NOVEMBER 2019

THE DEBT TRAP

How payday lending is costing Australians

STOP THE DEBT TRAP

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Stop the Debt Trap Alliance

This report is brought to you by **Stop the Debt Trap** — a national coalition of over 20 consumer advocacy organisations from around Australia including financial experts, community advocates and service providers. The Alliance was launched in August 2019 marking 1,000 days since the Coalition Government accepted the recommendations of the Small Amount Credit Contract (**SACC**) Review.

The Alliance is calling for the Government to implement stronger laws to protect Australians from predatory payday lenders and harmful consumer lease providers. Head to consumeraction.org.au/stopthedebttrap to find out more.

Consumer Action is located on the land of the Kulin Nations. We acknowledge all Traditional Owners of Country throughout Australia and recognise the continuing connection to lands, waters and communities. We pay our respect to cultures; and to Elders past, present and emerging.

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Digital Finance Analytics

The data in this report is produced by Digital Finance Analytics (**DFA**). DFA is a boutique research, analysis and consulting firm providing advisory services to clients in Australia and beyond.

DFA combine primary consumer research, industry modelling, economic analysis and segmentation analytics to offer insight into the dynamics of the mortgage, lending, savings, payments and superannuation sectors. Using experience derived from more than 25 years of analysis, DFA are able to pinpoint opportunities created by changing customer needs in the evolving market. A specific focus is the changing channel preferences being exhibited by "Digital Natives" and how products, services and customer experience will need to be tailored to this new environment. We provide custom research and advice to a number of clients, maintains several industry models, authors various industry reports and collaborates on mortgage, SME and housing sector publications.

Martin North, Digital Finance Analytics founding Principal, data scientist and banking sector analyst is often quoted in the media. He curates the Digital Finance Analytics Blog which provides commentary on DFA research programmes as well as covering broader industry issues.

01 KEY FINDINGS

1. The high cost payday loan market is a billion-dollar industry in Australia, driving hundreds of thousands of Australians into a debt trap.

- New custom modelling has found that the payday loan industry is booming. In 2019, the gross amount of payday loans (lending stock) will reach $1.7 billion (using projections for the full year to the end of 2019).
- Between April 2016 and July 2019, just over 4.7 million individual payday loans have been written, worth an approximate total of $3.09 billion and taken on by around 1.77 million households.
- These loans will have generated approximately $550 million in net profit for the lenders.
- Digital platforms have resulted in an explosion of loans that originate online. Ten years ago only 5.6% of payday loans oringinated online. In 2019 that figure is expected to hit 85.8%.
- Data shows that over a five-year period, around 15% of payday loan borrowers fall into a debt spiral. On that basis, an additional estimated 324,000 Australian households have been allowed to enter a debt path that may result in an event such as bankruptcy.

2. Victoria is the state leading the country with the highest number of new payday loans.

- Payday loans are also rapidly growing in Western Australia and Tasmania, with these households showing the highest growth rates at 13.5% and 15.5% respectively over the last six months (January-July 2019).

3. The number of women using payday loans is growing, and single mothers are at risk.

- The data on financially distressed and stressed households taking out payday loans indicates that the proportion of women in this segment continues to rise. The number of women using payday loans has risen from 177,000 in 2016 to 287,000 in 2019. This represents a rise to 23.13% of all borrowers. Forty one percent of these women are single parents. Women who are most vulnerable and under the most significant financial pressure are more likely to access payday loan services.

4. The Government must pass critical protections into law to stop the harm caused by payday loans.

- Stop the Debt Trap Alliance is calling for the Australian government to urgently introduce legislation that will amend the *National Consumer Credit Protection Act* (2009) (**NCCP**) Act to make payday loans safer.
- It has been over 1,000 days since the Coalition Government accepted the recommendations from its own 2015 review into payday loans and consumer leases, which recommended that critical protections were passed into law.

02 INTRODUCTION

Payday loans (also known as small amount credit contracts or SACCs) are high cost fast loans of up to $2,000 paid back over a period of 16 days to 12 months. These loans are high cost because you can be charged a number of significant fees on top of the original loan (see *Table 1: Fees on Payday Loans*). Equivalent annual interest rates for these loans can vary anywhere between 112.1% up to as high as 407.6%.[1] Because these loans are for short periods with unaffordably high repayments, many Australians take out additional payday loans to try and keep up and suddenly find themselves stuck in a debt spiral.

The payday loan industry in Australia is booming. New independent data commissioned by the Stop the Debt Trap Alliance and presented in this report finds that in 2019 (using projections for the full year to the end of 2019) the gross amount of payday loans (lending stock) will reach $1.7 billion (see *Graph 1: Estimated Size of Pay Day Lending Market in Australia*). Between April 2016 and July 2019, just over 4.7 million individual payday loans have been written.

A State and Territory analysis shows that Victoria has the highest number of new payday loans. Digital Finance Analytics (**DFA**) estimates that over a five-year period around 15% of payday borrowers will fall into a debt spiral which can have serious consequences such as bankruptcy. On that basis, an additional 324,000 households have been allowed to enter a debt spiral.[2]

The Stop the Debt Trap Alliance is calling for the Australian Government to urgently introduce legislation that will amend the *National Consumer Credit Protection Act* (2009) (**NCCP**) Act to make payday loans and consumer leases safer.

August 2019 marked 1,000 days since the Coalition Government accepted the recommendations of the independent review of the small amount credit contract laws that it commissioned in 2015.[3] As the payday loan market continues to grow and the number of households at risk of falling into a debt trap soars, the case for implementing the recommendations of the SACC review has never been greater.

1 Comparison rate calculations completed using RiCalc software assuming maximum permitted fees and charges, and fortnightly repayments. 407.6% comparison rate calculated using a 30-day loan of $200 with total repayments of $248. 112.1% comparison-rate calculated using a 12-month loan of $1,000 with total repayments of $1,680.

2 DFA modelling has been tracking households overtime both through phone based surveys and study groups longitudinally. This modelling demonstrates the leading indicators for which households are likely to fall into inescapable negative consequences such as bankruptcy, and the number of households that experience this. This can mean that people may need to access food relief services and may struggle with other bills such as rent or utilities.

3 The Hon Kelly O'Dwyer MP, 'Government response to the final report of the review of the small amount credit contract laws' (Media Release, 28 November 2016) available at: http://ministers.treasury.gov.au/ministers/kelly-odwyer-2016/media-releases/government-response-final-report-review-small-amount

Table 1: Fees on Payday Loans

Amount loaned	Period for the loan to be repaid	Technical term for this type of loan	What do current laws say about this kind of loan?
$2,000 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 (establishment fee) ▶ 4% monthly fee

Table 2: Loan Cost and Total Repayments in Comparison

	Payday Loan	Credit Card	Bank
Sum borrowed	$600	$600	$600
Length of loan	3 months	3 months	3 months
Total fees and equivalent interest charges*	$192	$19.07	$13.04

*Payday loan cost charged at the statutory cap; credit card cost charged at 18.97% APR (average platinum card rate); bank loan cost charged at 12.99% APR (typical bank rate).

> The payday loan industry in Australia is booming. Between April 2016 and July 2019, just over **4.7 million** individual payday loans have been written.

03 The Growth of THE PAYDAY LOAN MARKET

3.1 Overview

Stop the Debt Trap Alliance commissioned DFA to conduct independent custom modelling using a rolling survey sampling 52,000 households. The data presented in this report is a statistically robust sample that aligns with the most recent ABS census data. The data focuses specifically on payday loans that fit the definition of small amount credit contracts. Information on DFA's research methodology is available at *Appendix A*.

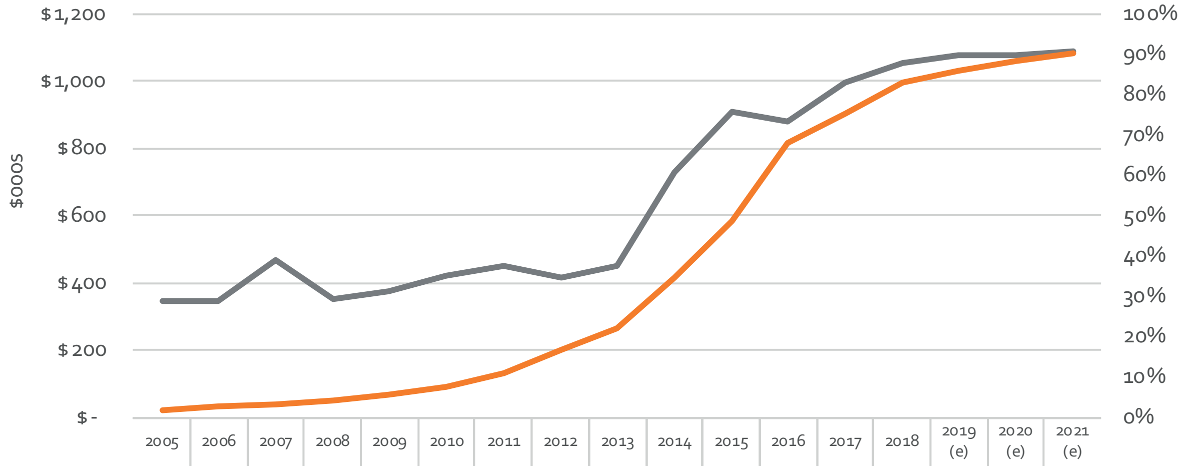
The payday loan industry in Australia is booming. *Graph 2: Number of Payday Loans per Month* opposite shows that between April 2016 and July 2019, just over 4.7 million individual payday loans have been written, with approximately 310,913 households taking on payday loans since 2016 (see *Graph 3: Number of Households with Payday Loans*). DFA has estimated that these loans have generated approximately $550 million[4] in net profit to the lenders. In 2019, the gross amount of payday loans (lending stock) will reach $1.7 billion (using projections for the full year to the end of 2019). DFA Analytics defines lending stock as the outstanding amount of loans on the books of lenders - including loans in default status as well as current loans. Lending flow are the loans written in a given period, new or refinanced loans, but excludes loans on book at the lenders and loans in default.

What is troubling about this booming industry is that for many Australians, payday loans can lead to a debt trap. This happens because of a combination of factors: the high cost of these loans, their relatively short repayment terms, the vulnerability of the borrowers accessing them who are generally on low to moderate incomes and using them to meet day to day living costs. Payday loans are generally repaid via direct debit timed to debit a person's account when their income arrives. The repayments are often a significant portion of a person's income, leaving them with little left over to pay for essential expenses like food, bills and rent. This means the person with the payday loan may be 'caught short' when a loan payment is due, and they have little choice but to take out an additional payday loan to make ends meet. The result: they are soon trapped in a debt spiral and are struggling to make loan repayments.

Susan's story in case study 1 below is a clear example of how the debt trap works.

4 Utilising DFA modelling that is based on both confidential and publicly available data on profit of payday lending providers.

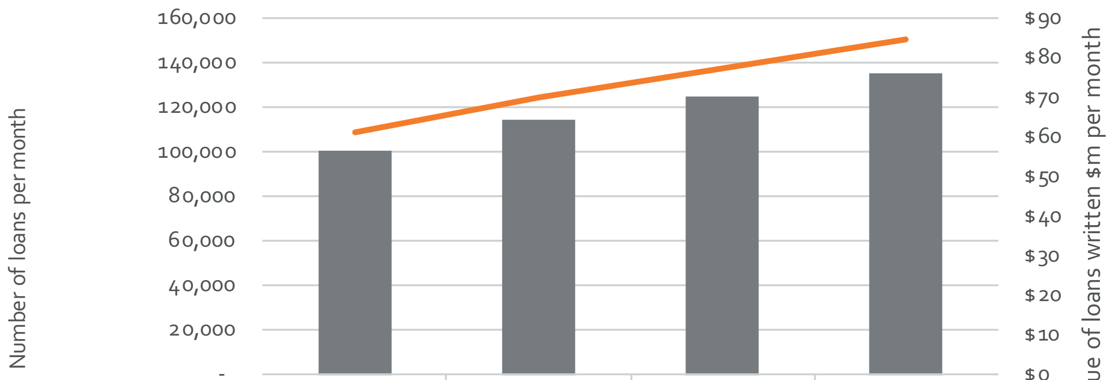
Graph 1: Estimated Size of Pay Day Lending Market in Australia



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 (e)	2020 (e)	2021 (e)
	Actual														DFA Estimates		
Lending Stock	$345	$344	$470	$354	$377	$419	$453	$418	$450	$727	$908	$883	$995	$1,055	$1,078	$1,079	$1,086
% Originated Online	2.0%	2.5%	3.0%	4.0%	5.6%	7.6%	10.9%	16.8%	22.2%	34.7%	48.7%	67.9%	75.1%	82.8%	85.8%	88.5%	90.1%

Data from DFA Analytics

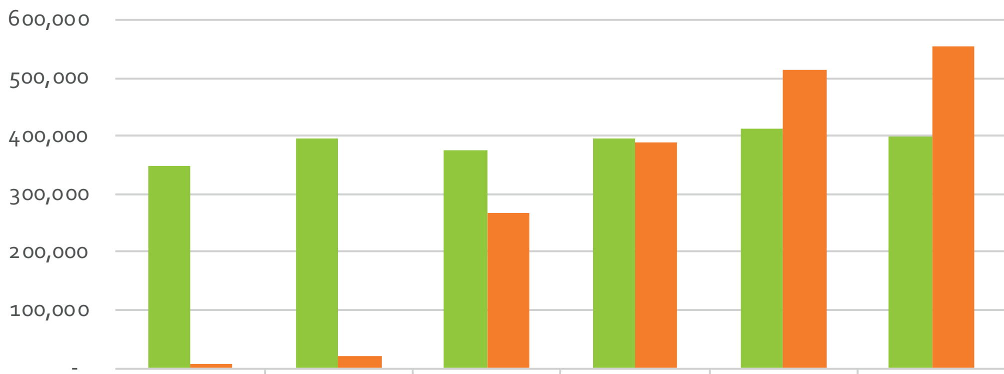
Graph 2: Number of Payday Loans per Month



	2016 (April to December)	2017	2018	2019 (January To July)
Number of Discrete Loans Written (Per Month)	100,214	114,115	124,415	135,402
Value of Loans Written ($m) Per Month	$61.33	$70.18	$77.14	$84.76

Data from DFA Analytics

Graph 3: Number of Households with Payday Loans



	2005	2010	2016	2017	2018	2019(e)
Financially Distressed Households	348,976	395,297	376,206	394,103	412,000	400,000
Financially Stressed Households	7,121	20,805	266,881	389,941	513,000	554,000

Data from DFA Analytics

Case Study 1: Susan's Story

Susan* is 70 years old. Her only income is the aged care pension and the only asset she owns is her car. Susan has entered into around 20 payday loans since 2013. Susan says that once she finishes paying one loan off, she takes out another and the only way she is able to pay back these loans is to go without food. When Susan first contacted the National Debt Helpline she told us her health was poor and she had no food in her cupboard.

Susan borrowed small amounts, generally between $100 and $50. Susan has paid the payday lender over $9,000 in loan repayments. Due to her repayments to the lender and other debts, she struggled to afford basic living expenses including rent, utilities and food. We are concerned that the payday lender may have breached its responsible lending obligations. Susan was initially nevous about making a complaint to the payday lender, as she said she knew a few of the people who work there. However with the help of Consumer Action's lawyers, Susan has now settled her dispute with the lender.

*name changed for privacy reasons

3.2 Payday loans and digital platforms

There has been a rapid growth in payday lending online. In 2019 the percentage of payday loans that originated online is expected to reach 85.8% (see *Graph 1: Estimated Size of Pay Day Lending Market in Australia*). Academic research has found that digital platforms are making payday loans very accessible but often borrowers do not fully understand the costs, risks and consequences of these loans.[5] The growing demand for payday loans is driven, in part, by aggressive marketing techniques.[6] This advertising is also blending the 'sell' with advice on good budgeting giving consumers a misleading message that payday loans are somehow linked to good financial management.[7]

Targeting the most vulnerable

The number of financially distressed and financially stressed people who are turning to payday loans to make ends meet is also climbing (see *Graph 4: Payday Lending Flows by Segment*). DFA defines financially stressed households as those that are generally 'coping' with their current financial situation, for example by short term borrowing from family, friends, or juggling multiple credit cards. This group could perhaps be best described as the 'working poor'.

Financially distressed households are defined as those not meeting their financial commitments as they fall due, exhibiting chronic repeat behaviour, and are more likely to receive social security. Both financially stressed and financially distressed households are part of a broader category of people facing financial difficulty.

The effects that payday loans can have are devastating for the people involved and has flow on social and economic costs. These products are aggressively

5 Monash Business School & Dr Vivien Chen, Payday lenders: trusted friends or debt traps?, 15 October 2019, https://www2.monash.edu/impact/articles/banking/payday-lenders-trusted-friends-or-debt-traps/

6 Financial Conduct Authority, FS17/2 Feedback Statement: High-Cost credit including review of the high-cost short-term credit price cap, July 2017, available at: https://www.fca.org.uk/publication/research/price-cap-research.pdf

7 Monash Business School, above n 5.

marketed, which can drive people away from other services that may be more suitable such as free financial counselling or no/low interest loan schemes.[8]

From 2016 to 2019 (using projections to the end of 2019), the number of financially stressed and distressed Australian households with loans has continued to climb and has risen by 310,913 households. Of that approximately 23,794 are classified as distressed households and approximately 287,119 are stressed households (see *Graph 3: Number of Households with Payday Loans*).

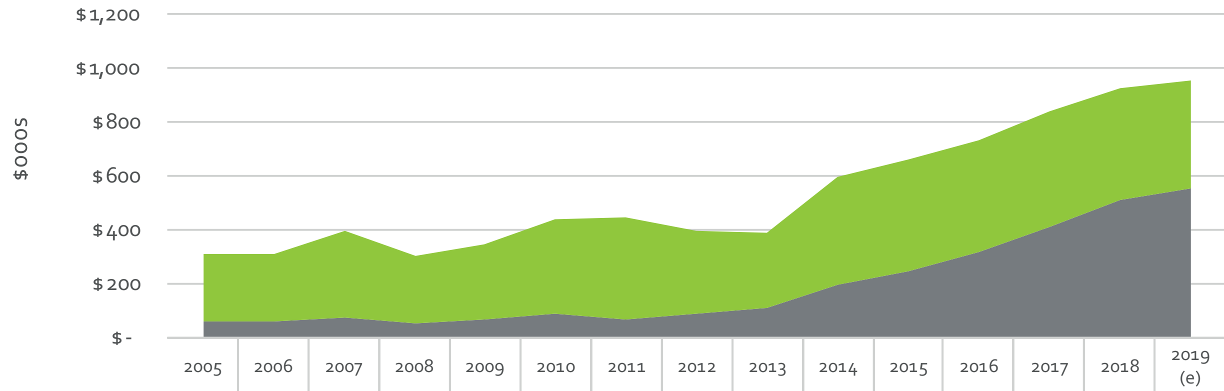
The levelling off in loans to distressed households compared to stressed households is worth noting. More distressed households are likely to be receiving social security. The independent review of small amount lending found that the "bright-line" provisions in relation to ensuring Centrelink recipients were not contracted to pay more than 20% of their gross income in loan repayments had been more successful than the remainder of the responsible lending provisions,[9] although 10% of net income was considered a more appropriate repayment cap.[10] This was the rationale for recommending both tightening this repayment cap and extending it to all borrowers.[11]

Growth in lending to this most vulnerable segment appears to have stalled and even fallen slightly since the review, but not sufficiently to address the harm identified. Growth in the next most vulnerable segment has continued unchecked, with an upward trajectory projected into the future. The case for implementing the recommended reforms is greater than ever.

This growth is particularly concerning, as payday loan providers often deliberately target vulnerable consumers. These people are persuaded to take out high cost loans to meet an immediate need, yet the result is often to worsen their situation. This ultimately leads to financial exclusion and leaves people stuck in a debt trap.

> since 2015
> **86%**
> of payday loans are now accessed **online**

Graph 4: Payday Lending Flows by Segment



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 (e)
	Actual													DFA Estimates	
Financially Distressed	$256	$253	$320	$251	$280	$352	$377	$310	$280	$404	$417	$417	$428	$412	$400
Financially Stressed	$60	$59	$78	$57	$69	$90	$71	$88	$111	$197	$248	$319	$415	$513	$554

Data from DFA Analytics

8 Consumer Action, Submission: Senate Economics References Committee Inquiry into credit and financial services targeted at Australians at risk of financial hardship, November 2017, available at: https://consumeraction.org.au/wp-content/uploads/2018/11/181112-Final-submission-Senate-Inquiry.pdf

9 SACC review interim report pp7-8. ASIC Report 426

10 "...a 10 per cent net income cap would necessarily encourage longer loan terms and, therefore, smaller and more affordable fortnightly repayments. This mitigates the risk of consumers becoming trapped in a debt spiral, as they are more likely to be able to make their fortnightly repayments and cover their other living expenses without accessing further credit." Final Report, P19

11 "Evidence presented to the Panel indicated that there is an increasing number of employed consumers obtaining SACCs, particularly from online-only lenders. The concerns associated with financial exclusion and the risks of being trapped in a debt spiral extend, therefore, beyond those consumers who receive Centrelink payments and apply to other consumers, in particular low income earners." Final report p15

04 IMPACT OF PAYDAY LOANS on Australians

4.1 Overview

Payday loans are being taken out by many Australians. Here, we use data from DFA analytics to look at how payday loans are effecting men and women, Aboriginal and Torres Strait Islanders and which states have the highest number of payday loans

4.2 Men and Women

When looking at the data on financially distressed and stressed households by gender, it is evident that single men are overwhelmingly the biggest users of payday loans and the proportion of women in this segment also continues to rise. The number of women using payday loans has risen from 177,000 in 2016 to 287,000 in 2019. This represents a rise to 23.13% of all borrowers (see *Graph 5: Women Using Payday Loans*). Forty one percent of these women are single parents (see *Appendix C* for data break down).

Unfortunately, this is a growing issue, with women who are most vulnerable and under the most significant financial pressure more likely to access payday loan services. Those that do are also likely to take out multiple loans, getting stuck in a debt spiral.[12] Sarah's story in case study 2 is a real example of how women can often find themselves in these situations.

> The number of women using payday loans continues to grow, **41%** of these women are **single parents**

12 Good Shepherd Microfinance (2018) Women and Pay Day Lending- An Update. Accessed at: https://goodshepherdmicrofinance.org.au/assets/files/2018/02/Women-and-Pay-Day-Lending-2018.pdf

Case Study 2:
Sarah's Story

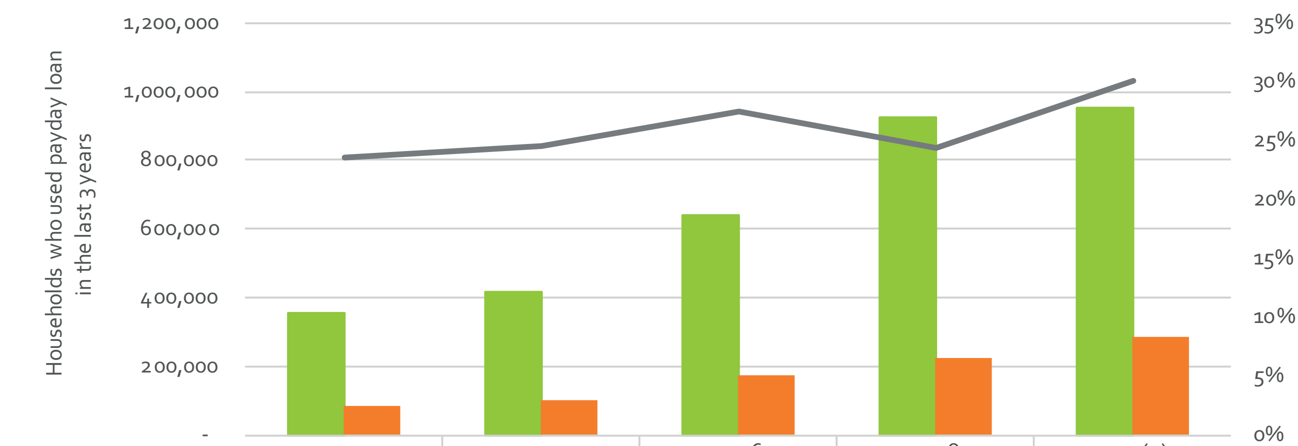
Sarah* is a 43 year old woman who moved to Australia with her child and now ex-husband. Shortly thereafter, Sarah was forced to flee her family home to escape family violence with only a few dollars in her pocket.

With nowhere to turn, Sarah found herself effectively homeless for months, couch surfing, staying at refuges and in short term expensive accommodation. Then Sarah commenced fulltime employment and was able to start looking for a more permanent housing option.

However, due to her financial circumstances Sarah took out six loans over a five month period in order to pay the bond and rent for rental properties, including four small amount credit contracts. At the time of taking out the fourth SACC, Sarah was already behind in repayments on the three other SACCs and two other loans. She also had two buy now pay later debts. While the fourth SACC provider recorded on the documents that the purpose of the loan was to pay for rental bond and first month's rent, they failed to include an amount for rental or accommodation costs when assessing the loan.

*name changed for privacy reasons

Graph 5: Women Using Payday Loans



	2005	2010	2016	2018	2019(e)
All Households	356,097	416,102	643,087	925,000	954,000
Women	84,039	102,361	176,849	225,980	287,084
% Women to Men	23.60%	24.60%	27.50%	24.43%	30.09%

Data from DFA Analytics

4.2 Victorian Aboriginal communities

Consumer Action Law Centre has been working in partnership with the Victorian Aboriginal[13] communities for some time. Unmet consumer, credit and debt needs within the Victorian Aboriginal Communities prompted Consumer Action to establish an Integrated Practice with the Victorian Aboriginal Legal Service (**VALS**).

The Integrated Practice Project partners with local Aboriginal Community Controlled Organisations and other service providers, giving communities the opportunity to better understand consumer, credit and debt matters and receive free legal support and advice. Payday lending debt is a reoccurring issue seen in community session participants and clients.

Charlie's story in case study 3 is a common example that illustrates the range of complex issues that can be impacting on an Aboriginal community member at any one time. It is not uncommon to see people in financial hardship take out multiple payday loans and have a range of other debts on the side to make ends meet.

Case Study 3: Charlie's Story

Charlie* is an Aboriginal woman in her early to mid-20s who usually lives in regional Victoria.

Approximately 5 years ago, when she was under 20-years old, Charlie started a business traineeship earning a little over $450 per week. Around this time, Charlie was also going through a really hard time. Charlie's father had passed away shortly before Charlie had tragically given birth to a baby that was stillborn. Charlie needed money to pay for the cremation services for her baby. Charlie therefore took out a payday loan for a little under $650.

With all of this anguish and stress, however, Charlie became mentally unwell and was no longer able to work, sending Charlie into significant financial difficulty. Charlie's only source of income became the Centrelink pension which she was using to pay rent, groceries and things for her young child. Charlie fell behind on her payday loan repayments.

The payday loan contract was originally for a principal amount of a little under $650. However, Charlie was also charged an up-front establishment fee of a little under $130, ongoing monthly fees and dishonour fees if she didn't have enough money in her bank account to pay back the loan. This meant that every time she missed a payment because it was dishonoured, Charlie was charged a dishonour fee of a little under $35. To this day, Charlie has been unable to pay back this payday loan and now owes much more than she originally borrowed.

Charlie experienced money trouble for several years and she turned to other forms of unregulated credit to help her meet general living expenses. These included getting another payday loan and also using buy now pay later services. For the buy now pay later debt, Charlie was only able to make one payment before she fell into arrears and started being contacted by debt collectors.

In addition to her baby and her father, Charlie's mother also passed away in the last couple of years. Charlie was the next of kin for both her father and mother and her main financial priority since their passing was paying for the funerals of her loved ones. Any spare money that Charlie had was going towards paying for these funerals and then paying off funeral directors.

Charlie was sent to prison in 2019, leaving her with no income at all, no way to pay off her debts and no repayment options to get out of the debt trap.

*name changed for privacy reasons

13 We acknowledge and include all Aboriginal and/or Torres Strait Islander peoples living in Victoria.

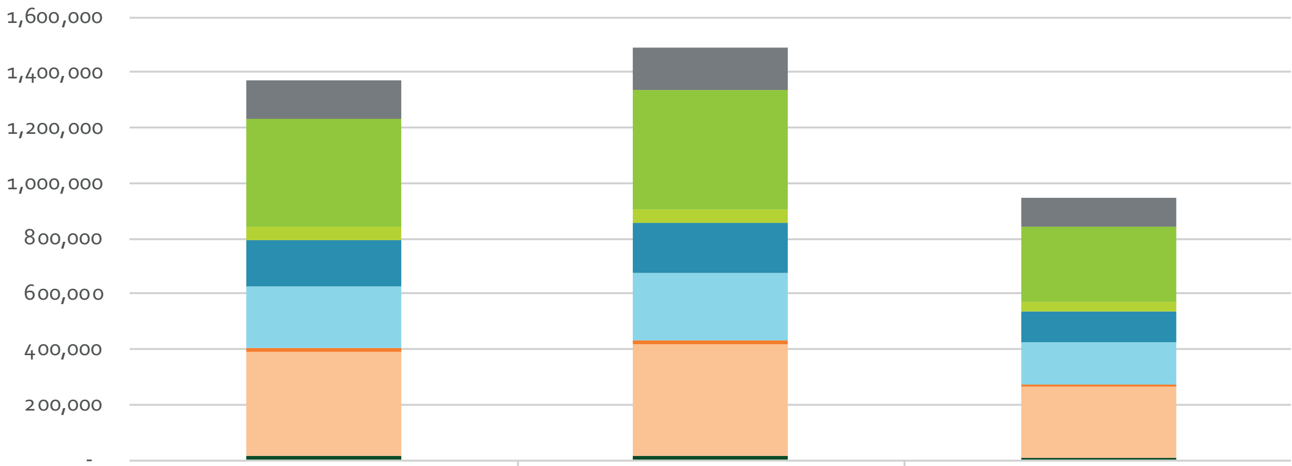
4.3 Which state has the most payday loans?

DFA data shows that Victorians are leading the country with the highest number of new payday loans by state or territory (see *Graph 6: Number of New Payday Loans by State*; see *Appendix E*).

Payday loans are also rapidly growing in Western Australia and Tasmania, with these households showing the highest growth rates at 13.5% and 15.5% respectively over the last 6 months (January-July 2019).

Based on value written each month, the largest pool of loans are being written in Victoria ($24.7 million) and New South Wales ($22.7 million) (See *Graph 7: Value of New Payday Loans per Month by State*). The net growth of households using payday loans between 2016 and 2019 (year to date) also sees Victoria leading the pack. Of the estimated 509,000 households, approximately 148,000 came from Victoria, approximately 136,500 came from New South Wales, approximately 82,500 from Queensland and approximately 54,500 from Western Australia.

Graph 6: Number of New Payday Loans by State



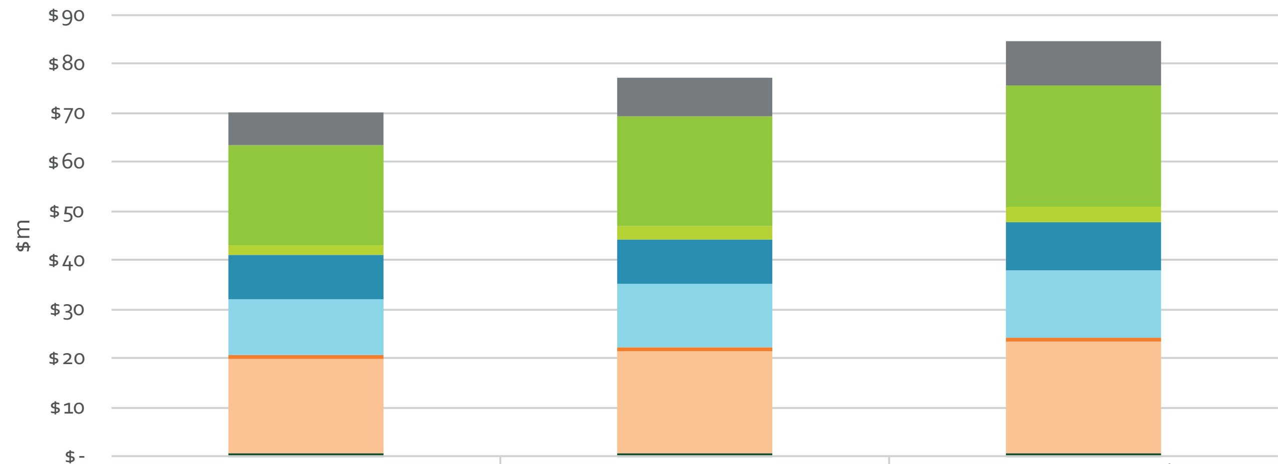
	2017	2018	2019 (January To July)
WA	133,891	153,332	101,563
VIC	393,359	430,898	275,624
TAS	44,413	51,572	34,745
SA	168,474	178,539	110,249
QLD	227,364	245,239	153,681
NT	12,700	13,816	8,686
NSW	376,029	405,234	254,242
ACT	13,149	14,353	9,020

ACT NSW NT QLD SA TAS VIC WA

Data from DFA Analytics

Victorians are leading the country with the highest number of new payday loans by state

Graph 7: Avarage Value of New Payday Loans per Month by State ($m)



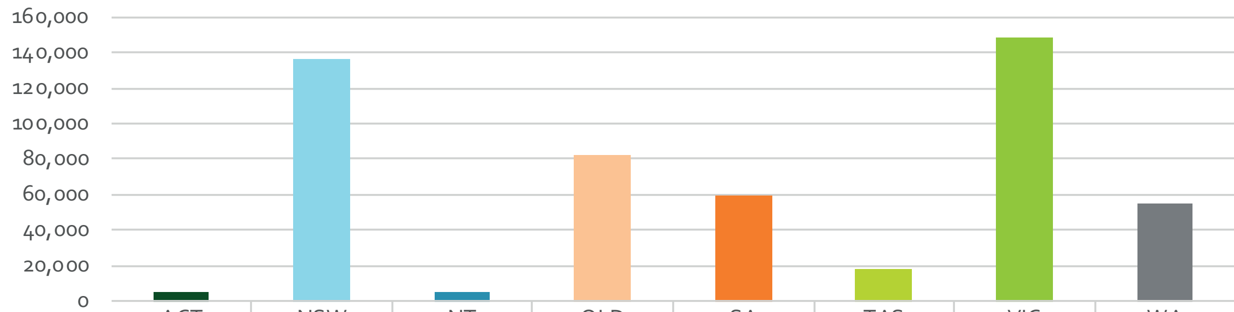
	2017	2018	2019 (January To July)
WA	$6.8	$7.9	$9.1
VIC	$20.2	$22.3	$24.7
TAS	$2.3	$2.7	$3.1
SA	$8.7	$9.3	$9.9
QLD	$11.7	$12.7	$13.7
NT	$0.7	$0.8	$0.7
NSW	$19.3	$20.9	$22.7
ACT	$0.7	$0.8	$0.9

ACT NSW NT QLD SA TAS VIC WA

Data from DFA Analytics

> The highest growth rate of payday loans are in **Western Australia** and **Tasmania**

Graph 8: Additional Households into Payday Loans by State (2016-2019 YTD)



	ACT	NSW	NT	QLD	SA	TAS	VIC	WA
Household	4,844	136,535	4,665	82,531	59,207	18,659	148,017	54,542

Data from DFA Analytics

05 It's time to STOP THE DEBT TRAP

DFA's new, independent data tells a troubling story of a booming payday lending market that is dragging more and more Australians into a debt trap that they cannot get out of. Current regulation of payday loan providers is grossly inadequate and results in widespread financial harm that falls short of community standards and expectations. Even with the current laws, the payday lending industry has a history of non-compliance with ASIC enforcement action resulting in payday lenders being required to refund more than $14.2 million to consumers between 2010 and 2017. Payday lenders have also been fined close to $21 million since 2013.[14]

Reform is urgently needed to ensure individuals and communities are protected from exploitation and harmful debt spirals caused by these predatory lenders. The Stop the Debt Trap Alliance is calling on the Government to urgently implement the recommendations of the independent SACC Review.[15]

It's been over 4 years since then Assistant Treasurer the Hon Josh Frydenberg kicked off the SACC Review and nearly 3 years since the Coalition Government accepted the recommendations of that review.[16]

These recommendations included:

- Ensuring people have enough money for rent, food and bills by capping the amount payday lenders and consumer lease companies can take from your income to 10% (i.e. 20% total for people with both a payday loan and consumer lease),
- Enacting an anti-avoidance provision in the national credit laws to enable the regulator to take enforcement action against traders avoiding the Credit Code, and
- Preventing small amount credit contract and consumer lease providers from making unsolicited offers to current or previous customers.

As the payday loan market continues to grow and the number of households at risk of falling into a debt trap soars, the case for implementing these critical protections has never been greater.

It's time for the Fedral Government to finish the work they've started and protect hard working Australians from being gouged by payday lenders.

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14 ASIC, Exposure Draft of the National Consumer Credit Protection Amendment (Small Amount Credit Contracts and Consumer Leases Reforms) Bill 2017, November 2017, available at: https://asic.gov.au/media/4536984/asic-submission_exposure-draft-of-the-small-amount-credit-contracts-and-consumer-leases-bill-2017.pdf

15 Austrailan Government, *Review of the Small Amount Credit Contract Laws: Final Report*, March 2016, available at: https://treasury.gov.au/sites/default/files/2019-03/C2016-016_SACC-Final-Report.pdf

16 The Hon Kelly O'Dwyer MP, 'Government response to the final report of the review of the small amount credit contract laws' (Media Release, 28 November 2016) available at: http://ministers.treasury.gov.au/ministers/kelly-odwyer-2016/mediareleases/government-response-final-report-review-small-amount

06 REFERENCES

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- The Hon Kelly O'Dwyer MP, 'Government response to the final report of the review of the small amount credit contract laws' (Media Release, 28 November 2016) available at: http://ministers.treasury.gov.au/ministers/kelly-odwyer-2016/media-releases/government-response-final-report-review-small-amount
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07 APPENDIX A
About the data in this report

Digital Finance Analytics was asked by the Stop the Debt Trap Alliance to complete custom modelling using data contained in the rolling 52,000 per annum household surveys.

Specifically, DFA focuses on a time period from 2005-2019 using actual data, and uses projects for the remainder of 2019 through to 2022.

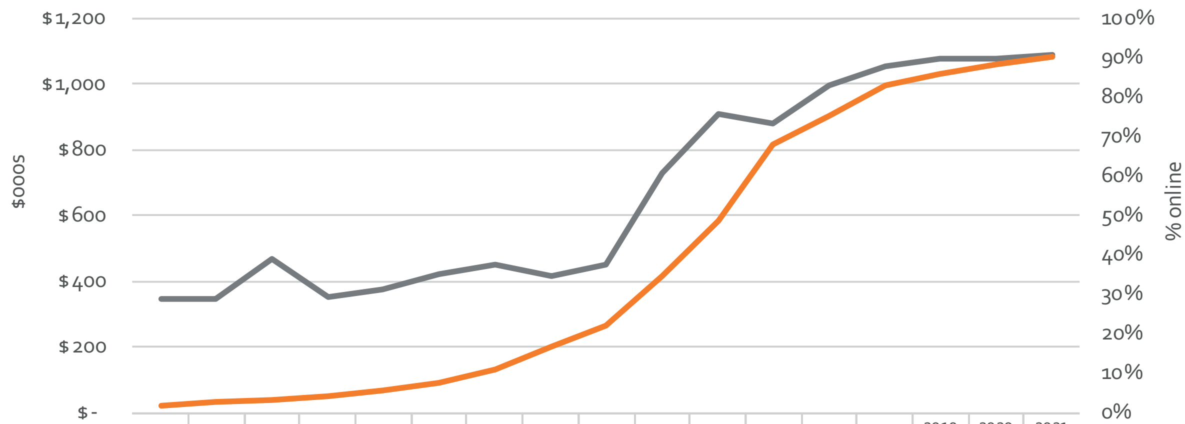
In addition to national data, DFA have extended their analysis, which is based on 52,000 household surveys, by reporting the impact at a state level.

The data presented by DFA makes a number of reasonable assumptions to support the findings:

1. The survey remains a statistically robust sample (aligns with the most recent ABS census data).
2. DFA have extrapolated 2019 figures on the current run rates per month.
3. DFA have not tried to overlay the potential before and after impacts, had the proposed changes been made to payday sector, but DFA have considered the mix and impact of loans taken during this time.
4. DFA use the term "payday loans" to refer to those loans made within the SACC (Small Amount Credit Contract) legislation, so this excludes medium term loans and other personal credit facilities.

08 APPENDIX B
Current Size of the Payday Loan Market

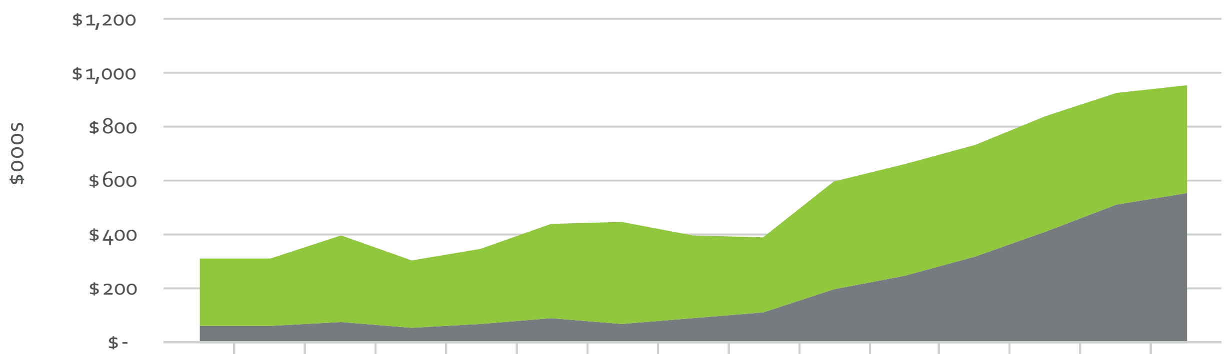
Estimated Size of Pay Day Lending Market in Australia



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 (e)	2020 (e)	2021 (e)
	Actual														DFA Estimates		
Lending Stock	$345	$344	$470	$354	$377	$419	$453	$418	$450	$727	$908	$883	$995	$1,055	$1,078	$1,079	$1,086
% Originated Online	2.0%	2.5%	3.0%	4.0%	5.6%	7.6%	10.9%	16.8%	22.2%	34.7%	48.7%	67.9%	75.1%	82.8%	85.8%	88.5%	90.1%

Data from DFA Analytics

Payday Lending Flows by Segment



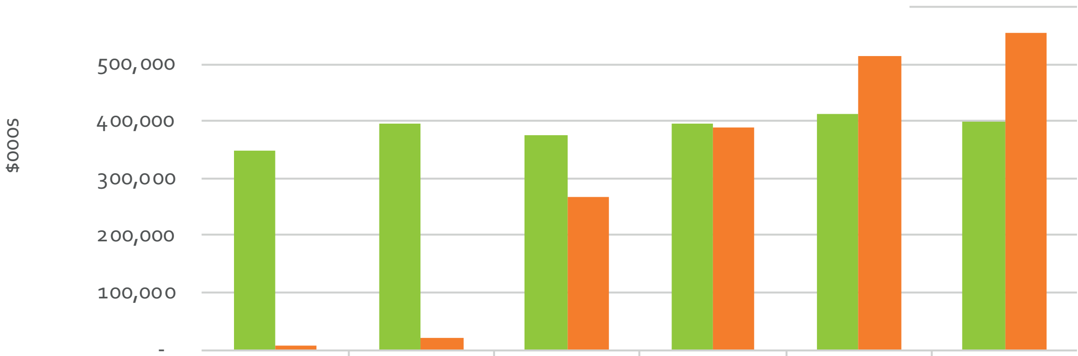
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 (e)
	Actual														DFA Estimates
Financially Distressed	$256	$253	$320	$251	$280	$352	$377	$310	$280	$404	$417	$417	$428	$412	$400
Financially Stressed	$60	$59	$78	$57	$69	$90	$71	$88	$111	$197	$248	$319	$415	$513	$554

Data from DFA Analytics

09

APPENDIX C
The Number of Households with Payday Loans

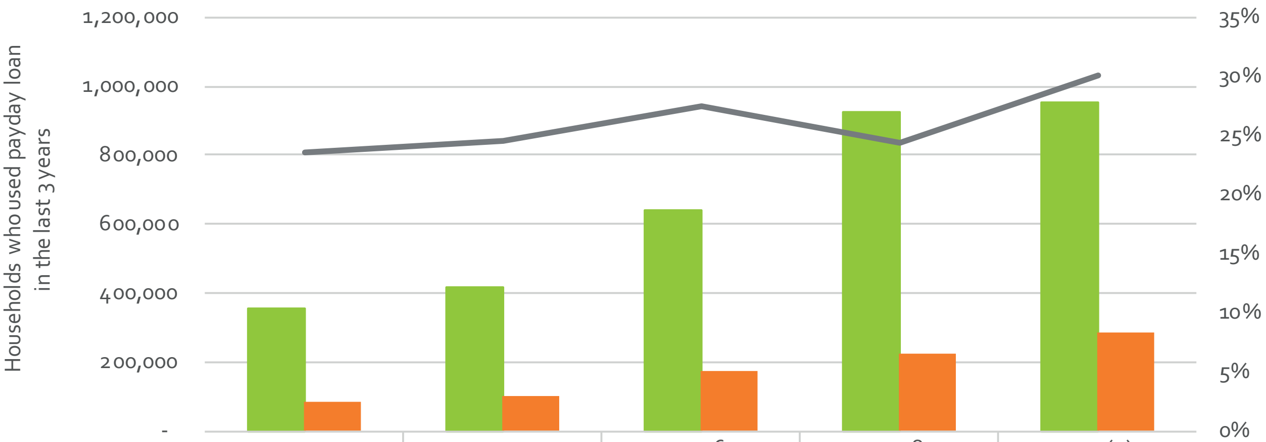
Number of Households With Payday Loans



	2005	2010	2016	2017	2018	2019(e)
Financially Distressed Households	348,976	395,297	376,206	394,103	412,000	400,000
Financially Stressed Households	7,121	20,805	266,881	389,941	513,000	554,000

Data from DFA Analytics

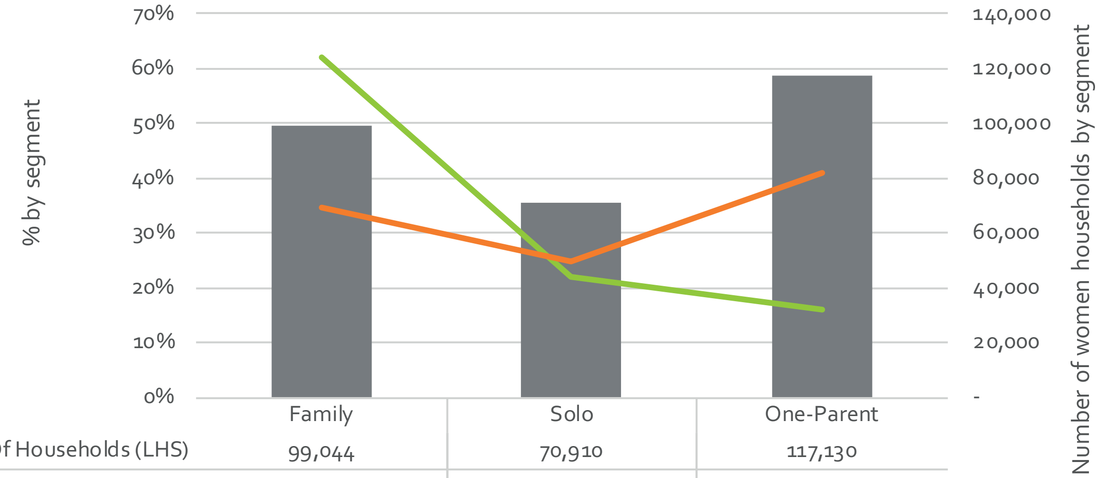
Women Using Payday Loans



	2005	2010	2016	2018	2019(e)
All Households	356,097	416,102	643,087	925,000	954,000
Women	84,039	102,361	176,849	225,980	287,084
% Women to Men	23.60%	24.60%	27.50%	24.43%	30.09%

Data from DFA Analytics

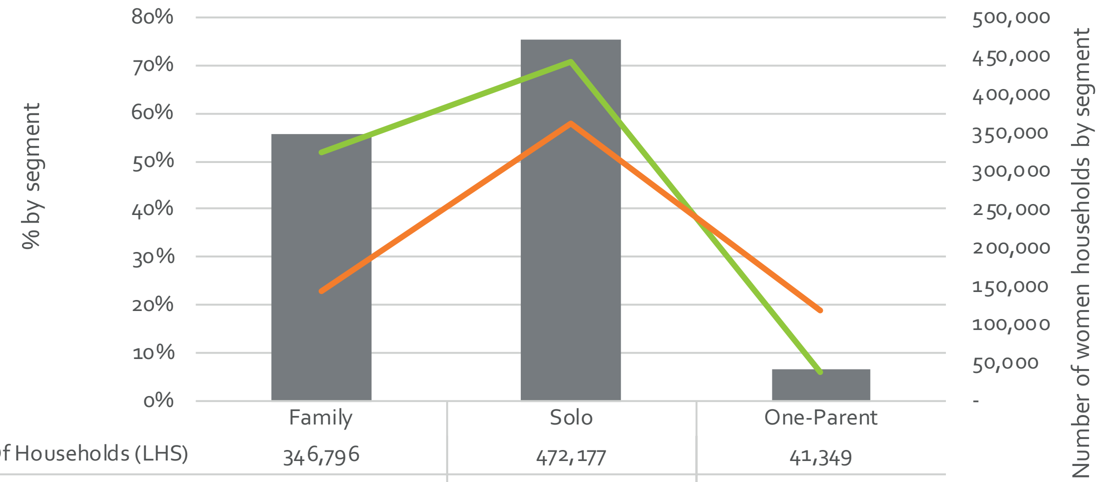
Women Specific Segmentation and Payday Loan 2019



	Family	Solo	One-Parent
Number Of Households (LHS)	99,044	70,910	117,130
Distribution	62%	22%	16%
Payday Distribution	35%	25%	41%

Data from DFA Analytics

Men Specific Segmentation and Payday Loan 2019



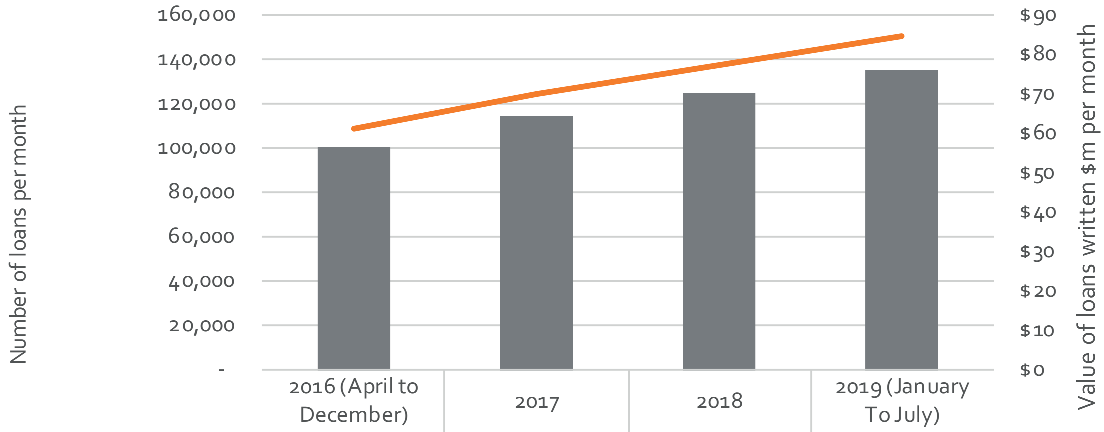
	Family	Solo	One-Parent
Number Of Households (LHS)	346,796	472,177	41,349
Distribution	52%	71%	6%
Payday Distribution	23%	58%	19%

Data from DFA Analytics

10 APPENDIX D

How many loans, and what value has been written since 2016

Number of Payday Loans per Month

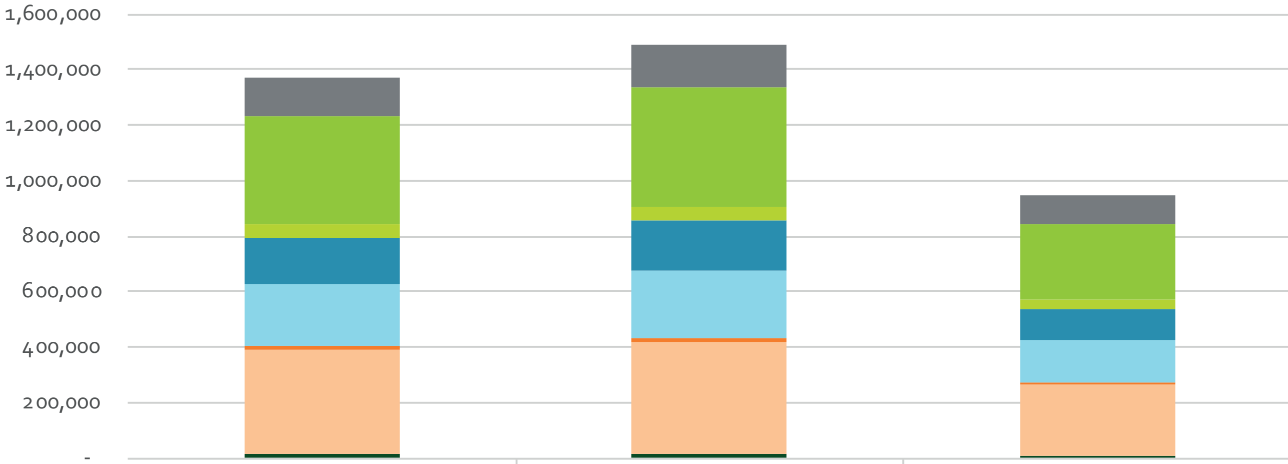


	2016 (April to December)	2017	2018	2019 (January To July)
Number of Discrete Loans Written (Per Month)	100,214	114,115	124,415	135,402
Value of Loans Written ($m) Per Month	$61.33	$70.18	$77.14	$84.76

Data from DFA Analytics

11 APPENDIX E
State Level Analysis

Number of New Payday Loans by State

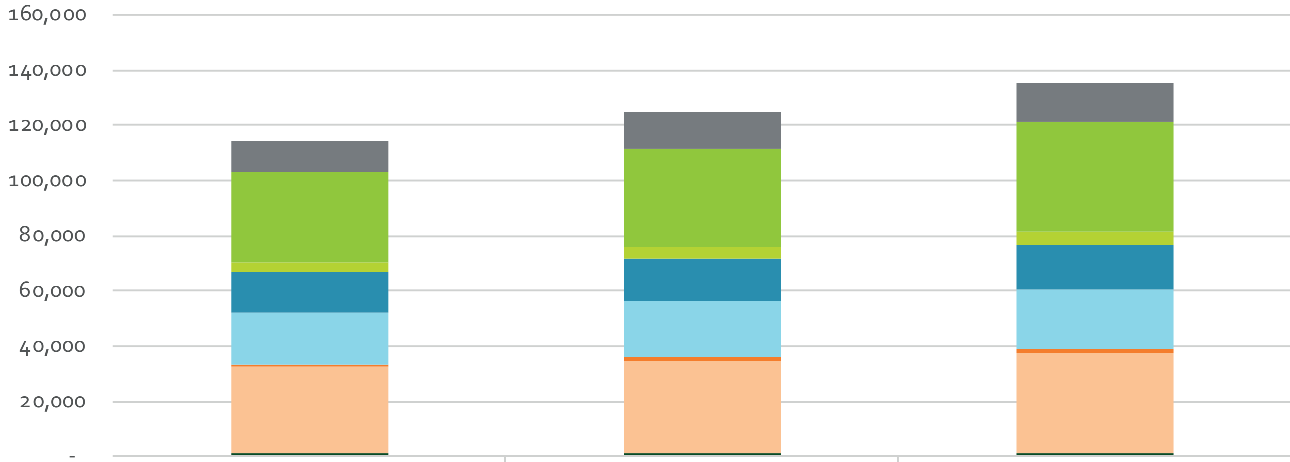


	2017	2018	2019 (January To July)
WA	133,891	153,332	101,563
VIC	393,359	430,898	275,624
TAS	44,413	51,572	34,745
SA	168,474	178,539	110,249
QLD	227,364	245,239	153,681
NT	12,700	13,816	8,686
NSW	376,029	405,234	254,242
ACT	13,149	14,353	9,020

ACT NSW NT QLD SA TAS VIC WA

Data from DFA Analytics

Number of New Payday Loans Per Months by State

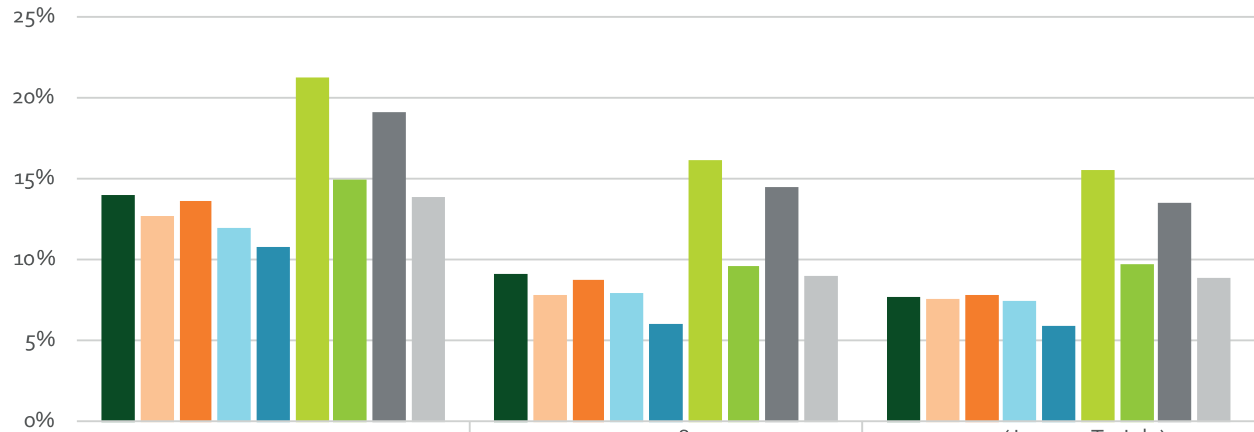


	2017	2018	2019 (January To July)
WA	11,158	12,778	14,509
VIC	32,780	35,908	39,375
TAS	3,701	4,298	4,964
SA	14,040	14,878	15,750
QLD	18,947	20,437	21,954
NT	1,058	1,151	1,241
NSW	31,336	33,770	36,320
ACT	1,096	1,196	1,289

ACT NSW NT QLD SA TAS VIC WA

Data from DFA Analytics

Number of New Payday Loans Per Months (% Growth)

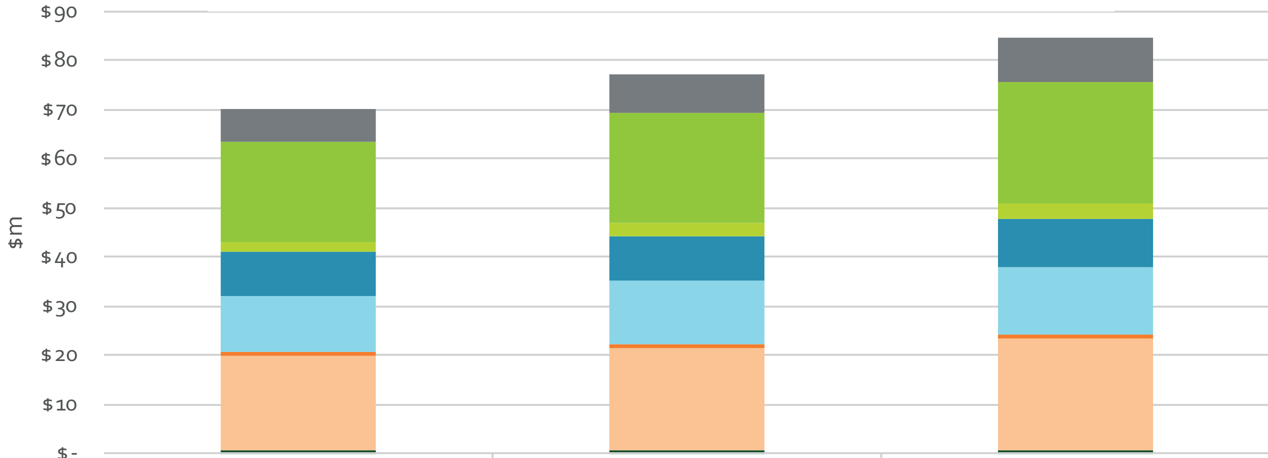


	2017	2018	2019 (January To July)
ACT	14.0%	9.2%	7.7%
NSW	12.7%	7.8%	7.6%
NT	13.6%	8.8%	7.8%
QLD	12.0%	7.9%	7.4%
SA	10.8%	6.0%	5.9%
TAS	21.3%	16.1%	15.5%
VIC	15.0%	9.5%	9.7%
WA	19.1%	14.5%	13.5%
All	13.9%	9.0%	8.8%

ACT NSW NT QLD SA TAS VIC WA All

Data from DFA Analytics

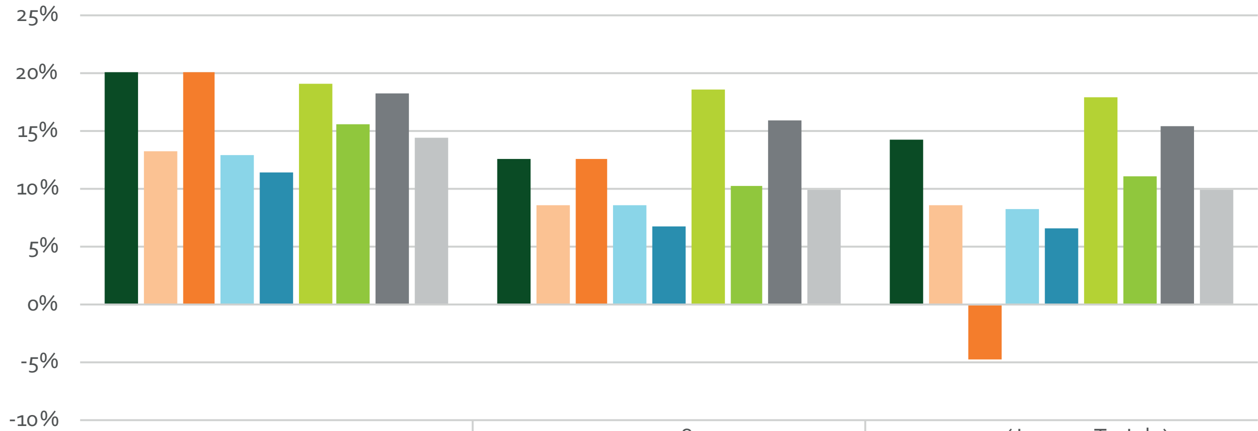
Value of New Payday Loans Per Months by State ($m)



	2017	2018	2019 (January To July)
WA	$6.8	$7.9	$9.1
VIC	$20.2	$22.3	$24.7
TAS	$2.3	$2.7	$3.1
SA	$8.7	$9.3	$9.9
QLD	$11.7	$12.7	$13.7
NT	$0.7	$0.8	$0.7
NSW	$19.3	$20.9	$22.7
ACT	$0.7	$0.8	$0.9

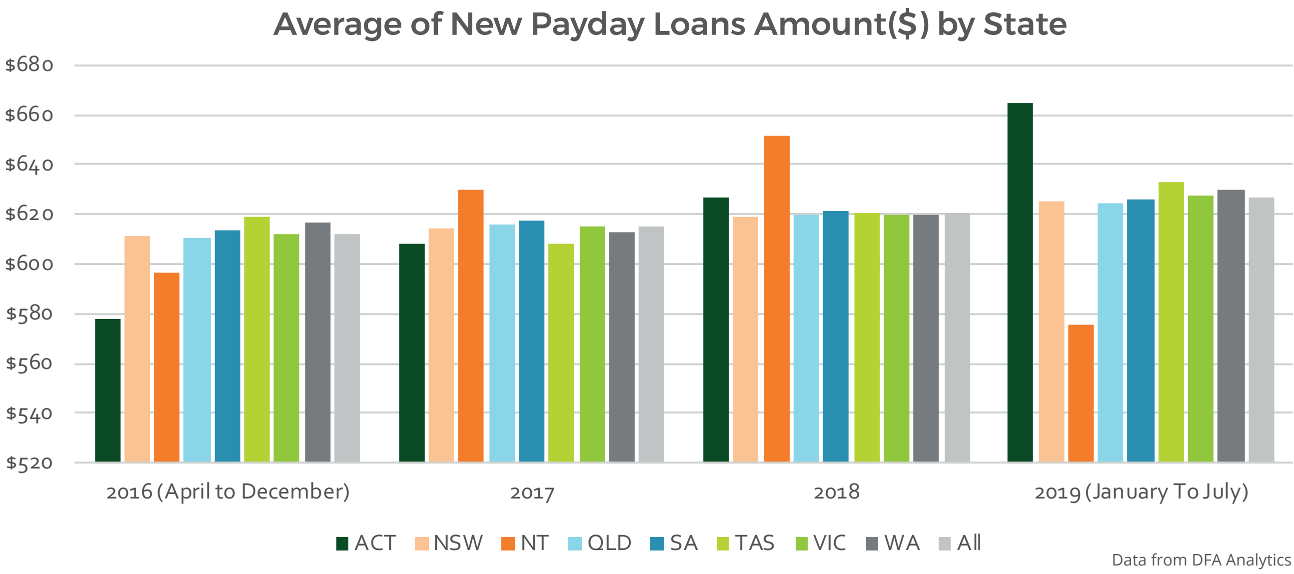
ACT NSW NT QLD SA TAS VIC WA

Value of New Payday Loans Per Months by State (% Growth)



	2017	2018	2019 (January To July)
ACT	20.0%	12.5%	14.3%
NSW	13.2%	8.7%	8.6%
NT	20.0%	12.5%	-4.8%
QLD	12.9%	8.6%	8.3%
SA	11.4%	6.7%	6.6%
TAS	19.1%	18.5%	17.9%
VIC	15.6%	10.3%	11.1%
WA	18.3%	15.9%	15.5%
All	14.4%	10.0%	10.0%

Data from DFA Analytics



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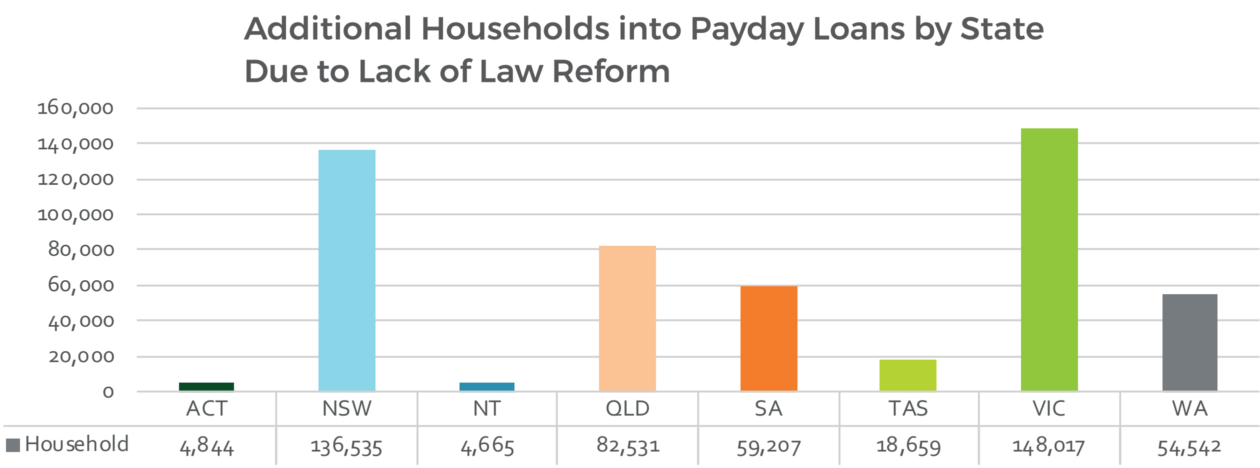

Data from DFA Analytics

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