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## **MEDIA RELEASE - STOP THE DEBT TRAP ALLIANCE**

### **Predatory lenders risk undermining Government's economic recovery effort**

**With jobs, household spending and economic recovery the focus of last night's Budget, the Stop the Debt Trap Alliance is warning that lax protections from predatory lenders risk undermining the Government's efforts.**

"For the many people out of work due to the Covid-19 crisis, this will be the first time they've faced the prospect of not being able to pay the bills," says Gerard Brody, CEO of Consumer Action Law Centre.

"Data shows that people are already turning to high-cost loans to make ends meet. Without adequate protections from predatory lenders, people will be spending money repaying high-cost debts instead of using it to pay for essential living expenses," he said.

The Stop the Debt Trap Alliance, a group of legal experts, financial counsellors, and consumer advocates, has been calling for stronger safeguards for people who turn to payday lenders and rent-to-buy operators for years.

"Australia already has one of the highest rates of household debt in the world and with soaring unemployment because of the COVID recession, we are very concerned that things will only get worse," says Brody.

Payday lenders and rent-to-buy operators charge some of the highest rates on loans of any lender – in some instances, equivalent interest rates can be more than 400% per annum. In 2016 a Government-commission expert panel recommended limiting the amount a lender could take in the form of repayments to 10 per cent of a person's income.

"For nearly four years, the Government has sat on urgently needed reforms that would have limited the amount of income these lenders could take for repayments, ensuring people would be left with enough money to pay for rent and food each week. The Government's weak and ineffective proposal for 'reform' in the Budget last night will do little to protect people from predatory lending," says Brody.

"It's good to focus on job creation in the budget, but the weakened regulatory proposals would allow predatory lenders to take up to 40% of a person's wages in repayments.

"If reckless payday lenders and rent-to-buy operators continue 'business as usual', there is a serious risk that tens of thousands of people will be pushed into a dangerous debt cycle, with significant repercussions for them and the Australian economy.

"People who fall prey to these lenders will have less funds to get back on their feet or support recovering businesses," he said.

"Right now, millions of people are in a very precarious position. If the Government is serious about economic recovery, it should enact the draft legislation currently before the Senate rather than weaken it."

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