MEDIA RELEASE

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False Claims by Consumer Advocates

Claims by consumer advocates and their supporters of 900% interest rates in Small Amount Credit Contracts (SACC loans or payday loans) is false and misleading.

NCPA Chairman Michael Rudd said the sector always welcomes debate on the value of financial products in the market however it should be based on facts instead of fabricated numbers and emotive rhetoric for a headline.

He notes with interest that it appears the consumer advocates are attempting to intentionally misrepresent certain financial products and how they're structured to misinform the public and the parliament to achieve an outcome which has unintended consequences and is more harmful for consumers.

A SACC (payday) loan is a small loan up to the value of $2000, must be repaid within 12 months, has a maximum establishment fee of 20% of the loan value with a maximum monthly credit fee of 4%. Loans are regulated to ensure that for example if you borrow $100, the most you can ever repay is $200 including all fees and charges. There are no annual percentage rates applied as falsely claimed. These are the facts and are verified by legislation and on the ASIC website.

The average size SACC loan in FY 2017/18 was $635, was paid back over an average of 114 days with 64% of borrowers being employed Australians. Interestingly, consumers took out an average of 1.3 loans and the repayments on these loans were successfully met on time in 84% of cases.

These are the facts regardless of how many times those ideologically opposed to the small loans industry distort the numbers to suit their own agenda. SACC providers are regulated nationally by caps on fees, with a protected earnings amount already in place since 2013, and responsible lending laws to provide assistance for up to 3 million financially excluded Australians.

It is not possible to pay an interest rate of 900% on the highly-regulated SACC loan administered under the National Consumer Credit Protection (NCCP) Act.

These false and emotive statements are designed to cause fear and anxiety in consumers when referencing SACC loans to be other unregulated products such as small credit provided under a third-party service model and consumer leases.

ASIC has acted, which was strongly supported by the NCPA on third-party unregulated service models, as is the support from the sector and the NCPA on the clear majority of recommendations from the SACC review.

Mr Rudd said, "the current laws that apply to payday lenders are working as intended as evidenced by the exceptionally low complaint rates".

"The Australian Financial Complaints Authority (AFCA) reported in their first six months of operations from 1st November 2018 of receiving 36,263 complaints. Just 115 were regarding small and medium loans providers (payday lenders), which is less than half of 1% of complaints".

"And the independent CoreData research commissioned over a five-year period from FY 2013/14 demonstrates the number of loans approved since the NCCP Act was amended in 2013 has declined significantly".

The NCPA supports regulation where it makes a positive change and is in the benefit of consumers, and will continue to promote responsible lending obligations that protect consumers from lenders outside the highly-regulated SACC laws regime.

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