

Tuesday 10th October 2006

PAYDAY LENDERS TO FACE REFORMS

Minister for Consumer Affairs, Jennifer Rankine, today announced the government's intention to reform the payday lending industry.

Releasing a discussion paper on the topic, the Minister said it was vital that the government has a comprehensive understanding of all the issues and potential impacts of any changes.

“Payday lending has escalated over recent years with many in our community taking out short term loans which attract incredibly high interest rates,” Ms Rankine said.

“It has been estimated payday lending is in excess of a \$200million business, indicating a real gap in mainstream banking services.

“Without adequate protection, some borrowers have found themselves trapped by extraordinarily high interest rates and as they struggle to repay, their debt increases.

“We intend to introduce legislative reforms to ensure that the business of payday lending is conducted in such a manner that borrowers don't fall into hidden traps with serious long-term consequences,” the Minister said.

Some of the proposals outlined in the discussion paper include whether:

- a cap should be imposed on payday lending and if so, what is an appropriate figure
- lenders be required to assess a borrower's capacity to repay
- loan roll-overs be prohibited so debts can't be paid off by obtaining another loan from another lender
- to establish a centralised database to monitor all payday loans
- lenders should be licensed

“Its vital we get any proposed measures right. That's why we're consulting extensively to ensure we bring forward reforms that provide greater transparency and protection.

“Meanwhile, the Office of Consumer and Business Affairs will mount an education campaign in the lead up to Christmas, to inform consumers about the risks of high-cost payday loans,” Ms Rankine said.

The discussion paper and submission details are available at www.ocba.sa.gov.au.