



# Fair Finance

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The General Manager  
Retail Investor Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Monday 7<sup>th</sup> May 2012

Dear Sir / Madam

*Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill 2011*

I write to you to bring to your attention an element of the proposed amendments to the above mentioned Bill, which I believe has not received due consideration. At the outset, Fair Finance Australia notes that the current direction of the debate regarding how to prevent exploitative lending is misdirected. Subsequently, Foresters Community Finance makes the following recommendations:

1. Effort of change should focus on addressing *access* to exploitative lenders, rather than controlling the *price*. Only altering the regulated price of lending still means that there is access to small loan products in the market which shouldn't be allowed because of their level of exploitation. I do welcome the review date on caps and hope the evidence and debate will mature over this time.
2. That the responsible lending framework and active policing via ASIC be enhanced for all credit products including short term credit. I am concerned that the blunt approach to limit small amount credit contracts in Division 2 will have unintended consequences. These limits should be based on the responsible lending framework and not fixed limits that will discourage discovery and weaken responsible lending.
3. The legislative changes should ensure that the window of opportunity remains open for safe and responsible lenders, such as community development finance institutions. This bill has the potential to shut down some exploitative and predatory lenders or make them become more innovative. However it also has the ability to prevent fair, alternative lending options to develop and maturing in the market.

Fair Finance Australia (FFA) is addressing exploitative lenders at the point of access by providing a fair, alternative option. FFA offers fair, appropriate loans from \$1000 to \$4000 for terms up to 2 years. Our approach is very client / case focused and this leads to a lending experience that helps our clients either achieve their loan goal in a responsible way or gives them an understanding why a loan would be unsuitable for them at the present time and what sort of options they need to pursue to start their pathway to financial inclusion.

FFA strongly believes that action to restrict any predatory lending by providers of small value loans is welcome, as is any moves to address poverty in Australia by enhancements to the social security systems by way of improved delivery or value of benefits. However, any such action must be balanced with the considered needs of the emerging movement of community development finance institutions in Australia.

FFA was awarded a contract in February 2011 by FaHCSIA as part of the pilot of Community Development Finance Institutions (CDFI). FFA is a program within Foresters Community finance and is conducting a micro-loan pilot program to address financial exclusion for individuals. Foresters is a non-profit that offers financial solutions as a CDFI that operates across all financial exclusion segments of individuals, social enterprises and non-profit organisations. FFA believes that access to fair affordable credit is a right for all and encourages The Treasury to both consider measures that increase access to credit and well as restricting predatory lending via reinforcing the responsible lending framework that covers all lending, including short term lending.

From our experience FFA believes that any loans made for the purpose of payment of daily consumption or bills can not fit within the responsible lending framework as clearly the individual does not have enough income to survive day to day and are clearly in poverty. Any form of loan that has to be repaid will in effect reduce their future income and is thus increasing their poverty levels and can be seen as just a short term fix to their financial problems.

Responsible lending should only be available when sufficient income over expenditure clearly shows that repayment of a loan can be made on a week by week basis. There needs to be clear access and choice of loan products so that financially excluded individuals are not exploited and have access to fair loans that impact on their lives and help to rebuild their credit histories so as to get back into the main steam banking system.

Yours faithfully,

Peter Pamment  
Manager  
Fair Finance Australia  
Foresters Community Finance Ltd.