

## SMALL LOANS ASSOCIATION STRESSES IMPORTANCE OF CURRENT DATA FOR GOVERNMENT REVIEW

The National Credit Providers Association (NCPA), Australia's peak body for the small amount consumer lending industry, is formally voicing its support for the current government review of the small amount credit contract (SACC) laws. However, it urges panelists to look at the facts and up-to-date information, so as not to leave the millions of Australians who use small loans - incorrectly known as Pay Day Loans - without an option for unexpected short term credit needs.

The government announced its review of the small amount credit contract laws in August, which will be headed up by Hon Kelly O'Dwyer MP, to examine and report on the effectiveness of the law relating to this government created and highly regulated finance product.

Phil Johns, CEO of NCPA, said: "We support a review of the laws to ensure SACCs are fit for consumers and that responsible lending is always promoted. However, we have huge concerns that those who form part of the review committee, must be fully aware that the Treasury has used outdated information from The Australian Securities and Investments Commission (ASIC). The Report 426, *'Payday lenders and the new small amount lending provisions'*, published in March 2015, is based on data gathered in August 2013 and gives an inaccurate view of the how the industry operates today."

He adds: "Not only is the information two years old in the ASIC report 426, it was only a small snap shot of data taken a mere seven weeks after the implementation of significant legislative change. Yes, it provides an historical insight, but it does not represent how the industry operates today, due to subsequent and significant events; further regulatory updates and issuing of an update to RG209 in November 2014.

"The role of the review is to ascertain if the new legislation is working effectively **after two years** of being in place. However, they are using data from only seven weeks after it was introduced as the basis for issues in the current review, not information gathered after 1 July 2015 as noted by the enacting Minister.

"Our association thinks this is a gross error in procedural review fairness and fails to follow the intent of the review, bringing its validity into question, putting any subsequent legislative change at risk of challenge, as the industry sector has evolved significantly since August 2013.

"What is desperately needed is new research after 1 July 2015 to provide the review committee with current information to be confident in making an informed and educated decision in 2015," stated Mr. Johns.

The NCPA, with CoreData, an independent research and consulting business, has just completed the most comprehensive statistical review of small amount credit consumers, products and providers ever undertaken over a two year period. Key results from this survey will be included in the NCPA's submission to the review panel.

"For the review to come to the correct conclusions, an accurate assessment of the market needs to occur and this should be based on how the industry currently acts, its size and the demand in the market," added Mr. Johns.

# PRESS RELEASE

7<sup>th</sup> October 2015

Promoting Responsible Consumer Lending



Pay Day Loans were abolished by the government in March 2013 and new legislation was enforced in July 2013, capping the charges on small amount loans. However, this report and other industry research, which is prior to the legislative changes, will inform the review recommendations.

“Pay Day loans is an incorrect term and does not match the finance product offered to the public,” stated Mr. Johns.

He continued: “It’s worrying that ASIC is still using this outdated and misleading language such as on their MoneySmart Website and media releases. It did not go unnoticed in the original announcement by the then Minister Frydenberg that the term Pay Day is no longer valid – and government agencies should be following the Minister’s lead.”

Further information on the small amount consumer lending industry can be found at:

[www.ncpa.net.au](http://www.ncpa.net.au)

- ENDS -

Interviews with Phil Johns, CEO, NCPA are welcomed upon request.

For more information please contact Debbie Bradley or Zoe Guest on 02 9212 7867/ 0487 732 611 or email [debbie@zadroagency.com.au](mailto:debbie@zadroagency.com.au)/[zoe@zadroagency.com.au](mailto:zoe@zadroagency.com.au)

## Notes to Editors:

- The National Credit Providers Association (NCPA) is a mutual not-for-profit industry association, governed by a board of industry leaders. The NCPA represents the non-deposit-taking Australian Credit License holders, operating from nearly 300 retail locations or from dedicated online platforms.
- It is estimated our members account for 85-90% of our sector of the SACC consumer credit market segment, providing credit to an estimated 987,000 consumers by way of 1.3M SACC contracts last Financial year.
- The NCPA is currently conducting an up to date review on the industry and is looking forward to sharing the data in due course.
- NCPA’s diverse membership covers franchisors, franchisees, private and ASX listed companies, independent operators, small and large entities, who offer consumer credit under the NCCP Act. They all hold the same Australia Credit License as a bank and are also regulated by ASIC. Some members provide just the one type of loan, some provide a range of loan services and other financial products, such as brokerage for commercial and home loans.
- For more information visit: <http://www.ncpa.net.au>