

PAYDAY LOANS

PAYDAY LOANS: SUMMARY



Key messages about payday loans:

- Payday loans are expensive
- Check for alternatives
- Know your rights

- Payday loans might seem like a quick fix, but they can trap people into a cycle of debt.
- Beware of the risks associated with payday loans, such as high ongoing fees that can lead to a cycle of debt.
- Look for alternatives, such as a No Interest Loan or emergency relief.
- Payday lenders need to follow [responsible lending laws](#). If the loan was not given responsibly, the borrower may be entitled to some money back or a debt waiver.

Community Support Services

Help is available if you think responsible lending rules are not being followed. You can contact the Consumer Action Law Centre

(<https://consumeraction.org.au/my-client-needs-help/>) on 03 9602 3326 between 10am-1pm and 2pm-5pm (Mon-Fri). The centre can:

- Provide legal information and advice to caseworkers including financial counsellors, community lawyers and other not-for-profit workers about their clients' consumer and finance issues
- Build the capacity and knowledge of community workers to assist their clients' consumer and finance issues
- Maintain effective referral pathways for disadvantaged, low income or otherwise vulnerable clients requiring legal assistance.

USEFUL RESOURCES:



Download CALC's Payday loan Toolkit. Includes legal info, potential fees + a resource for your client



Workout how much:

- You will pay in fees
- The payday loan will cost you in total



Barwon Community Legal Centre Can Provide guidance around payday loans



[1800 007 007](tel:1800007007)
[Online chat available](#)

Access to financial counselling & information about debt problems & solutions



Worker advice line:
[\(03\) 9602 3326](tel:0396023326)

Download the Consumer Action Law Centre Payday Loan Toolkit for workers or talk to a lawyer

PAYDAY LOANS: DEEP DIVE

This section on payday loans provides an overview of how a frontline support worker can identify, support and refer a client who is considering taking out a payday loan or who may be experiencing financial difficulty as a result of taking out a payday loan.



Key messages for taking out payday loans:

- **Payday loans are expensive** – while they may seem like a quick fix, payday loans have lots of hidden and unhidden costs.
- **Check for alternatives** – are there ways you can get what you need, such as a no interest loan, or borrowing?
- **Know your rights** – responsible lending laws apply to payday loans.

Definition

Payday loans (such as those provided by Cash Convertors and similar places)- also known as small amount credit contracts – are short term loans that are easily accessible but can result in debt if you are not aware of the fees and charges that are included when taking out a loan.

For more information on payday loans click on the information icon



Beware of the risk of taking out a payday loan

- High interest set up, ongoing and late fees
- Direct debit can cause a default on other bills
- Impact on credit rating
- Can lead to a cycle of debt financial hardship

For more detail on the risks and impact of payday loans click on the information icon



Alternatives to payday loans

- **No Interest Loan Scheme (NILs):** Loans of up to \$1,500 for essential goods and services (e.g. White goods, car repairs or medical procedures). Repayments are set at an affordable amount over 12 to 18 months. **Click on the logo for more information and to find your local NILS provider in the Geelong region**



- **Click on the heart to find out about other loans without interest to pay for essential items and services, utilities, rent, rates & body corporate fees**



- **Services Australia/Centrelink advance payment:** Those receiving certain income support payments may get part of their payment early, and pay it back out of their future payments. **Click the logo for more information and how to apply**



If someone is having trouble with a payday loan, there are steps they can take.

1. Calculate what they can afford to pay weekly or fortnightly
2. Amend direct debit amount or cancel it (they should let their lender know so they are not charged a default fee)
3. Request a hardship variation and let the lender know what they can afford to pay
4. If they feel the lender is being unfair they can make a dispute with [Australian Financial Complaints Authority \(AFCA\)](#)
5. If t to speak to someone about their options, get help to request a payment arrangement, work out whether responsible lending laws were followed, or make a dispute- they can speak to a financial counsellor.

For more detail on what people can do when having difficulty paying click the info icon



What else can I do to support my client?

- You can use the [what to do](#) and [what to say](#) suggestions to guide your client on the next steps if they have a payday loan and are unable to make repayments.
- It can be hard to know what to say when asking for help; use [this guide](#) to practice making the phone call with your client.
- Print out the consumer factsheets on pages 31 & 32 and give to your client, or encourage your client to visit any of the websites above if more information is required about payday loans or getting assistance

Meet Susan – a case study

Susan is 70 years old with the aged care pension as her only source of income and a car as her only asset. Susan has used about 20 payday loans over the last six years. Susan borrowed one loan after another and went without food to be able to make the repayments. She mainly borrowed small amounts between \$50 and \$100. Below is an example of the fees she was charged in one of her loans:



- Same Day Deposit Fee: \$16.00
- Financial Supply Fee: \$262.50
- Lender fee: \$17.50
- Weekly Account Keeping Fee: \$5.95 (x 11 = \$65.45)
- Payment Reschedule Fee: \$30.00
- 1st Dishonour Letter Fee: \$30.00
- Dishonoured Payment Fee: \$49.00 (x 4 = \$196)
- Change of Payment Date & Amount Fee: \$20.00
- 2nd Dishonour Letter Fee: \$50.00
- 3rd Dishonour Letter Fee: \$50.00
- Collections Phone Contact Fee: \$8.80
- Collections Tracking Fee: \$50.00
- Investigator/Hand Over Fee: \$175.00 (plus legal fees)



For the above loan, Susan borrowed \$350 in July. Because she couldn't keep up with repayments, she was charged the above fees and by September she owed \$1,189.45

Frontline workers can demonstrate to clients the cost of payday loans by using a Payday Loan Calculator from the Money Smart website.