

# MEDIA RELEASE

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## 400 PER CENT INTEREST RATES UNDERMINE 'RESPONSIBLE LENDING LAWS'

Exorbitant effective interest rates on short term loans, upwards of 400 per cent, continue to put the pinch on vulnerable Australians despite the introduction of responsible lending laws in 2010.

*Mission Incomplete*, a new report released by the Consumer Action Law Centre, offers a snapshot into the experiences of twelve pay-day lending clients and details the high social and financial costs of an industry estimated to be worth \$200 million.

Client's experiences include:

- borrowing to meet repayments on previous loans - including one man who took out 14 loans in a seven month period;
- having to pay \$421.81 on a \$260 loan in the space of 14 days; and
- being lent money despite the disability support pension being the client's sole income.

"Alarming, the report shows high-interest loans are still being given to consumers struggling with existing commitments – even after the lenders have seen clear proof of ongoing financial stress" said Consumer Action's co-CEO Ms Catriona Lowe.

"With well over half of pay-day loans being spent on basic day-to-day living expenses, it's obvious that this is an industry which preys on the most vulnerable."

Ms Lowe acknowledged that new responsible lending laws were a step in the right direction but said that, in the case of pay-day lending, nothing short of a comprehensive interest rate cap would address the issues.

"Borrowers in Queensland, New South Wales and the ACT already benefit from a comprehensive 48 per cent cap, it has worked overseas, and it's time the Federal Government extended this protection to all Australians.

"It's a worry that some consumers under serious financial pressure are obtaining high interest loans when they could be assisted by basic financial counselling which could help them escape the quagmire of debt", said Ms Lowe.

### Notes:

A 'comprehensive' interest rate means it is inclusive of all fees and charges, thus reflecting the true cost of the loan.

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