

Monday 11th December 2006

AVOID THE DEBT TRAP THIS CHRISTMAS

Minister for Consumer Affairs, Hon Jennifer Rankine, has issued a timely warning to shoppers to beware of short term, high interest loans in the lead up to Christmas.

She also warned people about the dangers of paying too much in advance before goods or services are supplied.

“Buying presents with a short term, high interest loan could end up being the most expensive Christmas they have ever had,” the Minister said.

“While a fee of \$35 to borrow \$100 for a month may sound manageable, in fact it equates to an annual interest rate of 420%.”

This week, valuable information on short term or payday loans and alternative sources of financial assistance will be provided directly to shoppers in some of the major shopping centres.

Consumer Affairs officers will staff “Money Matters” information displays located at Centro Colonnades and the Elizabeth Shopping Centre.

Shoppers will also be invited to enter a draw to win a \$100 food voucher by providing a tip on how to save money at Christmas time.

“We know that the pressure on our household budgets at Christmas time is enormous.

“People want to be generous towards their family and friends at Christmas but doing it on credit or borrowing from a high interest finance lender can be an exorbitant financial trap.

“Enjoy Xmas but don’t spoil the New Year with a debt hangover.

“The Office of Consumer and Business Affairs (OCBA) is also dealing with an influx of complaints from consumers who are out of pocket because businesses have folded or are slow to provide the goods or services that have been ordered and paid for,” the Minister said.

“There are many risks when paying upfront and consumers should only pay a small deposit to secure an order for goods or services.

“Consumers may think paying in advance ensures that they will receive their order. Some think it speeds up the delivery process and encourages better service.

“But the more you pay, the less bargaining power you may have, especially if you’re seeking redress for goods or services that have not been supplied,” the Minister said.

Complaints to Consumer Affairs include:

- A customer has paid over \$17 000 for computer equipment which has not been supplied.
- A Consumer responded to an advertisement for a concrete layer. The concreter came out to provide a verbal quote and insisted on an upfront cash payment. The consumer paid the money and never saw the concreter again.
- Last year many consumers paid thousands in advance for garages and sheds to a trader that was facing financial difficulties. The trader went bust and garages and sheds were never provided.
- An elderly lady paid \$8,000 cash upfront to an itinerant rogue trader who said he would start her roof restoration job the next day. He never returned.

“Some traders, that subsequently become insolvent, will ask for high deposits or the full purchase price up-front in the months before they close their doors. Requests for upfront payment are a warning sign that a trader may be in financial difficulty.

“There is usually, no reason for paying the full amount in advance. If there is no other option, it is a good idea to pay by credit card because if the goods or services are not supplied you may be able to reverse the transaction through your card provider.

“If you cannot take the goods away with you then consider placing a small deposit to secure the order. Ten to twenty per cent of the purchase price is a reasonable amount. Any more than that is just too risky,” Ms Rankine said.

Consumers who may be experiencing difficulty in getting goods or services supplied as ordered are encouraged to ring OCBA on (08) 8204 9777 or 131 882 for regional callers or for information visit www.ocba.sa.gov.au