

## PRESS RELEASE

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# PAYDAY LOANS DON'T EXIST! WHAT DOES IS A SMALL LOAN WITH BIG CONSUMER PROTECTIONS

## THE ONLY SMALL LOAN IN AUSTRALIA WITH A DEBT SPIRAL CAP PROTECTION

In Australia there is a small loan with big protections for consumers. It is one of the most highly regulated consumer loans available on the market. Almost a million Australian consumers successfully utilise this loan - yet it is wrongly labelled as a payday loan!



**Payday loans DO NOT exist!** What does is a SACC (Small Amount Credit Contract) or small loan – a government regulated product established in March 2013 with more than 6,000 pages of legislation and guidance for lenders.

The peak industry body for the small loans industry, the **National Credit Providers Association (NCPA)**, wants consumers to be aware of their existing rights and protections when taking on a small loan.

Phil Johns, CEO of the NCPA, highlights the protections that come with small amount credit contracts. This small loan is the only consumer product on the market to have debt spiral cap, which means there is a maximum limit on what can be paid by a consumer.



"In Australia SACCs come with big protections for consumers. It's actually the most highly government regulated, unsecured personal loan available and there are a number of reasons for this.

- ✓ AFFORDABLE REPAYMENTS
- ✓ CAPPED GOVERNMENT SET FEES
- ✓ DEBT SPIRAL PROTECTION
- ✓ ASIC LICENSING PROTECTIONS
- ✓ FREE DISPUTE RESOLUTION

"For one, a SACC can only be provided by an ASIC licensed lender. By law, these licensed small loan lenders must also take precautions to make sure consumers can afford to repay their loan, including that the lender must consider 90 days of a consumers bank transactions to assess their cash

flow.

“Even more checks and affordability analysis is mandated if a consumer requires more than two small loans in any 90 day period,” explains Mr Johns.

In addition to this is a government imposed protection given to borrowers receiving more than half their income from Centrelink and no more than 20% of their income can be committed to small loan repayments.

“This is why a SACC has the highest level of consumer protection of any personal loan on the market and why it’s the choice of credit for nearly one million Australians each year,” says Mr Johns.

SACCs are a small loan repaid between sixteen days and one year, up to \$2,000 and protect consumers with set government fees and caps, including a debt spiral cap to give consumers ultimate protection.

A SACC is not a payday loan and the difference between the two concepts is significant. For a start, payday loans were made illegal in Australia in March 2013. Payday loans also had no limit on fees and charges and the maximum amount that could be borrowed. While SACCs limit establishment and monthly fees and have a limit on the amount that can be borrowed.

The table below makes the differences clear:

	<b>SACC</b>	<b>Payday Loan</b>
<b>Repaid on next pay day</b>	Length of loan is dependent on consumer’s capacity to repay the loan.	Historically repaid on the consumer’s next payday.
<b>Limit on fees and charges</b>	Yes – establishment fee is capped at 20% and 4% per month	Most had no limits
<b>Limit of maximum amount borrowed</b>	Yes – no more than \$2,000 can be borrowed	Most had no limits
<b>Offered by ASIC licensed lenders only</b>	Yes – only available through ASIC licensed lenders	No – anyone could call themselves a lender prior to 1 <sup>st</sup> July 2010
<b>Debt Spiral Cap</b>	Yes – the most a consumer can ever be charged is double the amount of the original loan – including fees and interest	No – there were no safeguards in place to prevent debt spiral
<b>Legal in Australia</b>	Yes – SACCs are Government credit product	No – Payday loans were made illegal in Australia in 2013

NCPA is committed to educating Government, media, and the public on the facts about small loans. For more information about small loans and the wider industry, please visit [www.smallloansbigneed.com.au](http://www.smallloansbigneed.com.au)

- ENDS -

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

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**Notes to Editors:**

**Key Statistics of the CoreData research project (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**
- 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 lend to a consumer with a SACC in default.

For more information about Small Loans, Big Need visit: [www.smallloansbigneed.com.au](http://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, and small and large entities, all of whom offer

consumer credit under the NCCP Act. They all hold the same Australian Credit License as a bank and are similarly regulated by ASIC. Some members provide just the one type of loan and 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](http://www.ncpa.net.au)

### Images:

1. Phil Johns, CEO of the NCPA



2. Small Loans, Big Need campaign Logo



3. NCPA Logo

