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Proposed reforms in fringe lending industry welcome

In response to the proposed reforms announced yesterday by the Honourable Bill Shorten, Good Shepherd Youth & Family Service reiterates its strongly held belief that financial inclusion can only occur within a policy and regulation framework that protects consumers from exploitative lending practices.

The highly respected community organisation, a partner in the research which helped inform the proposed reforms, supports changes to the *National Consumer Credit Protection Act 2009* to increase regulation of small amount contracts.

“From a moral perspective, to impose a higher cost on people least able to afford it and who have fewer options is inequitable and exploitative,” says the agency’s social policy researcher, Ms Tanya Corrie.

“We also believe the imposition of higher fees and interest on short term, fringe loans is as much about the demand for fringe loans from people who feel they have no other options, as it is about the associated administration costs.”

“People ‘choose’ fringe loans because they need the money and often feel they have nowhere else to go. They are often not aware of what other options are available to smooth the peaks and troughs in their budgets or deal with large, one-off expenses.”

The processes of spiralling, cycling and parallel loans exacerbate financial vulnerability and lead to further financial stress. This is one of the findings of the soon-to-be-launched “Caught Short” interim report by RMIT University, in partnership with the University of Queensland, National Australia Bank and Good Shepherd Youth & Family Service.

“Financial counsellors and Good Shepherd Microfinance workers regularly see firsthand the negative impact of exploitative lending practices on vulnerable consumers,” says Ms Corrie.

Microfinance programs have the capacity to assist with larger, more irregular expenses. However, a suite of initiatives are required to support low income consumers, and Good Shepherd organisations look forward to continuing to work with Government in supporting these kinds of initiatives.

For more information or requests for interviews please contact Tanya Corrie at 21 Budd St, Collingwood, Vic 3066 ph 03 9418 3012 or 0439 881 627