Financial Rights Legal Centre

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12 February 2018

Hon Michael Sukkar MP
Assistant Minister to the Treasurer
PO Box 6022
House of Representatives
Parliament House, Canberra ACT 2600
by email Michael.Sukkar.MP@aph.gov.au

Dear Assistant Minister Sukkar,

Re: National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2017 – Exposure Draft

I am writing you to about the above Bill. We continue to see problems in our advice and casework at Financial Rights Legal Centre with both Small Amount Credit Contracts (SACCs) and consumer leases and are concerned to see this legislation enacted as soon as possible.

I note with concern recent reports in the media about the continuing growth in this industry, and its expansion into new demographics:

> *"The industry (previously targeting low socio-economic groups) has regrouped around more affluent but needy connected households," (Martin North, Financial Digital Analytics[1]).*

This phenomenon is also reflected in our casework, with clients who are employed and ostensibly earning sufficient income to meet the cost of living finding themselves caught in a cycle of damaging debt (See Sandra's case study below).

I wish to reiterate our strong support for the *National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2017*. The Bill as it currently stands is balanced, proportionate and will prevent many of the worst excesses of both the consumer lease sector and pay day loans. It is imperative that this Bill, which has bipartisan support, be enacted urgently.

To illustrate the problems the Bill is trying to address, I outline two of Financial Rights' current cases:

> ***Sandra's story***
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> *When Sandra contacted the National Debt Helpline at Financial Rights she had* s.47F(1), *1 Medium Amount Credit Contract and an ongoing credit contract. Her fortnightly repayments on the loans at that time totalled approximately $*s.47F(1)

[1] Renee Villaris, "Struggling families targeted by ruthless payday lenders", Courier Mail, 5.2.18

Sandra is employed on a part time contract for s.47F(1) *per week, and her weekly base rate of income before tax is* s.47F(1)*. However, in the period before contacting us, Sandra was working a considerable amount of overtime which increased her weekly income to up to an average of* s.47F(1) *after tax per week. Sandra obtained the loans while her income was inflated by overtime.*

As she obtained more loans and her repayments increased, Sandra was forced to continue to accept more overtime hours to ensure that she would be able to afford the repayments, even though she had caring responsibilities for a grandchild. As she often found that she was not able to meet all her expenses after making the repayments on the previous loans, she borrowed again until she could no longer see a way out of the loop.

As her income fluctuated significantly, and her overtime hours were not guaranteed, she was very concerned about how she would afford to repay the loans if her overtime hours were reduced by her employer.

Even with her higher than normal income, after paying the lenders, Sandra was left with just s.47F(1) *per week (including for housing costs), which was* s.47F(1) *below the poverty line at the time. Her repayments represented about 50% of her income.*

Zara's story - C141153

Zara is an Aboriginal single parent to s.47F(1) *of whom live with her. She relies solely on income from Centrelink. Zara also has difficulty reading and writing. Zara contacted a consumer lease provider after being referred by a relative. A representative came to her home. Applications were completed electronically on the representative's iPad and Zara was not given any paperwork. Zara rented several items (*s.47F(1)*). She also rented two items for her sister's benefit, in her name. In total, Zara was paying* s.47F(1) *per fortnight to the consumer lease provider.*

Unable to keep up with all her commitments and pay essential expenses, Zara contacted a Financial Counsellor who requested documents in relation to the leases. The consumer lease provider responded by contacting Zara directly (a breach of the ASIC/ACCC Debt Collection Guidelines) and told her that she could have phoned them if she was having any issues. Zara told them that she had contacted the representative and told him she was struggling with the payments but he advised her to keep the payments the same as his boss would not be happy if he reduced them.

A couple of days after her contact with the consumer lease provider, the representative came to her home and asked for her Centrelink reference number and password to log into her Centrelink to change her payments. He told her words like "I'll delete some of the contracts". He removed payments going to the rentals for Zara's sister and took her sister's goods away. Zara's payments were reduced from s.47F(1) *per fortnight to* s.47F(1) *per fortnight.*

Zara was also misled that she would own the goods at the end of the contract. The representative said words to Zara like "You nearly own the s.47F(1) *now". If Zara had known that she would not own the goods, she would not have entered into these contracts.*

Zara also has rental contracts with 3 other consumer lease providers.

We strongly believe that the Bill before Parliament, while not perfect, will go a long way towards protecting financially vulnerable consumers like Zara and Sandra.

If you would like to discuss this issue further I would be happy to do so. I can be contacted on the details provided below to set up a meeting, or alternatively our office can contact yours to arrange a time that best suits.

Kind Regards,

s.47F(1)

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