organisations, as well as Centrelink advances.

“If someone is in a financial tough spot and needs some help, the best thing is for them to pick up the phone and call a free and independent financial counsellor.”

Free financial counselling can be accessed by Victorians, by calling 1800 007 007.

END

**Media contact: Dan Simpson, 0413 299 567**

**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](mailto:info@consumeraction.org.au)  
[www.consumeraction.org.au](http://www.consumeraction.org.au)

ABN 37 120 056 484 ACN 120 056 484