



Promoting Responsible Consumer Lending

MEDIA RELEASE

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NCPA Welcomes ASIC action on unregulated lenders

The NCPA welcomes new action by ASIC on unlicensed lenders working outside the rules and their use of unregulated products.

The ASIC action specifically highlights the difference between regulated Small Amount Credit Contract (SACC) lenders operating under National Consumer Credit Protection laws (NCCP Act) and Consumer Credit laws while others have used complex schemes to avoid responsible lending obligations, external dispute resolution (EDR) consumer protections and ASIC sanctions.

NCPA Chairman Michael Rudd has further commented that this action has been a long time coming with ASIC losing a court battle with Cigno several years ago.

The small amount loan lending sector is a legitimate part of the finance sector providing very important financial inclusion measures for ordinary Australians and is the most regulated of all types of credit, often misrepresented by those operating outside the law.

It is also regrettable that some online and international lenders providing loans outside our laws are not captured by either the NCCP Act or consumer credit laws have and been allowed to charge unregulated fees and interest with no caps.

This needs to stop.

Mr Rudd said that for many Australian households the luxury of mainstream financial choice is not readily available for quickly getting access to funds in an emergency.

According to *Good Shepherd* more than 3 million Australians are financially excluded from our economy. These people often don't qualify for a NILS loan, other assistance or simply have an emergency that requires funds they don't have on hand.

This financial inclusion need though should not result in people being abused by unregulated lenders that operate outside the NCCP Act or Consumer credit laws.

The provision of financial inclusion options for Australians who don't want or are unable to access credit via mainstream Banks or credit card providers while a Small Amount Loan provider is often their only credit life-line in difficult times.

A small amount loan on average is now just \$770 over 4.4 months and is limited through the caps set by the NCCP act with the maximum fee fixed at 4% per month.

When you compare this to a credit card for example with a debt of \$2,000 at average 20 per cent interest with a 2 per cent required minimum payment; it will take more than 40 years to repay and cost over \$5,000 in interest alone.

While many people have spent years lobbying against and vilifying licensed legitimate and highly regulated small amount lenders, they have done little to nothing to rein in those that operated outside the law causing enormous consumer detriment.

The NCPA supports ASIC in properly taking action in the unregulated lending market to ensure all those providing small loans are subject to the same rule as licensed SACC lenders.

For further information, please contact NCPA Chairman Michael Rudd on 0401 695 030.