

# Payday Loans

## A toolkit to help you help others

For many of your clients who might have difficulty obtaining a much-needed loan, payday loans can seem like the only option. However, there are many hidden costs in a payday loan that they need to be aware of.

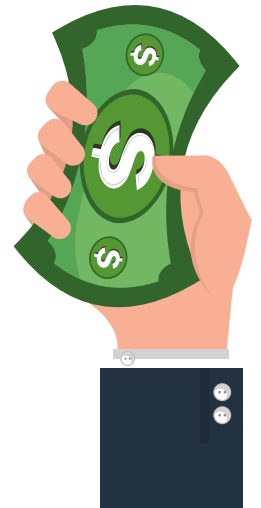
Payday lenders charge people high fees when they take out a loan, in addition to monthly charges and high penalties if they don't pay the money back in time.

### The hidden costs of payday loans

If a person borrows \$1500, they might also have to pay:

- 20% establishment fee = \$300
- 4% monthly interest = \$60 per month for the term of the loan
- If your client doesn't pay the loan back in time, they might also have to pay an additional fee which, in some circumstances can result in them paying up to twice the amount borrowed.

This means that a person could end up paying up to **\$3000** for a \$1,500 loan!



If you're helping someone who has taken out a payday loan, we want to hear from you. Call our Worker Advice Line.

Call: (03) 9602 3326 or 1800 466 477

E-mail: [advice@consumeraction.org.au](mailto:advice@consumeraction.org.au)

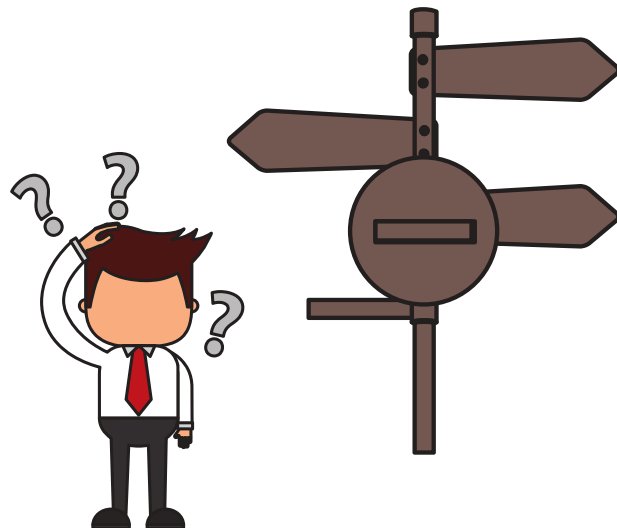
Operating hours: Monday to Friday, 10 a.m. to 1 p.m. and 2 p.m. to 5 p.m.

# Payday Loans

## A toolkit to help you help others

### Alternatives to payday loans

If you are helping someone in financial hardship who needs money, talk to them about the dangers of payday loans and encourage them to seek alternatives such as:



- NILS loans for household items, medical and dental costs
- Emergency relief services for immediate necessities

For more information go to: <http://www.ndh.org.au/>

### Using this toolkit

This toolkit explains how you can help your client if they have taken out a payday loan, as well as an accompanying information resource that you can share with your clients. This toolkit also includes a legal resources (sample letters and legal information) that you can use to help your client.

If you're helping someone who has taken out a payday loan, we want to hear from you. Call our Worker Advice Line.

Call: (03) 9602 3326 or 1800 466 477

E-mail: [advice@consumeraction.org.au](mailto:advice@consumeraction.org.au)

Operating hours: Monday to Friday, 10 a.m. to 1 p.m. and 2 p.m. to 5 p.m.

# Payday loans

## Payday loans and the law

Payday lenders have to observe a number of rules when making a loan. If they do not follow one of these laws, they are not entitled to recover any fees or charges from the borrower and the borrower would generally only be required to pay back the amount of the loan that they actually benefitted from.

### Fees that can be charged

Amount loaned	Period for the loan to be repaid	Technical term for this type of loan	What does the law say about this kind of loan?
\$2000 or less	15 days or less	Short term credit contract	This kind of loan is not allowed! The lender must give you at least 16 days to repay.
\$2000 or less	16 days to 1 year	Small amount credit contract (SACC)	Maximum rates that can be charged: a fee of 20% of the amount borrowed when you take out the loan and 4% every month
\$2001 - \$5000	16 days to 2 years	Medium amount credit contract (MTCC)	Maximum rates that can be charged: \$400 when you take the loan and 48% interest per year
More than \$5000	Any period	Consumer Loans generally	Maximum rates that can be charged: 48% per year

The first thing you need to do to help your client is to determine the rules that apply for the type of loan they have taken out.

If you're helping someone who has taken out a payday loan, we want to hear from you. Call our Worker Advice Line.

Call: (03) 9602 3326 or 1800 466 477

E-mail: [advice@consumeraction.org.au](mailto:advice@consumeraction.org.au)

Operating hours: Monday to Friday, 10 a.m. to 1 p.m. and 2 p.m. to 5 p.m.

# Payday loans

## Payday loans and the law

### Responsible lending

The law states that before a company lends to someone, they need to make sure that:

- ✓ The loan **meets the borrowers needs**; and
- ✓ The loan is affordable so the borrower **won't end up in significant financial hardship as a result of repaying** the loan

The law calls this **responsible lending**.

Payday lenders are required to lend responsibly. In order to do this, they have to:

- Ask for the borrower's bank account statements (Warning: For security reasons, the borrower should not give them online access to their statements!)
- Ask for proof of income such as pay slips or Centrelink statements
- Ask about details of the borrower's living expenses
- Ask about details of any other loans the borrower might have

If the lender did not get this information at the time of providing the loan, the lender has breached the law. Refer to the **Cash Converters Guide** checklist for a list of questions you should go through with your client, to find out if the loan they received complies with responsible lending laws.

If you're helping someone who has taken out a payday loan, we want to hear from you. Call our Worker Advice Line.

Call: (03) 9602 3326 or 1800 466 477

E-mail: [advice@consumeraction.org.au](mailto:advice@consumeraction.org.au)

Operating hours: Monday to Friday, 10 a.m. to 1 p.m. and 2 p.m. to 5 p.m.

# Payday loans

## Payday loans and the law



### Other laws that apply to Small Amount Credit Contracts

- They cannot secure the loan with something that a borrower owns e.g. their car.
- They must obtain and review the previous 90 days worth of a borrower's bank account statements before granting the person a loan.
- A pay day lender has to think twice about giving a borrower another payday loan if they have fallen behind on repayments in the previous 90-day period on another payday loan.
- And they have to think twice about giving a borrower a 3rd payday loan in a 90-day period. If a borrower is getting a 3rd loan it means that they are already in a debt trap. The lender has to be able to show that this is not the case before giving them another loan.
- If a borrower receives 50% or more of their income from Centrelink, the lender cannot require them to make repayments that come up to more than 20% of their income.
- Payday lenders must warn borrowers of the high cost of payday loans and other possible alternatives and display this warning (both online and on their premises) or provide this warning over the phone (if person is borrowing over the phone)

If you're helping someone who has taken out a payday loan,  
we want to hear from you. Call our Worker Advice Line.

Call: (03) 9602 3326 or 1800 466 477

E-mail: [advice@consumeraction.org.au](mailto:advice@consumeraction.org.au)

Operating hours: Monday to Friday, 10 a.m. to 1 p.m. and 2 p.m. to 5 p.m.

# Payday loans

## Difficulties making repayments

### If the client was in financial difficulty when the loan was made

The law states that when a company makes a loan, they need to do so responsibly. They must make sure that the borrower is not going to end up with significant financial problems as a result of repaying the loan.

If a borrower is having trouble making repayments, it might be that the lender should not have given them the loan in the first place. If you can show that **at the time the loan was given the borrower could not repay it or could only repay it with significant hardship**, the borrower may only be required to pay the loan amount that she/he received in their hand and have the additional fees waived. Depending on how much the borrower has paid, they may even be entitled to some money back.

Call us to find out if the loan was made responsibly.

### If the client was not put in financial difficulty as a result of the loan

It could also be the case that, at the time of getting the loan, the borrower could make the repayments without any financial difficulty but that their financial situation changed and now they cannot afford the repayments. If this is the case, and the loan was lent responsibly, the lender will not be required to waive additional fees charged.

However, in this case, you should:

- Call the payday lender on behalf of the person you are assisting and tell them that the person is in financial hardship. You can ask for the debt to be waived and should do this if the person has no income (other than Centrelink) and no assets. If its not waived, you can ask for a payment arrangement on the basis of financial hardship
- Tell the person you are assisting to cancel their direct debit so that lenders cannot take money straight out of their bank account once there is money in it. This will ensure that they can pay for food, rent and other necessities.

If you're helping someone who has taken out a payday loan, we want to hear from you. Call our Worker Advice Line.

Call: (03) 9602 3326 or 1800 466 477

E-mail: [advice@consumeraction.org.au](mailto:advice@consumeraction.org.au)

Operating hours: Monday to Friday, 10 a.m. to 1 p.m. and 2 p.m. to 5 p.m.

# Payday loans



## WORKER ADVICE LINE

 (03) 9602 3326

 [advice@consumeraction.org.au](mailto:advice@consumeraction.org.au)

Monday - Friday, 10 am - 1 pm & 2 - 5 pm

Have a question about consumer or credit law, and are based in Victoria? Need someone to brainstorm strategy with or test your ideas on? Or, maybe, you just want to check that you're heading in the right direction and that all your information is up-to-date.

Whatever the case, our lawyers would love to hear from you and have a chat about your client's case. We can answer any questions you have about the law, work through your client's options with you and leave you with some practical suggestions.

If you're helping someone who has taken out a payday loan, we want to hear from you. Call our Worker Advice Line.

Call: (03) 9602 3326 or 1800 466 477

E-mail: [advice@consumeraction.org.au](mailto:advice@consumeraction.org.au)

Operating hours: Monday to Friday, 10 a.m. to 1 p.m. and 2 p.m. to 5 p.m.



# Fast Cash Loans

## What you need to know about payday loans

If you need to borrow some cash quickly, it can be tempting to get a loan from a payday lender. However, there are many hidden costs in a payday loan that you need to be aware of.

Payday lenders charge high fees when you take out a loan, monthly charges and high penalties if you don't pay the money back in time.



### The hidden costs of payday loans

If you borrow \$1500, you will generally pay:

- 20% establishment fee = \$300
- 4% monthly interest = \$60 every month for 12 months

If you do not pay the loan back in time, you might also have to pay an additional fee which, in some circumstances can result in you paying up to twice the amount you borrowed.

This means that you could end up paying up to **\$3,000** for a \$1,500 loan!

### Alternatives

You may need money to pay an urgent expense or debt, but getting a payday loan often creates new money troubles that you will have to worry about. If you need money urgently, consider one of the following alternatives:

- NILS loans for household items, medical and dental costs
- Emergency relief services for immediate necessities

For more information go to: <http://www.ndh.org.au/>

If you have taken out a payday loan, we want to hear from you.

To speak to a financial counsellor, call 1800 007 007 from 9:30 am to 4:30 pm, Monday to Friday.

You can also call our advice line to speak to a lawyer at (03) 9629 6300 or 1800 466 477 from 10 am to 1 pm, Monday to Friday.



# Fast Cash loans

## Payday loans and the law

There are many rules and laws that payday lenders have to follow when giving you a loan. These laws exist for your protection and include:

- Rules about the types of loans lenders can make and the fees they can charge
- A **responsible lending** requirement which means that before giving you a loan, lenders have to ask you questions about your income and expenses and check your bank statements and other documents which show your financial situation to make sure that the loan is affordable (won't put you into financial difficulty) and meets your needs



**If you have a payday loan,  
give us a call.**

Payday lenders do not always follow the rules that apply to them and so, in some cases, this might mean that you do not have to pay them the additional fees and charges on the original loan. You may even be entitled to some money back if you have paid these fees and charges after the lender broke the law.

If you are struggling with paying back a pay day loan, give us a call so that we can work out if the lender has followed the law and what your options might be.

**If you have taken out a payday loan, we want to hear from you.**

To speak to a financial counsellor, call 1800 007 007 from 9:30 am to 4:30 pm, Monday to Friday.

You can also call our advice line to speak to a lawyer at (03) 9629 6300 or 1800 466 477 from 10 am to 1 pm, Monday to Friday.