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HEADLINE: Dear loans trap poor;
Forming an underclass

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BODY:
BATTLING Victorian families are sliding into a financial underclass because they are being denied low-interest and low-cost credit.

A report into consumer debt said families on low incomes were sinking further into the red because they were using costly credit cards, payday lending and pawnbroking to get credit.

Report author Beverley Kliger said poorer households were excluded from cheaper credit options such as personal loans.

But Ms Kliger said the study revealed low-income families were good money managers.

"They use all the system, and budget better than most people on a high income," she said.

The report, titled The Road to Debt: Consumer Choice in the 21st Century, and prepared for the Good Shepherd Youth and Family Service, also found:

HIGH debt was made worse by the financial industry offering unsolicited credit cards and higher credit limits.

SOME mobile phone and internet specials were tied to credit cards, excluding poorer people.

PAWNBROKERS were the lenders of last resort. Most people ended up losing their goods.

WEALTHIER consumers were offered fee exemptions, term deposits and low-interest credit cards.

ACCESS to credit was seen as not just a financial issue, but part of the national culture and a symbol of social status.

The Herald Sun reported this week the boom in payday lending in Victoria.

Struggling consumers were being charged up to 420 per cent interest on short-term cash loans.