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HEADLINE: Pay-day lending bites hard;
420 per cent interest

BYLINE: IAN ROYALL, consumer reporter

BODY:

HARD-UP Victorians are being charged up to 420 per cent annual interest on short-term cash loans.

So-called pay-day lending is proliferating in Melbourne, with Cash Converters charging customers a \$35 fee for every \$100 borrowed.

Borrowers have to repay the loan when their next pay packet or Centrelink payment arrives.

Consumer groups say the loans exploit the most vulnerable.

They claim fringe lenders are circumventing credit laws by charging a "fee" rather than interest, which is capped at 48 per cent.

Consumer Law Centre Victoria principal solicitor Anna Stewart branded the short-term loans outrageous and unconscionable. "It is blatant exploitation of the poor," Ms Stewart said.

"There is no mention of the fees in any of the advertising by Cash Converters, meaning most borrowers are probably unaware of the excessively high, true cost of the loan."

Anyone who defaults on the loan, is hit with a further \$16.50 charge, plus a probable bank dishonour fee of between \$25 to \$50.

"All up, it is an outrageously expensive way to borrow money."

The loans, for between \$50 and \$1000, are often for a month or a fortnight. Repayments are made via direct debit from the customer's bank account and coincide with pay or welfare deposits.

Cash Converters state manager John Brophy said Cash Advance was filling a gap in the

market for short-term loans the banks did not offer.

"It is an ethical product and what we do is provide small loans to people who have a need," he said.

"It doesn't defy any Consumer Credit Code rulings that are out there.

"The customer has to satisfy certain criteria and that is based on their ability to repay."

Consumer Affairs Victoria director David Cousins said he was aware of the Cash Converters' pay-day lending scheme.

"There is nothing to suggest, at this early stage, that Cash Converters has breached the Consumer Credit Code," he said.

Consumer Affairs Minister John Lenders said he would monitor CAV's investigation.

Uniting Church spokesman Mark Zirnsak called on the Government to close the loophole and protect consumers from high interest schemes.

"These pay-day loans are the wild west of lending," he said.

Financial counsellors told the Herald Sun that people seeking short-term loans were often intimidated by mainstream banks.

"Fringe lenders are the only people who lend them money," one said.

Two Melbourne welfare agencies operate schemes for small loans. Good Shepherd runs its No Interest Loans Scheme with the National Australia Bank. The Brotherhood of St Laurence has established low-interest loans with Bendigo Bank for struggling families.