

21 February 2020

Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

To the Senate Standing Committee on Economics

Thank you for the opportunity to make a submission in relation to the *National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2019 (No. 2)*.

TasCOSS advocates for an Australia where people in vulnerable circumstances are protected from predatory behaviour of all kinds.

In this context, we have strongly supported the introduction of Commonwealth legislation to protect vulnerable customers of small amount credit contracts (SACCs, often called payday loans) and consumer leases, including through our November 2018 submission to the Senate Standing Economics References Committee inquiry into credit and financial services targeted at Australians at risk of financial hardship.¹

Submissions to that inquiry by the NILS Network of Tasmania and Anglicare lay out in detail the evidence from Tasmania that demonstrates the urgent necessity for such legislation. For example, a 2019 report by the Stop the Debt Trap Alliance shows that in recent years, the use of payday lending has grown faster in Tasmania than in any other state or territory.²

We supported the exposure draft *National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2017*, and now are pleased to support the current Bill. Both Bills have been designed to ensure that people can only use small amount credit contracts (SACCs, or payday lenders) and consumer leases if they can afford them.

In particular, we support the current Bill's provisions that:

- Prevent providers from issuing loans or leases when repayments exceed 10% of the consumer's income.
- Cap consumer lease fees at 4% of the base price of the goods per month for a maximum of 48 months.
- Remove the ability for SACC providers to charge monthly fees where a customer fully repays the loan early.
- Prevent home door-to-door selling of SACCs.
- Introduce anti-avoidance protections and strengthen penalties.

¹ <https://www.aph.gov.au/DocumentStore.ashx?id=710faad4-c664-452b-bbc3-0942cc00ad29&subId=662769>

² https://consumeraction.org.au/wp-content/uploads/2019/11/200217_PaydaylendingReport-1.pdf, p. 25.

We also support calls by the NILS Network of Tasmania and by Anglicare to ensure that the Federal Government make certain that no-interest loan programs and financial counselling are adequately resourced to help vulnerable people across Australia avoid predatory lenders and escape from debt traps.

Recommendations

In line with previous recommendations provided by TasCOSS in its November 2018 submission, *Submission to Senate Standing Economics References Committee Inquiry into Credit and Financial Services Targeted at Australians at Risk of Financial Hardship*, we make the following recommendations:

Recommendation 1: That the Federal Government enact the *National Consumer Credit Protection Amendment (Small Amount Credit Contract and Consumer Lease Reforms) Bill 2019 (No. 2)*.

Recommendation 2: That the Federal Government ensure that no-interest loan programs and financial counselling are adequately resourced to help people across Australia avoid predatory lenders and escape from debt traps.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'NMB' followed by a stylized flourish.

Nic McBride
Acting CEO