Speech By

Melissa McMahon

MEMBER FOR MACALISTER

Record of Proceedings, 30 October 2018

MATTER OF PUBLIC INTEREST

Payday Lenders

Mrs McMAHON (Macalister—ALP) (2.51 pm): I rise to speak on a matter of importance to my electorate. While the CBD of Beenleigh struggles with maintaining some commercial tenancies, one business sector on the rise in my electorate, and Logan more broadly, is the small amount credit contract and consumer lease sector, the payday lenders.

Payday lenders have a business model that targets families from low socio-economic backgrounds. There are a number of reasons people apply for a payday loan as opposed to going through the more regulated financial institutions. Many have bad credit histories or rely on government payments for the majority of their income. Many do not have the income necessary to create the savings cushion for emergent expenses. These people are often blocked from accessing the larger financial institutions.

The rise in the number of people accessing payday lenders speaks to the financial bind that many in my electorate face. They work—some multiple jobs—but their pay does not match the rise in living expenses and they exist from pay to pay, unable to weather the cost of an unexpected medical or car repair bill.

Let me provide members with a snapshot of what we are dealing with in Logan. In the Logan LGA we have 43 bank and credit union branches. We also have 43 high-cost credit shops or payday lenders. We have 41 gambling venues, but only 27 community agencies delivering emergency relief or no interest loan schemes.

The use of payday lenders is a significant factor for those who seek financial counselling—many having two or three contracts running simultaneously. The debt spiral is real and without some serious intervention it leaves people on the scrap heap. Even with increased or secure employment prospects, the resulting credit history black mark will affect them for many years to come.

The issue of payday lenders has been addressed in this House with previous legislation. However, a national framework is required to regulate this industry. Let us have a look at what has been done or, more likely, what has not been done in Canberra.

In 2015 the federal government established the review of the small amount credit contract laws. The final report was released in March 2016. That is over 2½ years ago. The final report contained 24 recommendations and some truly startling details about the impact that payday lenders have. It outlined a number of cases where the costs incurred by customers were astronomical. A customer seeking a lease with a one year to purchase a $345 dryer ended up paying over $3,000 in a 12-month period. I know it can be a trap to calculate annual percentage rates on short-term loans, but for a 12-month loan one cannot hide the fact that the interest rate for that loan is over 880 per cent.

The final report addressed to then relevant Minister O’Dwyer established that the aims of the 24 recommendations were to find an appropriate balance between enabling a customer’s access to emergency finance and improving the individual’s financial situation and addressing the viability of the industry. Eight months after that final report was released, the minister finally stated that the government supported the recommendations either in part or in full. It was further stated that the legislation would be developed and progressed in 2017.

I would like to wish that exposure draft a happy first birthday for 23 October. This is despite the fact that the minister stated it would be introduced in 2017. Do members know where that draft legislation is now? It is nowhere. What has happened since that report was released and supported by the federal government is that over 150,000 people have signed up as new payday customers. Some 15 per cent of those will likely end up in inescapable debt.

This bill—the one to protect our most financially vulnerable—has stood stagnant for over a year. Do members know what has advanced in the meantime? It is the federal networking group the Friends of Payday Lenders. No wonder the federal government has not progressed this issue one iota—not even when it was introduced word for word as a private member's bill in March this year.

Now, looking to where we stand on the federal government merry-go-round, the minister responsible for ensuring the passage of this bill for the protection of customers is the assistant Treasurer, the member for Fadden. I am not sure how much affinity the assistant Treasurer has with payday lender customers. I could be wrong. Perhaps he had to take out a payday loan to repay his $38,000 internet bill. After all, the profile of a customer is usually someone hit with an unexpected bill. After all, the assistant Treasurer is the head of the Friends of Payday Lenders group.

What are our chances of this bill being introduced this year? It was announced last week that the assistant Treasurer wants to wait until after the findings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry are released, despite the fact that this commission has no remit over the payday lenders. I call for federal action.