

PRESS RELEASE

LET'S START AN OPEN HONEST DISCUSSION - ABOUT THE BIG NEED FOR SMALL LOANS IN AUSTRALIA

The National Credit Providers Association (NCPA) is challenging those who believe there is no need for small loans in the credit market. The industry association representing responsible lending is asking people to consider what they would do if they did not have access to credit through traditional finance such as credit cards; a concept many find hard to grasp.

Did you know that 16.9% of the adult population are fully or severely excluded from borrowing from the banks?*¹

Talking about the big need for small loans for hard-working Australians, Phil Johns, CEO of NCPA asks, "Put yourself in this position: the bank won't authorise you a credit card or a loan; you're working but it is two weeks until your next pay and an unexpected expense arises like a car repair bill. How do you pay for it? You haven't budgeted for it and you don't have savings you can access. What are your options?"

"This is the position that hundreds of thousands of Australians find themselves in on a regular basis. However, there is an option and a choice - they can access, and afford to repay, a small loan. These are the people helped by Small Amount Credit Contracts (SACCs)," says CEO, Phil Johns.

The government regulated Small Amount Credit Contract, introduced in July 2013, is often confused with the highly criticised 'payday' loan product, which was made illegal in March 2013. Now, NCPA is calling for an open discussion about small loans through the launch of its new campaign **Small Loans, Big Need** – an initiative to educate Australians on the real facts behind the small amount loan industry.

Hundreds of thousands of people rely on the small amount loans industry to access credit that most of us take for granted, for everyday items like food shopping, bills and expenses.

However, this highly regulated industry, wrongly tarnished by the 'payday loan' label and a lack of understanding about who the product serves, is potentially under threat. The NCPA, which recently commissioned new research revealing the true nature of the industry, is worried that many Australians will be left with nowhere to turn if SACCs were to be forced out of the financial market and SACC providers were squeezed ever tighter by regulation.

Understand the Real Facts

Nearly **two million consumers** completed a SACC application, between 2014 -2015, with 988,000 people taking out a SACC loan. The average loan is paid back in 117 days and, despite the perception that the industry targets the unemployed and vulnerable, **more employed consumers (64.5%) than those receiving more than 50% of income from government benefits (35.5%)*² used a SACC.**

New industry research has also revealed that nine in ten expected repayments were met, with a continued repayment uptrend. This was matched by declining approval rates and an increased completion success rate on loans.

Consumer advocates criticise the industry when people sometimes need to take out back-to-back loans saying that this practice leads to financial stress. In actual fact, it is a better option for some consumers to take lower amounts of money regularly, rather than a one-off larger sum. It can be easier for borrowers to manage several lots of small sums and responsible lenders actively discourage borrowers from taking more credit than they can afford.

Phil Johns continued, “There is a huge need for this financial product across Australia and we hope that our **Small Loans, Big Need** campaign clearly demonstrates why this industry is key to consumer choice in accessing credit.

“NCPA hopes the campaign will help to dispel the myths that surround SACCs and educate people on the true costs of using SACC loans, which are restricted by government capped fees.

“Unregulated fees on small loans are now a thing of the past and educating Australians about the true cost of small loans is the industry’s biggest challenge. SACCs help to financially include people, who need access to credit and it’s important that Australia has a range of credit options to suit,” concluded Mr. Johns.

For more information visit www.smallloansbigneed.com.au

*¹2014 The Centre for Social Impact and report Measuring Financial Exclusion in Australia

*² For 7 of the 8 quarters, there has been a rise in the number of SACC contracts provided to employed consumers from 59.5% in Q3 13 rising to 64.5% in Q2 15. Conversely, there has been a decrease in consumers on Government benefits using SACCs.

- ENDS -

Interviews with Phil Johns, CEO of 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/zoe@zadroagency.com.au

Notes to Editors:

Key Statistics

2014 -15

Completed applications received from new and existing customers: **2 million**

Contracts entered into: **1.3 million**
Credit advanced to consumers: **\$667 million**
Number of consumers: **988,000**
Average loan amount: **\$502**
Average loan length: **117 days**
Average male age: **37 years old**
Average female age: **36 years old**

- The CoreData research project of over 2.4 million SACCs showed that in the quarter ending June 2015, 64.5% of SACCs were taken out by consumers whose main source of income was employment, up from 59.7% in the quarter ending September 2013. Conversely, in the quarter ending June 2015, 35.5% of SACCs were taken out by consumers who received 50% or more of their income from government benefits, down from 40.3% in the quarter ending September 2013.
- Nine in 10 expected repayments were met, with a continued repayment uptrend. Matched by declining approval rates and increased loan completion success rates.
- Multiple contracts are not a problem. Only 6.8% of contracts were written where the consumer had an existing SACC. 95% of lenders, as a matter of policy, do not loan to a consumer with a SACC in default.

For more information about Small Loans, Big Need visit: www.smallloansbigneed.com.au

Additional Information on NCPA:

- 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.
- 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: www.ncpa.net.au