SMALL LOANS BiG NEED
Small amount loans explained

Promoting Responsible Consumer Lending

MEDIA RELEASE

22 November 2016

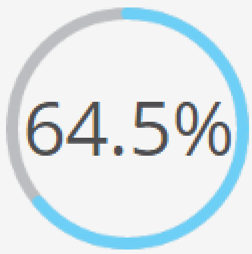
PROPOSED REFORM WILL INCREASE THE COST OF CREDIT

One of the recommendations under the current review of Small Amount Credit Contracts (SACCs) (sometimes incorrectly labelled as 'payday loans') will see an increase in the cost of credit for consumers by extending the length of loans. Mandated lower weekly repayments will have the unintended consequence of extending loans over longer periods and costing more in fees.

This goes against one of the fundamental principles in the National Consumer Credit Protection Act, which protects the consumer's right to payout loans earlier, saving them on the cost of interest and fees.

The proposed recommendation sets a **maximum repayment cap of 10% of a borrower's net income per pay cycle** regardless of their capacity to repay more, and is to be applied to all Consumer's, regardless of income levels from employment or government benefits.

Phil Johns, CEO of the National Credit Providers Association (NCPA), the leading body for Small Loan Providers, says this one-size-fits-all recommendation to repayment caps will not work for consumers or lenders.



SACCs entered into are by consumers whose main source of income is employment

The NCPA is concerned that the federal government could make an announcement before the end of the year regarding the legislative review of Small Amount Credit Contracts (SACCs) without a complete understanding of some of the unintended consequences as proposed in the panel review.

"If some recommendations are implemented as proposed, consumers will pay more for credit without the option to pay off their loan sooner.

"About 64.5%* of consumers who take out a small credit loan are those whose main source of income is employment and don't need a government legislated limit on how quickly they can pay off their loan," concluded Mr Johns.

Small amount loans are the most highly regulated form of finance in Australia and represent almost one **billion dollars of consumer credit** that would otherwise need to be found elsewhere, either through more credit card debt or less regulated sources to meet market demand.

The NCPA is committed to providing facts and information to consumers, government, media, and the public about small loans. For more information about small loans and the wider industry, please visit www.smallloansbigneed.com.au .

*For the first time, new research commissioned by NCPA and completed independently by CoreData has revealed the facts and figures for the small amount lending industry historically known as Pay Day Loans; with nearly two million consumers completing an application for small amount loans between 2014 -2015, the need for this highly regulated small amount financial product remains staggeringly high for everyday Australians.

- ENDS -

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

For more information please contact Zadro:

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Notes to Editors:

- General industry info about Small and Medium Amount Credit – Video 1 (2m30sec)
- Consumer protections around Small Loans – Video 2 (3m28sec)

***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

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

Images:

1. Phil Johns, CEO of the NCPA

2. Small Loans, Big Need campaign Logo

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3. NCPA Logo

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