



5 October 2022

Senator Andrew Bragg (Chair) & Senator Jess Walsh (Deputy Chair)
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

c/o seniorclerk.committees.sen@aph.gov.au

Dear Chair and Deputy Chair,

RE: FINANCIAL SECTOR REFORM BILL 2022

The St Vincent de Paul Society National Council of Australia (the Society) is a lay Catholic charitable organisation that comprises over 45,000 volunteers and members and 6,000 employees who provide on the ground assistance across Australia. Our members and volunteers work directly with those in need by giving them a hand up so they can achieve their full potential.

We thank the Committee for the opportunity to contribute a submission to this Senate Inquiry. We are specifically concerned by high-cost credit products in Schedule 4 of the Bill.

The Society supports the proposed legislative reforms to Small Amount Credit Contracts (SACCs) and consumer leases. We urge that this legislation be passed expeditiously, without amendment, as this much needed regulatory reform is long overdue.

We note the previous Coalition Government supported most of the 2016 SACC review recommendations, in part or in full.¹ The Labor Party supported the 2016 SACC review recommendations in full but has previously expressed concern about earlier versions of this Bill as they did not adequately protect Centrelink clients.^{2 3} Numerous draft Bills have been consulted on over the years. The Society considers this Bill now addresses previous concerns, particularly relating to vulnerable Australians.

The Society assists thousands of Australians each day, struggling to meet the basics in life. We help by providing emergency relief in the form of vouchers for food and clothing or assistance with paying rent, travel, utilities, and medical bills. We have heard from locations where the number of income support recipients is high, particularly in Queensland, and that aggressive marketing targeting the vulnerable exacerbates their already difficult financial position. The use of these products by those experiencing financial hardship rarely ends well. Often, they fall deeper into debt and existing social disadvantages are compounded.

The current regulation of payday loans and consumer leases is causing serious harm to vulnerable Australians right across the country. At present:

- vulnerable sections of the community are being aggressively targeted
- the marketing is misleading with respect to how the product is explained to potential customers
- the loans and leases are expensive by design, offer extremely poor value for customers, charge extortionate interest rates and trap vulnerable people in debt spirals.

It is not enough to rely on any assurances from this industry that they have lifted their game since 2016 as it appears that the same selling tactics continue to be used.

Regulation of these products is more important than ever, given the growing financial stress being experienced in Australia and the growth in digital marketing and online loan applications, making payday loans more accessible than ever.

The Society recommends the following sections of the Bill be supported by the Senate Committee without amendment as these are consistent with the SACC Review recommendations (unlike the 2020 Bill):

- (i) that a ten percent protected earnings amount cap for all SACCs and consumer leases be adopted as soon as possible, and that a four percent per month consumer lease cost cap on the fees charged by consumer leases be implemented
- (ii) that unsolicited offers of SACCs, the unsolicited selling of consumer leases in person, and referrals to unlicensed lenders be banned
- (iii) the introduction of anti-avoidance provisions to prevent companies from trying to avoid regulation of their financial products
- (iv) the ban on referrals of prospective borrowers to unlicensed lenders

The Society believes all Australians deserve to be treated with respect and dignity which is why the regulation of these problematic financial products is firmly supported. Vulnerable Australians deserve to be better protected from exploitative payday lenders and rent to buy companies.

We thank you for considering our submission to the Committee. Please do not hesitate to contact me if you wish to discuss any aspect of our submission.

Yours sincerely



Mr P Toby oConnor
Chief Executive Officer

¹ The Hon. Kelly O'Dwyer, 28 November 2016. *Government response to the final report of the review of the small amount credit contract laws*. The Treasury. Accessed at: <https://ministers.treasury.gov.au/ministers/kelly-odwyer-2016/media-releases/government-response-final-report-review-small-amount>.

² The Hon. Jim Chalmers MP, 20 April 2016. *Small Amounts Credit Contracts*. Australian Labor Party. Accessed at: <https://jimchalmers.org/latest-news/media-releases/small-amounts-credit-contracts/>

³ See ALP Dissenting Report. 15 March 2021. *National Consumer Credit Protection Amendment (Supporting Economic Recovery) Bill 2020*. Bills Digest No. 52, 2020–21. Accessed at: https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/bd/bd2021a/21bd052