Liberals take lead in regulating pay-day lenders
11 October 2006

Shadow Consumer Affairs Minister Liz Penfold will introduce a Bill to protect vulnerable consumers from unscrupulous lenders who are charging the equivalent of nearly 1,000 percent interest on short term loans.

The *Consumer Credit (South Australia) (Maximum Annual Percentage Rate) Amendment Bill* seeks to cap effective interest rates at 48 percent a year on loans offered by fringe credit providers.

“The Consumer Credit Code is in desperate need of updating to take into account massive changes in the community’s use of credit,” Mrs Penfold said.

“One of the most worrisome developments is the increased popularity of ‘pay-day loans’. These are usually a small amount of money advanced for a fee until a person’s next pay-day.

“Most pay-day lenders charge fees, rather than interest. Of course, the fees amount to nothing more than interest in disguise.

“For example, a typical 14 day loan of $200, when combined with a membership fee of $25 and a loan charge of $200, equates to an interest rate of 897 percent per annum.

“The charging of hyper-interest rates for loans targeted at welfare recipients, those with damaged credit ratings and the ‘working poor’ is unconscionable.

“The real tragedy is that the very people who most commonly need a loan to see them through to pay-day are also those who can least afford to pay such exorbitant interest rates.

“South Australian consumers are being crucified with effective annual interest rates of up to 1000 percent because the Rann Government has done nothing to tighten consumer credit laws despite obvious and increased misuse of credit transactions.

“In Victoria, New South Wales and the Australian Capital Territory consumers are protected by legislation that provides an interest rate cap of 48 percent, yet thousands of South Australians are still being placed at unnecessary risk.

“This Bill seeks to amend the Consumer Credit Code to bring South Australia in line with other states requiring that all fees and charges for a loan be expressed to the borrower as an interest rate.

“The last review of the Code was carried out in 2001 by then Liberal Consumer Affairs Minister, Trevor Griffin and since then, credit use has skyrocketed and household debt has reached an all-time high.

“The Rann Government has had more than four years to address this issue. Legislation to strengthen consumer protection is long overdue and we cannot afford to just sit back and wait for the Government to act.”

Less talk, more action on credit providers
15 August 2006

Stronger legislation – not more talk is needed to combat the financial problems caused by pay-day lenders, Shadow Minister for Consumer Affairs Liz Penfold, said today.

"Vulnerable consumers need to be protected from becoming trapped in out-of-control cycles of debt," said Mrs Penfold.

"Figures on personal debt in Australia are staggering – in 1990 household debt accounted for 49 per cent of disposable income but in 2004 that figure had risen to 143 per cent (The Australian, August 1, 2006).

"Pay-day lenders offer short term loans at a very high cost and target those people which have usually been denied access to credit from traditional lenders.

"As a consequence, these people become victims of credit accompanied by exorbitant and often hidden fees and charges.

"Other states have introduced a cap on interest rates for pay-day loans and their laws ensure that any fees and charges are included in the cap so that the 'true cost' of credit is known by consumers before a loan is taken out.

"Some pay-day lenders are charging a membership fee of $25 and a loan charge of $44 for a 14 day loan of $200. This equates to an interest rate of 897 per cent per annum.

"Vulnerable people become susceptible to these inflated costs for often reasonably small amounts of money.

"Tough financial situations worsen and it becomes a vicious cycle that's very hard for people to escape.

"Pay-day lenders get away with these obscene fees and charges because they are not covered by the Uniform Consumer Credit Code.

"The Ministerial Council on Consumer Affairs (MCCA) is responsible for consumer protection and credit laws but it has not released a discussion paper on pay-day lenders for more than three years.

"South Australia lags behind all other states when it comes to protecting consumers against pay-day lenders. The Rann Government needs to stop talking and start taking action."