



# Media Release

12 October 2015

## **Tougher laws needed to protect consumers from predatory lending**

It's Anti-Poverty Week, which is why The Salvation Army is calling for tougher consumer protection laws to control the excesses of predatory lending and protect the most vulnerable people in society from being exploited.

The Salvation Army, through its Moneycare program, is one of the largest providers of financial counselling and related services in Australia and sees the devastating impact this type of lending has on its clients on a daily basis.

The head of The Salvation Army Moneycare, Tony Devlin, says monthly repayment fees of payday loans must be capped at a lower rate and the current laws do not provide adequate protection for consumers.

"The effective interest rates on pay day loans are excessive and are a huge financial obligation for lower income people," he said.

"The current law caps the amount of repayment for consumers that receive fifty-per-cent of their income from Centrelink at twenty-per-cent of their gross income. A twenty-per-cent repayment cap for a small loan is very unrealistic."

"People who use these loans are usually in a desperate time in their lives and need greater protection from this predatory lending. We recommend that a five-per-cent cap is introduced to provide better protection for vulnerable consumers."

Mr Devlin says similar provisions should apply to goods rental agreements and there are safer alternatives for people struggling on low incomes.

"In our experience, clients see little difference between payday loans and consumer leases. Both are essentially a means to acquire funds or an asset, usually at a time of urgency or need, when no other options exist."

"We encourage anyone who is struggling to pay their bills to see a financial counsellor. Payday loans and consumer leases usually exacerbate the problem, not minimise it."

Financial counsellors and no interest loan schemes (NILS) are alternatives to payday lenders and goods rental companies with many non-for-profit organisations, including The Salvation Army, providing these much needed services. People seeking financial counselling should call 1800 007 007 and those who may require a no interest loan are encouraged to call the NILS hotline on 13 64 57.

**ENDS**

**For more information or to organise an interview with Tony Devlin, please contact:**

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