

Friday, 9 February 2024

By email: supermarketprices.sen@aph.gov.au

Select Committee on Supermarket Prices
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Select Committee on Supermarket Prices,

Re: Senate Select Committee on Supermarket Prices

Consumer Action Law Centre (Consumer Action) welcomes the opportunity to submit to the Select Committee on Supermarket Prices. Our submission aims to provide insight into the broader context and impacts of rising costs of living for Australians. Rising costs and poor industry conduct are harming more and more consumers who we speak to on our frontline services every day. Against this context, it is important that the price of essentials like food is closely monitored and not subject to manipulation or misuse.

We submit this letter alongside our recently published [Cost of Living Snapshot for 2023](#) which outlines how consumers are trying to make ends meet and the challenges they face in dealing with businesses when in hardship.

Consumer Action's financial counsellors and lawyers advise and assist people experiencing financial hardship and poverty and struggling with the cost of living crisis every day. The data Consumer Action collects, as well as the reflections of our staff, reveal the number of Australians struggling with multiple debts and essential costs is rapidly growing. Consumers are increasingly resorting to Buy Now Pay Later (BNPL) loans and credit card debts to put food on the table, or skipping grocery shops in order to meet their debt repayments.

Consumer Action presented evidence to the Cost of Living Inquiry and the Poverty inquiry. Our submissions can be accessed here:

[Submission to the Cost of Living Inquiry](#)

[Submission to the Inquiry into the extent and nature of poverty in Australia](#)

Increased demand for assistance to the National Debt Helpline

In the last financial year 2022-23, Consumer Action's data shows an increase of calls to the Victorian National Debt Helpline 25% from the previous financial year. There has been a further increase in the number of people calling the Helpline about mortgage stress, rent arrears and household debt¹.

Credit to cover the cost of essentials such as food, energy and telecommunication services.

Consumer Action's Financial Counsellors have stated that it is increasingly common to hear from single parents who state they aren't eating themselves, to make sure their kids are. Our Financial Counsellors often hear from people on low incomes who are resorting to unregulated or unsafe credit products like wage advance, high interest loans and BNPL to pay for food. This can lead to more debt piling up for consumers or tipping over into a debt spiral. Callers receiving pension payments are spending a far greater percentage of their income on grocery bills, or increasingly are skipping meals.

Financial Counsellor Kirsty Robson outlines that 'people are increasingly concerned that there's no end in sight, or a view to relief.'

Financial counsellor's perspective

The debt spiral is a big thing, especially with Buy Now Pay Later because it's the easiest thing to get with no affordability checks. People are using Buy Now Pay Later to pay dental bills and vet bills. Now we hear from people who are using Buy Now Pay later to buy supermarket vouchers so they can buy food. Eventually it will all fall apart.
--Kane, Consumer Action financial counsellor

The concerning trend of consumers having to rely on credit, personal loans and BNPL to cover their grocery bill comes at additional cost to those already struggling. Incurring additional charges and interest fees in order to cover essential costs is just one aspect of the systemic disadvantage of the 'poverty premium'².

The additional aspect of unregulated credit creates further risk of financial stress when consumers are resorting to multiple BNPL products, eating more of their weekly budget through repayments and in many cases, late fees.

Case study: Anja*

Anja (name changed) is a young migrant woman who works full time and is providing financial support for her mother's medical costs overseas. Despite full time work, after paying rent, bills and repayments Anja is left with approximately \$200 a fortnight. Anja has taken out over four buy now pay later loans and borrowed money from her boss to cover her bills, spiralling into debt. **Anja stated sometimes her friend helps her with food, but she hasn't been able to afford her own.**

Health impacts of higher costs

Consumer Action's Financial Counsellors have noted "we're seeing a broader issue of mental and physical ill health because of the cost of living. The people we're speaking to every day are more exhausted, more suicidal,

¹ [Cost of Living Snapshot 2023](#) February, 2024, Consumer Action Law Centre

² [Submission to the Inquiry into the extent and nature of poverty in Australia](#), February 2022, Consumer Action Law Centre

and more on edge than I've ever experienced before because of how expensive it's become just to live."— *Kirsty Robson, Consumer Action Financial Counsellor.*

The compounding effects of higher grocery bills are increasingly forcing low-income consumers to skip medical expenses, postpone or decline required surgery in order to get by.

Case study: Lois*

Lois (name changed) is a retired single mother receiving the Age Pension as her sole income. After struggling with multiple debts, she contacted the National Debt Helpline for assistance. Lois had been saving up for some required cataract and hip surgery, however she had to use these savings to pay housing costs. Lois stated she could hardly walk, however she can't afford the necessary surgeries and is worried she will go blind. When speaking with a Financial Counsellor, **Lois stated she is struggling with essential costs and sometimes doesn't eat, stating she doesn't want to be alive**

The Money Juggle

The *Cost of Living Snapshot 2023* describes "the money juggle" faced by consumers in financial stress:

When people have a few bills piling up, they start the money juggle. They might borrow more from one lender to pay a bill. They might start to rely on their credit card to pay for everyday expenses. They might take out a short-term 'payday loan'. They might try to get cash by pawning something valuable. They might start to use Buy Now Pay Later products to pay for the basics they need so that they can use cash to pay off other loans. We hear from people who have used Buy Now Pay Later to pay for food, medicine, and emergency dental treatment.³

Energy hardship

In 2022-23 more than 65,000 people in Victoria sought help to pay their electricity bill. More than 54,000 people sought help to pay their gas bill. In the same period, more than 13,000 people had their electricity disconnected for non-payment, and more than 4,000 people had their gas disconnected. The majority owed less than \$1,000.⁴

Consumer Action's preliminary findings for 2023 found that in January-December 2023, the average amount of energy debt reported by callers was \$2,616, while the average fortnightly income sat at \$1,033. Analysis of our client data found the highest debt reported by a client was \$34,102 and the lowest reported was \$215; 14 percent of callers had an old debt related to a closed account; and 9 percent disclosed being on unaffordable payment plans. 12 percent of callers were experiencing family violence, debt collection for old debts, or being coerced into continuing to pay for accounts they received no benefit from.

Quotes from our callers

'We got left with nothing. We really have been trying, but it's gotten to the point where I won't be able to feed my children this week and get them to school. I can't even afford to get credit on my phone which is obviously quite

³ [Cost of Living Snapshot 2023](#) February, 2024, Consumer Action Law Centre

⁴ [Victorian Energy Market Report | Essential Services Commission](#)

dangerous because it means I've got no lifeline' – "Sarah", January 2024

'I've just being worried about trying to get by day to day. The costs keep rising and you can't get ahead' - "Emma", January 2024

"I started using BNPL when I was working full time, so the commitment to it when it first started was okay. When [we] fell down to one income...and Centrelink didn't look like it was going to give me payment moving forwards, it was the only option I could turn to because I'm breastfeeding exclusively with my baby, and I barely eat a decent meal every day. So, [as] I'm eating vegemite sandwiches – sometimes it could be toast at night – I can't even feed my child properly through breastmilk, because I can't even feed myself properly."⁵ – Brooke, November 2022

Thank you again for the opportunity to provide comment and our recent *Cost of Living Snapshot* report in relation to Select Committee's investigation into supermarket pricing. Please contact Tania Clarke on (03) 9670 5088 or at tania@consumeraction.org.au if you have any questions about this submission.

Yours sincerely,

Stephanie Tonkin
Chief Executive Officer
CONSUMER ACTION LAW CENTRE

⁵ [2022-23 Impact Report](#) Consumer Action Law Centre

