



# Media Release

**Bill Shorten MP**  
**Assistant Treasurer**  
**Minister for Financial Services and Deregulation**  
**Maria Vamvakinou MP**  
**Federal Member for Calwell**

November 9 2011

## **Protecting vulnerable people from inappropriate lending**

Financial counsellors will meet the Federal Government in St Albans today to discuss problems with payday loans and how to help people avoid spiralling debt.

Hosted by the Good Shepherd, Youth & Family Services, which recently released the *Caught Short* report with NAB, RMIT and QUT, into the negative effects of payday lending, the event will see Assistant Treasurer Bill Shorten and Federal Member for Calwell Maria Vamvakinou discuss the issue with counsellors and their clients.

The *Caught Short* report says poverty pervades the lives of most borrowers, with some seventy-eight per cent of borrowers on a welfare payment. The report confirms findings from previous research indicating that, in many instances, consumers are borrowing money at high cost when lower cost alternatives are available.

“One statistic I found truly shocking was that people on disability support payments made up the biggest single category of borrowers in the survey sample – a remarkable fact given that people with a disability make up just eighteen per cent of the general population,” Mr Shorten said.

Ms Vamvakinou said the report also showed many consumers who accessed payday loans were more at risk of financial hardship, which was why the Government felt there was a need to introduce legislation to better protect vulnerable people.

“This is a very real issue of concern in my electorate, with places such as Broadmeadows experiencing higher than average rates of financial exclusion,” Ms Vamvakinou said.

“I have raised this issue in parliament and spoken about the *Saver Plus Program* developed by the Brotherhood of St Laurence and the ANZ Bank which operates at a grassroots level out of out of my electorate.”

“Since 2007, 235 families have been in contact seeking assistance from this program.”

Mr Shorten said the *Consumer Credit and Corporations Legislation Amendment (Enhancements) Bill 2011*, currently before the House of Representatives, contained the following reforms:

- A national cap on the reasonable costs that can be charged for small amount loans
- Ensuring loans can't be refinanced so that low-income consumers don't end up sinking further into debt
- Mandatory disclosure of the availability of other options, including Centrelink advances and no or low interest loans through community organisations.

Ms Vamvakinou said the Government was already funding a suite of services such as the *No-Interest Loan Scheme* and *Step-up* under its financial management program to help stabilise crisis situations.

**ENDS**

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## **Case Study:**

### **Brad's story**

Forty year old Brad has a history of mental health issues. When he was first referred to Good Shepherd Youth & Family Service's financial counsellor he was homeless and groaning under the burden of six different payday loans. Because fringe lenders do not have the same scrutiny of debt levels, and most do not conduct even basic credit or background checks, Brad had been able to go to six different payday lenders and be given a loan from each one.

Now, virtually every dollar Brad receives from his fortnightly Centrelink payment is used to pay back the interest on his loans. It's not like he's paying off the loans themselves and gradually working his way out of debt. The spiralling, cycling and parallel loans have exacerbated his financial vulnerability and have lead to further financial and mental stress for him.

Brad is treading water at best, and in the meantime has no money left over to pay for food, medication or rent. So he remains homeless, and in debt.

Good Shepherd Youth & Family Service believes that financial inclusion for vulnerable people like Brad can only occur within a policy and regulation framework that protects them from exploitative lending practices like those which have caused such problems for Brad.