

# Public DEFENDER \$250m

John Rolfe

Money borrowed from pay-day lenders in NSW



email me publicdefender@dailytelegraph.com.au  
 join my blog dailytelegraph.com.au  
 follow me on twitter twitter.com/public\_defender

# Advanced interest

## Pay-day lender fears Centrelink's new payment plan

A MAJOR pay-day lender is worried that Centrelink's new advance payments scheme will take business from the sector. And so it should be.

Given the option of paying zero per cent interest or as much as 900 per cent, which would you choose?

Cash Stop — which has 28 outlets in NSW and the ACT, including 17 in Sydney's west — airs its concern about Centrelink in a submission to a Federal Treasury discussion paper on the next round of national credit reforms.

The process could lead to the introduction of an Australia-wide interest rate cap on short-term loans. But the Government may also decide to get rid of existing state-based caps, such as the 48 per cent limit in NSW — the tightest in the country.

All the charitable organisations which lodged a submission argued for an interest rate cap. Every pay-day lender argued against.

Cash Stop was unique in complaining about the nation's main welfare agency.

It said "recently announced details" of changes to Centrelink's advance payments scheme meant the "demand for loans from the commercial sector will fall".

It did not say by how much. But it appears that nearly half of its client base could be eligible for Centrelink's interest-free advances.

I know this because, while Cash Stop declined a Treasury request for financial data, its competitor Cash Converters' sub-

Cash Converters' sub-

mission revealed 46 per cent of customers — 260,000 — were on government benefits.

Combined they borrowed about \$84 million from Cash Converters alone last financial year.

In its submission Cash Stop said that "many commercial lenders and their clients will suffer" because of the Centrelink scheme.

It said Centrelink would not know of customers' pre-existing pay-day loans, would then pay less or nothing on pension day and create in-

creased defaults on pay-day loans as a result. That is a difficult argument to sustain.

Don't forget Cash Stop's earlier point — that demand for the services of pay-day lenders "will fall".

If fewer people have high-interest loans and those who do have smaller ones, I'd hardly call that suffering.

Pay-day lenders turn over about \$250 million a year in NSW alone. The Brotherhood of St Laurence's submission said annualised rates were as high as 900 per cent.

## No snow job as Aussies left in cold

MORGAN Phillips is all dressed up with snowhere to go.

The 23-year-old from Sans Souci had applied to work at Canadian ski resorts during the coming season.

Ms Phillips applied through work and travel organisation International Exchange Programs, which was forced to close applications two months earlier than usual — with 40 per cent more applying this year compared with last year.

She paid a \$595 fee, plus \$160 for a Canadian working visa. She also paid \$43 to the Australian Federal Police for a background check, plus travel insurance and other costs. All up she spent \$2000.

The interviews with resorts were held in Sydney earlier this month.

"They turned up ... without jobs [to offer]," Ms Phillips said.

IEP said that demand had been "crazy" this year because of the Vancouver Winter Olympics but denied there was a shortage of jobs and said all but four people were offered work.

One of the others to miss out was Jai Aspinall who, while not critical of IEP, said: "There should be more information into what you need to get a job."

IEP is refunding both Mr Aspinall and Ms Phillips' application fees.



Have goggles, will travel: Morgan Phillips had applied for ski resort work in Canada this year. Picture: Cameron Richardson

Please help!  
 I need some legal advice

Just give me some credit

DAVID writes:  
 I have \$32,000 on credit cards with Westpac, paying 19 per cent interest. It is how I fund my 27-year-old business. I tried to consolidate my credit card debts into a lower-rate personal loan. Westpac refused, saying I couldn't prove I would repay even though I have a clean record. I believe Westpac is intentionally keeping me and many others on expensive credit cards.

Have your legal queries answered on our blog with Maurice Blackburn legal expert Rebecca Gilsenan at noon today



THE decision to lend or not to lend is a commercial one and interfering with it is generally beyond the power of the Financial Ombudsman Service.

However, you could argue in this case that the bank is making a decision to favour a more expensive form of credit over another, an action which could be deemed unconscionable — although the consumer protection regime under the credit code won't assist you because the loans in question were for business purposes.

I would suggest you take your case to the internal dispute resolution processes of the bank and, if necessary, then to FOS. You have nothing to lose by taking these steps.

Legal information is general in nature and not to be regarded as legal advice by Maurice Blackburn



## Compensation is more than just a number.

An extra ten percent on your compensation agreement could mean the difference between being able to pay your mortgage or rent, or living with the stress of trying to keep your own home. Which is why we'll fight hard for that bit extra, to get you a long-term solution not just short-term assistance. Because at Maurice Blackburn, we fight for fair.

We fight for fair.™

Call 1800 235 203

or visit mauriceblackburnsw.com.au

Maurice Blackburn  
 Lawyers  
 Since 1919