

Thursday, 20 December 2007

### **FEND OFF THE FINANCIAL HANGOVER THIS CHRISTMAS**

With shopping centres teeming with people and wallets getting their annual workout just days before Christmas, all South Australians are being urged to keep a close eye on their budget and be careful not to overspend.

Minister for Consumer Affairs, Jennifer Rankine, is urging South Australians who are on the prowl for presents and other items not to burst their budget this festive season.

A payday loan is a form of credit often used by people seeking a small amount of money for a short period of time.

“It can be terribly tempting to buy expensive presents for family and friends and to give them a lavish Christmas meal, but it’s simply not worth the heartache that comes with debt,” Ms Rankine said.

“A short term loan to get you through Christmas could end up being a long term headache, especially if the loan is from a payday lender where debts and interest rates can rapidly escalate.”

“There are pitfalls with borrowing from a payday lender and people need to think seriously before committing to this expensive form of credit.”

Minister Rankine says some people who take out a short term loan to cover Christmas expenses don’t understand that a small debt with a payday lender can quickly escalate if the person is unable to meet repayments.

“People who cannot repay the loan by the due date face exorbitant fees. These fees are generally much higher than credit card interest rates.”

One person has reported taking out a loan of \$600, paying fees of \$350 and interest on the loan was 30% over 39 weeks. The client was also required to give a bill of sale over her vehicle which was estimated to be worth \$6,000. The consumer reverted to taking out new loans to cover basic living costs.

“It will be a far from a merry Christmas if you wind up in debt because you borrowed from a payday lender. Think carefully before arranging a cash loan from a payday lender.”

The Office of Consumer and Business Affairs (OCBA) has launched a campaign to remind consumers not to overdo it this Christmas, and to think carefully before signing up for a payday loan.

To avoid debt troubles altogether, people should:

- Set a budget they can afford and stick to it.
- Think carefully about how much a short-term loan is really going to cost
- Consider the alternatives to using short-term and expensive credit like a loan from a payday lender. Other options could include more affordable loan products such as no interest or low interest loan schemes offered through welfare agencies.
- Ask for help if they get into financial trouble. Emergency financial assistance can be sought through Centrelink and charities.

For more information visit the OCBA website [www.ocba.sa.gov.au](http://www.ocba.sa.gov.au) or telephone (08) 8204 9777 or 131 882 for regional callers.