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Submission re ASIC Consultation Paper 316

Using the product intervention power: Short term credit

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By email: product.regulation@asic.gov.au

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About Financial Counselling Australia and Financial Counselling

Financial counsellors provide advice to people with money and debt issues. Working in community organisations, their services are free, confidential and independent.

Financial Counselling Australia (FCA) is the peak body for financial counsellors in Australia. FCA's members are the State and Territory financial counselling associations.

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1 Introduction

Financial Counselling Australia (FCA) welcomes the consultation from ASIC on using the product intervention power on a specific form of short-term credit (consultation paper 316).

This submission has answered the specific questions in each section of the consultation paper. Appendix A includes case studies collected by financial counsellors that demonstrate the harm being caused by a company – Cigno - using the specific form of short-term credit outlined in the consultation. The case studies have been anonymised and names changed.

When referring to Cigno in this submission we are referring to the model used by both Cigno and its associated entity Gold-Silver Standard Finance (GSSF).

3 Summary

We support ASIC using its product intervention power to prohibit short term lending models (the Cigno model). The short term lending model currently being used by Cigno causes significant harm to people and we urge ASIC to intervene urgently.

2 General comments

Financial counsellors have been incredibly frustrated by the ongoing misconduct of Cigno. Financial counsellors have spent significant time acting for people who have obtained loans from Cigno that are completely unsuitable, unaffordable and high cost. For many people, this has led to an escalating debt trap including multiple loans that can never be repaid.

Cigno seeks to avoid the *National Consumer Credit Protection Act* (National Credit Act) and as a consequence all the people who get a loan from Cigno have lost the consumer protections in that law. This is a significant harm because the loss of those protections means exposure to high cost and unsuitable loans with no access to justice through the Australian Financial Complaints Authority (AFCA).

In our view, Cigno set up this lending model specifically to avoid the requirements under the National Credit Act. It is a sham. The product intervention power is a regulatory tool that can now be used to stop this type of serious misconduct.

3 Background to the ASIC proposal

3.1 The short term lending model

In our experience, the model works as described in the consultation paper. We note that although the original loans amounts are usually under $1000, financial counsellors have seen evidence of the loan amount escalating substantially through successive loans.

3.2 Significant consumer detriment

We agree with the points made by ASIC at paragraph 4 outlining the significant consumer detriment caused. We add the following further comments:

(a) The experience of financial counsellors supports the observation that the target market are people who are often in desperate need of money quickly. Our experience is that people often get a very small loan to start, often for an urgent living expense. The small loan is a strong indicator of vulnerability as people who are not in extreme financial hardship usually have access to money under $500.

(b) The total payable under the credit contract for a Cigno loan is significantly higher than the amount payable for a small amount credit contract regulated under the National Credit Act. The National Credit Act has two significant protections to stop high costs, including a cap on up front costs and a cap on the total cost including default fees. Both of those protections are not available for Cigno loans. Financial counsellors have seen default costs triple the loan balance.

(c) There is no reasonable assessment of affordability of the loan. Financial counsellors have found most of their clients could simply not afford the loan provided by Cigno. There was also no consideration by Cigno of the requirements and objectives of the person seeking the loan (as required under the National Credit Act).

(d) Financial counsellors have repeatedly seen people fall into a debt spiral when using Cigno. In our experience, this is mainly because the person getting the loan could never afford to repay the original loan. This meant repeat borrowing and rolling over of the original debt with spiraling costs and default costs.

(e) Loss of other protections under the National Credit Act including the right to a default notice, access to financial hardship and adequate disclosure. (A comprehensive list of the loss of protections appears at paragraph 41 of the consultation paper). The loss of a right to financial hardship is significant as it meant further borrowing instead of reasonable financial hardship arrangements.

(f) Serious difficulty accessing justice. Cigno is not a member of AFCA (or the previous schemes being the Financial Ombudsman Service or the Credit and Investments Ombudsman). As Cigno is avoiding the National Credit Act, there is no requirement for it to be a member of AFCA. This means when a dispute arose or the person wanted to enforce a reasonable financial hardship arrangement, the only available option was court. In reality of course, going to court is not a realistic option for people who have taken out Cigno loans. People who are desperate for $50 cannot afford a lawyer or the costs of going to court. The lack of access to free dispute resolution (AFCA) is devastating.

3.3 ASIC's proposal to address the significant consumer detriment

We support ASIC's arguments for the use of the product intervention power to prohibit the specific short term lending model currently being used by Cigno.

The other options outlined would be completely ineffective. Warning messages do not work. People go to high cost lending because they are desperate. Competition and warnings do not work in this area. People go to Cigno despite the fact that it is unregulated and more expensive than other short term regulated loans. It is a poor choice for a loan by any standard, yet desperate people end up with these loans regularly. Doing nothing would just mean that people using Cigno loans would continue to be harmed and be deprived of basic consumer protections that apply to other short term lenders.

4 The product intervention power and short term credit

We support a regulator with a diverse and effective regulatory toolkit. A product intervention power is a welcome addition to that toolkit. The product intervention power can be used to prevent or address significant consumer detriment.

As outlined previously in this submission (section 3.2), people who obtain loans with Cigno experience significant detriment. The detriment is myriad and we agree with the list at paragraph 43 and the detriment described in detail in paragraphs 44 to 67 of the consultation paper.

4.1 Targeting vulnerable consumers

Financial counsellors have made many complaints to ASIC about the conduct of Cigno. Most clients have Centrelink as their sole source of income and are desperate for a cash loan to meet an expense. Financial counsellors report that vulnerable people are targeted by Cigno. The lack of any requirement to lend responsibly means that the most desperate people in awful financial difficulty are usually able to get a loan that they cannot repay. This leaves them in a worse financial position.

4.2 Higher upfront costs

We agree with the analysis by ASIC on the high upfront costs of a loan with Cigno. We believe that the caps on costs for short term loans regulated under the National Credit Act are already high. The costs for a loan with Cigno are higher again. High cost loans are inherently difficult to repay as you are repaying a significant amount on top of the principal. The higher the costs, the more likely the person will experience financial hardship in repaying the loan.

4.3 Uncapped default fees

Default fees cause significant harm to people using Cigno loans. The default fees are uncapped. Cigno account statements seen by financial counsellors are filled with default fees. As there is no requirement to ensure the borrower can afford the Cigno loan, default fees are extremely common. People are set up to fail and Cigno then collects significant default fees. This is unfair and unconscionable.

4.4 Failure to assess capacity to pay

As Cigno avoids the National Credit Act, it has no obligation to lend responsibly. Giving people loans they cannot afford to repay causes extreme stress and financial hardship. Some people go without food to try and repay a loan they could never afford. Other people, just fail and get caught in a debt spiral that may eventually force them to consider bankruptcy.

4.5 The direct loan option

We agree with the comments in the consultation paper about the set up of the loan process with Cigno. The GSSF option is designed to be so impractical that no one ever selects it. It uses a long delayed process with a cheque in the mail. Our guess is that the second delayed option is never used and probably does not in reality exist. The option is just there to justify the high costs of getting the cash urgently.

4.6 Direct debits

Direct debits can cause severe financial hardship for people. Cigno and other short term lenders time the direct debit very carefully to coincide with any income. When the loan is unaffordable, the direct debited repayment can mean the inability to pay rent or buy food.

Financial counsellors often have to act urgently to cancel direct debits for unaffordable Cigno loans so their client can pay for basic living expenses.

5 The ASIC proposal

We support the proposal by ASIC to make a product intervention order by legislative instrument under s. 1023D(3) of the Corporations Act as drafted and attached to the consultation paper.

C1Q1 Do you consider that the short term lending model causes detriment to consumers and that this detriment is significant?

As outlined above, we consider that the short term lending model currently being used by Cigno causes significant detriment.

C1Q2 Do you consider that the short term lending model does or might cause detriment other than that identified by ASIC, or to a greater or lesser extent? If additional or greater, how should the proposed product intervention order be expanded to address this significant detriment?

We support the proposed draft instrument and believe that this will address the significant harm identified. The consultation paper has identified the main harm being caused by this short term lending model. We would add that people suffer significant stress and anxiety (non-financial harm) because of the model.

C1Q3 Do you agree with our proposal to make an intervention order by way of legislative intervention prohibiting credit providers and their associates from providing short term credit and collateral services except in accordance with a condition which limits the total fees that can be charged? Please provide details of why, or why not.

We agree with the drafting of the intervention order. It will have the effect of making the credit provider (and its associate) meet the definition of section 6(1) of the National Credit Code or choose to be licensed and regulated.

C1Q4 What alternative approaches (including Options 2 and 3) could ASIC take that would achieve our objectives of preventing the consumer detriment identified in this paper?

We do not believe any other alternative approach would achieve the objectives of preventing the consumer detriment.

Appendix – case studies

Case study – Sarah

Sarah's violent ex-partner used her identifying information to obtain a Cigno loan online last year. Earlier this year he stole her car and the police have not been able to recover it. In March he was finally arrested on charges of common assault, criminal damage and having a concealed weapon during a violent outburst at their home. Sarah is in fear of her life and is staying at an undisclosed location. Her abuser will be standing trial in January 2020.

Sarah's financial counsellor requested a waiver from Cigno to enable her to focus on her safety, protect her five-year-old daughter and rebuild her life. The financial counsellor provided a copy of the restraining order, a copy of the legal charges and two letters from staff at the family violence centre supporting Sarah and providing safe housing. Sarah only realised the loan existed when money started coming out of her account.

Cigno declined the waiver request, responding that if Sarah was alleging fraudulent behaviour, she needed to provide the police with loan documentation and give Cigno the police incident report. Cigno would not cancel the loan or refund any payments until police determined whether the loan was fraudulent.

The financial counsellor had stated in her email to Cigno that Sarah is not able to press charges against the perpetrator for identity theft or theft of her car due to the fact that her wellbeing is at risk.

Cigno's response was as follows:

Thank you for your contacting Cigno Loans.

If you are claiming a loan was not taken out by XXX and may be fraudulent, please contact your local police station to lodge a fraud report.

Once submitted, please provide Cigno Loans with the 'Incident Report' given to XXX by the police. If you are needing any relevant loan documentation, please request this from us before lodging the fraud report.

The police will then contact us regarding the investigation.

Please note: Cigno will not cancel the loan or refund any payments until a verdict has been made regarding the investigation. Should the police deem the loan fraudulent, we will be able to action the file accordingly.

We appreciate your patience.

Case study - Susan

After leaving a violent relationship Susan borrowed $250 to pay a small bill. That same day, the balance to be repaid had blown out to $466 after taking into account the “financial supply fee” of $187.50, which allowed Susan to repay the loan in four instalments; the same-day deposit fee of $16, which gave Susan access to the money immediately; and the lender fee of $12.50. Other charges included a weekly account-keeping fee of $5.95.

Less than a week after Susan took out the loan, she called Cigno to get an extension on her repayment date. This cost another $20. This happened three more times. The only time she didn’t call to request an extension, she was charged a $49 dishonour fee and a $30 dishonour letter fee. This happened a few more times. Susan has repaid the $250 she originally borrowed. Everything she is paying now goes towards the fees. By the time she finishes, she will have paid more than $1000 for a $250 loan. With her weekly income of $482 ($965pf), the loan was unaffordable. Following support from a financial counsellor, Cigno offered to waive the "late fees" ($356) only and did not respond to follow-up communication.

In the waiver offer, Cigno said: "*As a valued customer, if you do find yourself short again, Cigno will be happy to help. Once you have paid off your active loan you will be able to re-apply with our easy member portal.*"

Case study - Jack

In 25 days a $200 Cigno loan had blown out to $973.85 and was still rising. Jack, 42, has schizophrenia, and needed money to see a specialist for sleep apnea. He can no longer work as a painter/decorator due to nerve issues in his arms. Jack receives the disability support pension. The $200 was borrowed from Cigno in May this year. By the following day, the debt stood at $336, comprising $16 for a priority same-day transfer, a financial supply fee of $110, and a lender fee of $10.

Jack organised to pay $74 per fortnight but Cigno got the deduction date wrong and not enough money was in his account so a $49 dishonour fee and a $30 dishonour letter fee were added. The $5.95 account keeping fees continued to accrue. By early June, Cigno said the debt was $973.85, which also included a $175 investigator/ handover fee. Jack said he called Cigno repeatedly to try to get the withdrawal occurring on the correct day but says Cigno did not make the changes. His financial counsellor has a record of the numerous text messages between Jack and Cigno and the dates of phone calls.

Case study - Elizabeth

How does a $350 Cigno loan escalate to $889.45 in 11 weeks?

When a total of $539.45 in fees are added - a financial supply fee ($262.50); a lender fee ($17.50); a priority transfer fee ($16); two dishonour fees ($98); fees of $30 each for two dishonour letters ($60); 11 lots of weekly account fees ($65.45) and a change of payment amount fee ($20). Elizabeth fled her parents' home with her two young children in early April when her violent ex-partner was released from jail. She went into hiding fearing a reoccurrence of the family violence. She borrowed the $350 to pay for hotel accommodation costs, while seeking help from a housing charity. Elizabeth couldn't make regular repayments because she had to pay for three days of each week of accommodation with the charity paying the other four days. There were no cooking facilities in the hotel so Elizabeth had to buy some meals. Elizabeth has managed to repay $438 of the initial $350 loan but she still owes $451.45.

Case study - Anne

Anne, an 18-year-old single mother of an 11-month-old, was experiencing economic abuse from her ex-partner. In just 13 weeks, her $300 Cigno loan blew out to $1100 when Anne could only make one payment of $140. Fortnightly fees of $20 were added after she had tried to lower her repayments, while several dishonour fees and account-keeping fees were added. And out of nowhere, said her financial counsellor, a $50 "tracking fee" and a $175 "investigator hand-over fee" appeared on Anne's statement after the financial counsellor began representing her. Anne has significant mental health issues and experiences severe panic attacks at times of high anxiety. Anne lives on a weekly income of $550 and manages her budget well. However, when she did not have enough money to pay her rent one week, the resulting anxiety caused a panic attack, which led her to borrow $300 from Cigno.

Anne was unaware of the consequences of the loan. Sheer panic led her to Cigno as she feared she would be made homeless if she missed, or was late with, her rental payment. The financial counsellor found it difficult to contact Cigno and was on hold for more than one hour on each of the three occasions she tried to make contact. The financial counsellor finally received a response to her second email after threatening to involve a consumer credit legal centre within 24 hours if she did not hear from Cigno. As Anne is an affected other from gambling, her financial counsellor was able to advocate for a reduced full and final payment of $344, which was paid by Gamblers Help.

Case study – James

When James took out a Cigno loan for $175, the bank statement used to assess his capacity to repay showed his account overdrawn to the tune of $182.66. The statement also showed James was overdrawn for a total of 61 days in the previous 90 days. Yet he was still approved for the $175 loan. Five month later, after paying back $564 on the $175 loan, he still owed $123. James identifies as indigenous, lives in a remote community, English is not his first language and his financial literacy is low. He works full time, with average earnings of $1242 a fortnight, while his wife works casually, and they have several children. The cost of food in remote communities is exorbitant and when his wife didn't work over the holidays, he borrowed the $175 to buy food. Cigno eventually agreed to waive the final $123.

Case study – Alice

Cigno refused to provide Alice's financial counsellor with the bank statements or the loan approval information it used to assess Alice's suitability for loan. However, 90-day bank statements for another debt shows Alice was overdrawn on 46 days of the 90 days. It is reasonable to assume that the statement Cigno used showed similar information. Alice borrowed $400 from Cigno, repaid $1,170 but still owed $92. Alice lives in a remote community and works in a school, so is not paid over the holidays. Her casual wages are $1250 per fortnight and she needed money to buy food. Following advocacy by her financial counsellor, Cigno waived the remaining $92 but would not refund any money already paid.

Case study – Michael

Michael cancelled his Cigno loan direct debit with the bank but Cigno changed a reference number and a deduction was still made. He was banking with Commonwealth Bank and lodged a complaint, but staff said they were unable to assist. Michael is in his 40s and lives on Newstart as he has been unable to work for a few years due to mental health issues. He borrowed $300 to pay living expenses because his direct debits left him with no money for food and medication.

Cigno has been deducting $40 per fortnight out of his $490 income. Michael believes he has already repaid $360 but Cigno told Michael he still owes another $300. The direct debit was cancelled again, with his financial counsellor informing Cigno of this and advising Cigno that no further payments would be made, particularly since the principal plus reasonable interest had been already paid. Furthermore, Michael had no capacity to pay without sacrificing basic living expenses; he was homeless at the time he took out the loan; he was only receiving Newstart; and his situation was not likely to change in the foreseeable future. No response was received from Cigno.

Case study – Casey

Casey had just left her partner because of severe family violence and needed $150 to pay for school expenses for her 14-year-old daughter. She explained to the Cigno staff that she could not afford to feed her family as she was living on Newstart. They responded that as long as her bank statements showed she had money available she would be given the loan. In her mid-30s, Casey has a heart condition and mental health issues. She has paid back about $300 but still owes almost $400.

A lawyer from a community legal centre supported Casey to take action against Cigno, which asked for another $38 as a final settlement of the contract.

Case study – Jennifer

Jennifer's Cigno loan of $350 would have required $2,248 to clear if she had not received any support from a financial counsellor. Jennifer lives in a remote indigenous community and has little understanding of financial matters. She receives a parenting payment of $960 a fortnight and works casually. When she didn't get work over the school holidays, this left her short for bills and food. Jennifer repaid the borrowed amount one month after taking out the loan but didn't realise that she had to pay back more than she borrowed. So, she tried paying another $150. Despite this $500 in repayments, Jennifer's debt eventually stood at $1,748.80, even though Cigno had already waived $490 in fees one month before she saw a financial counsellor. Jennifer had no idea of the ongoing fees, the dishonour fees and other charges. Cigno finally offered a full waiver of the remaining balance of $1748.80.

Case study – Jane

Jane, 27, has been diagnosed with a learning and intellectual disability; she struggles to read and write and learn new information; and her only income is the disability support pension of $926.20 a fortnight. When Jane's financial counsellor eventually made phone contact with a Cigno staff member (after waiting in the queue as call number 47), she was told she didn't have authority to act on Jane's behalf. Staff said Jane needed to email a letter of authority from the email address attached to her Cigno Loans account, disregarding Jane's intellectual disability.

Cigno staff also refused the financial counsellor's request to speak to a supervisor/manager, and instead was told she needed to make an appointment for a supervisor to return a call. The financial counsellor sent multiple emails to Cigno asking for a full debt waiver but six weeks later she had received no response. Jane has no support networks, has experienced homelessness, and borrowed the money to pay for living expenses.

Case study - Megan

Megan, a 50-year-old single grandmother with sole custody of her young grandson, suffered a stroke 10 years ago, which affected her ability to focus. She borrowed $300 from Cigno to put on a Christmas lunch for the family and buy her grandson Christmas presents. Five months later, even though Megan had already paid $700 towards the $300 debt by taking out a payday loan from another company, that $300 Cigno loan still stood at $1037.20. Megan's weekly income is $692 – the Disability Support Pension and a parenting payment – and she has lived in a public housing since her stroke. While her online Cigno account shows a $1037.20 debt, it also shows that she could clear the whole amount under the "one click payment" option by making a lump sum payment of $434.15.

Case study – Fiona

When Fiona borrowed $300 from Cigno, she already had four loans from various payday lenders. Her financial counsellor requested a copy of Fiona's loan application, but said that Cigno refused to provide it, stating it doesn't have access to it because the application was done online. That $300 loan has now blown out to $1100. A supermarket check-out operator who works casually, Fiona's weekly income of $550 covers her rent, utilities and food. There is nothing extra for anything such as medical expenses, car maintenance, clothing and so on.

Case study - Patrick

Patrick is 18, has a psychiatric disorder, is on a disability support pension of $400 a week and his father is his carer. Patrick has few life skills and very little financial literacy. Patrick borrowed $200 because he needed to travel from their country town to the city to see a medical specialist. Patrick has made sporadic payments with the help of his father, but now owes $400. Patrick and his father requested support because they were shocked at how much extra the Cigno loan was costing than they expected. The financial counsellor provided medical documents and income statements to Cigno, and Cigno eventually granted a waiver a long time after it was requested.

Case study - Shirley

Shirley, an indigenous woman living in a remote community, had taken out a loan with Cigno, which was now with a debt collector. Shirley called the debt collector to request an account balance and told them that she had a financial counsellor advocating for her. Despite this, the debt collectors threatened to take her to court if she didn't pay immediately. So, while her financial counsellor was trying to get a debt waiver from Cigno, Shirley ended up paying $400 to them because she was so stressed. The situation was particularly egregious because Shirley's financial counsellor can only visit the community once a month and Shirley couldn't get immediate advice. Cigno had originally offered to settle the debt for $374, but the financial counsellor had been confident of reducing that to $0.

Case study - Sarah

An Aboriginal woman and a survivor of family violence, Sarah, 33, is the sole parent of four children, receives $1878 per fortnight but and receives no child support. She borrowed $200 to buy Christmas presents for her children, a debt that blew out to $1600. Sarah was unaware of Cigno's fees and charges. Her financial counsellor requested that Cigno waive all fees and charges, and an affordable payment plan was arranged for Sarah to pay off the principal amount of $250.

Case study - Kerry

Kerry and her husband already had four payday loans, and were behind on their mortgage, their car loan and their land and water rates. These two bills alone were $2,000 in arrears. Their fortnightly income was $1700. The Cigno loan was for $350 and six months later it stood at $1,842.75. Kerry had paid off $530, but the debt of $1,842.75 included $735 in dishonour fees; $560 in dishonour letter fees; $150 in collection tracking fees; a $30 payment reschedule fee; and $148.75 in account-keeping fees among others. Kerry's financial counsellor has contacted Cigno but has yet to receive a response.

Case study - Wendy

A "no more credit" note request was sent in 2016 to all major credit-reporting agencies by Wendy's financial counsellor. Despite Wendy's best attempts to protect herself, Cigno granted her a loan of $50 that soon became a $482.45 debt, a 965% increase. Wendy has a serious mental illness, is on the disability support pension and often finds herself in debt with no memory of entering into contracts. Just prior to being admitted to the psychiatric ward of a major city hospital for a two-month stay Wendy was extremely unwell and seems to have applied for a $50 loan from Cigno. Wendy has no recollection of applying for the loan, nor does she recall why. Wendy had managed to make one payment of $50. Her financial counsellor made a submission to Cigno to waive the remainder of the debt. Its response was

"Dear -----,

Thank you for your email ….. Her account with Cigno is now terminated so she will no longer be able to apply for credit in the future. …."

Case study - Don

Don's bank statements showed 97 and 106 online gambling transactions respectively. They also showed he was overdrawn continually. He had a personal loan, a maxxed out credit card and an over-extended overdraft. He was behind in his private rent. Don, 57, has a gambling addiction and lives in a very remote location. These bank statements were provided to Cigno for his loan. He was totally reliant on Newstart when Cigno lent him a third loan of $300. He had taken out two previous loans with Cigno when he was earning a low wage of about $1300 per fortnight. Don could not make any repayments on the third loan because he was on Newstart when this loan was issued. His financial counsellor negotiated with Cigno for Don to repay the amount he borrowed only.

Case study - Jade

Jade has cognitive and intellectual challenges, is a 22-year-old single mother of a two-year-old daughter and has been financially abused by family members. She had been in long-term financial hardship, relying solely on a Centrelink Disability Support Pension of $1,121 a fortnight. On her daughter's birthday she saw an ad for Cigno on her Facebook account so applied for a loan of $175. The repayment amount including fees and interest was $935. She had no chance of understanding what she was going to be charged. Even when her financial counsellor got two legal centres involved and the ABC news, the best outcome she could get was to get all fees waived while the principal had to be repaid.

Case study - Bob

Bob, 44, is single and lives alone in community housing. He has mental health concerns and receives the disability support pension of $916 per fortnight. He borrowed $150 to pay an electricity bill and other expenses. That blew out to about $800. He thought the repayments were monthly but Cigno later confirmed they were fortnightly. Bob couldn't keep up with the payments and incurred significant late fees. His financial counsellor applied for a debt waiver as the client had paid off the original borrowing of $150 plus $34. They rejected the application and said they will reduce the balance owed to the amount agreed to in the original contract. Bob had to pay a further $90 payment to settle the debt, which he did.

Case study - Michael

Michael is Indigenous, has low literacy and lives in a remote town in NSW. He relies solely on Newstart. He needed a loan to pay for food and bills, He borrowed $200 and now owes $900. His advocate continues to negotiate for him, having made a complaint with internal dispute resolution, with a copy forwarded to ASIC.

Case study - Alex

Alex had his gambling under control for a while but his urges took hold again during his recent marriage breakdown and the onset of his depression. He owed about $450,000, which comprised a joint home loan of about $280,000, a joint investment shortfall of $137,000, five credit card debts, and five loans with smaller lending entities, one of which was Cigno. Alex, who earns $1300 per week, borrowed $250 from Cigno to gamble with. Eight weeks later the payout amount was $769.60. In accordance with Alex's wishes, his financial counsellor negotiated the debt down to $450 to be paid in instalments. This took into account the $135.21 the client had already paid back.

Case study - David

David was in his late 40s, recently divorced, had a history of substance abuse and addiction, was an undischarged bankrupt due to drug use problems and poor mental health, and losing work due to drug use. He borrowed $200 because he was trying to move to be closer to friends after his marriage ended. He borrowed $200, which soon became $500. The bank account number he used for the loan wasn't one he used once his employment ceased so there was never any money in the account. Cigno made no attempt to contact David to get a correct bank account number. His financial counsellor assisted him to link his Newstart of $550 per fortnight to the outstanding amount.

Case study - Lucy

Lucy is a 56-year-old single Aboriginal grandmother, who has permanent care of three of her grandchildren aged between seven and eight. She receives $1694.40 from Centrelink a fortnight, has low financial literacy and a gambling addiction. In severe financial hardship after assuming care of her three grandchildren, Lucy applied for a loan online through Cigno. Her financial counsellor also noticed on her bank statements that Lucy had applied for four Cigno loans totalling $675 between 27 November 2017 and 13 August 2018. She had repaid $1740.65 but still owed $200 on the final loan. Following discussions around hardship, Cigno told the financial counsellor it would accept $200 as a final payment and waive all other costs. The financial counsellor requested a refund of all money paid to Cigno through all the contracts linked to Lucy. Cigno said it would not issue any refunds. Unfortunately, Lucy had not returned to the agency, so the financial counsellor is unaware of whether she continued to apply and receive Cigno loans.

Case study - Joy

Joy, 53, has several health issues and is applying for a disability support pension. Her adult son, who is not financially independent, lives with her in her public housing unit. She cannot pay for basic living requirements because her only income is Newstart of $662 per fortnight. She took out the loan to pay bills. Following discussions on all her options with the financial counsellor Joy decided to do nothing. Joy understands that the debt will continue to increase but she is on a Centrelink income and has no assets.

Case study – Samantha

Samantha, 64, lives on the disability support pension in a public housing unit. She has a long-term mental illness and borrowed $200 to help her son, who is on Newstart, fix his car. She receives $1042 a fortnight. Her financial counsellor arranged a payment plan to stop any more charges being added to the $900 Samantha already owes.

Case study - Whitney

Whitney is 19 and a single mother with one child. She borrowed $250 to pay a few bills and to help with living expenses. She receives $790 per fortnight. Whitney has missed a few payments so the loan blew out to $1700. Whitney is still paying $44.55 a fortnight. Her financial counsellor continues to advocate for Whitney and is trying to get the debt waived.

Case study - Sarah

Sarah, 43, is victim of family violence, has been homeless since March 2018, and was made redundant in January 2019. She borrowed $300 to pay for housing. She was earning $1900 per fortnight. Her financial counsellor got moratorium on the debt as Sarah is currently unemployed. Cigno is willing to accept payment of the amount borrowed.

Case study - Zak

Zak is 37, his partner is a New Zealand citizen, and they have 2 dependent children (one has been diagnosed with autism). His business failed in March 2018, and they are currently living with his mother. He borrowed about $300 to pay a utility bill. He earns $570 a fortnight but wants to pay the debt.

Case study - Cassie

When Cassie, a single mum of two, turned 18 she started to take out payday loans. She had never been employed but she quickly managed to acquire eight loans from Money3, two from Cash Converters and five from Cigno. Money3's application form shows her household expenses, including utilities, food, clothing, medical, are $100 per week for herself and her two children. Cash Converters' estimated the family's living expenses to be $374 per month. Her income was $575.25 per week. She needed emergency relief because all her direct debits were draining her account. The five loans from Cigno were: first loan was for $150 and Cassie repaid $341.70; the next two were for $200 and she repaid $307.90 each; the fourth loan was for $175, and she repaid $370.60, and the fifth loan was for $250, with Cassie required to repay two instalments - $208 and $206.80. Her financial counsellor negotiated refunds of interest, fees and charges from all three lenders and now has her first casual job.

Case study - Sarah

Sarah is 20, her partner is 22 and she has a son aged three. Both adults receive a Centrelink income of $800 a fortnight. Because they had lost one rental property because they couldn't afford the rent, the couple had to return to live with parents. They borrowed $300. Their financial counsellor advocated to Cigno to accept the amount already repaid of $196 as full and final settlement. This was refused but Cigno offered Sarah that she could pay the remaining $204 to settle the debt. Sarah was unable to make the repayment.

Case study - George

George, 29, has addiction issues, lives at home, is on Newstart, and is in a constant debt spiral due to his substance abuse and low income. George has had many Cigno loans, including one for $1000 that Cigno waived on hardship grounds when he couldn't pay it because he was a "good customer". At the time of the current loan, George's income was $519 a fortnight net after a deduction for a Centrelink advance and payments for fines. He borrowed $150 for one week and was supposed to pay back $215 back but he couldn't. Within a month the $150 had become $900 and Cigno had outsourced the debt to Milton Graham.

Case study - Hannah

Hannah, 25, is unable to work due to depression and diabetes. She is a single mother, receives no child support from the father, and survives on $1277 a fortnight from Centrelink. Her financial counsellor is negotiating with her energy provider to avoid disconnection. Hannah also has an unaffordable debt agreement and is in arrears. Hannah is being charged a lot of fees by the bank for being overdrawn. Hannah wants to pay the primary school fees even though they are voluntary. She borrowed from Cigno to try to keep up with a mountain of other debts Cigno offered to reduce the debt to amount borrowed less repayments. Still trying to contact client to settle matter $150 owes $400.

Case study - Joshua

Joshua asked NAB to cancel the direct debits used to pay the Cigno loan, but staff told him at the High Street Wodonga branch that they couldn't do this. Joshua has two young sons aged 2 and 4 and receives single parenting payment of $1277 a fortnight. Joshua has had various payday loans including two taken out with Cash Converters on the same day ($600 and $400, which were not repaid); two loans from Money3 land a few loans from Cigno. The current Cigno loan was for $150. He has repaid $237.90 but still owes $386 He believes he has repaid at least $380 for this loan. Cigno is still taking money out of his account and the financial counsellor is providing assistance.

Case study - Katherine

Katherine, a single mum with three children, lives in a remote town and her main income is $1277 a fortnight from Centrelink. She stacks shelves at night part time. Katherine feels lonely at night and started gambling from her smart phone, funding this by obtaining payday loans from eight different online lenders. Her bank statements clearly showed where the funds were being spent - to other payday lenders, gambling, to a debt collection agency. Her statement showed no capacity to repay loans, yet loans were issued. The 'Consumer Checklist' from the lender Ferratum noted that Katherine was full-time employed (false), that she did not get the majority of her income from Centrelink (false) and it made up a loan purpose. It noted that Katherine had three other SACCS in the previous 90 days (a breach of credit law) and that she had defaulted on other SACC loans in the last 90 days (a breach of credit law). Ferratum still issued the loans to Katherine. Eventually Ferratum denied Katherine a loan and without her permission sent her request to Cigno.

Katherine received an immediate text message from Cigno, which advanced her a loan. (see screen shot pics). Katherine approached her bank, Westpac, and asked it to cancel her direct debits to the payday lenders. Westpac refused, saying she would need to do this directly with the creditors. Katherine is now homeless and the financial counsellor continues to provide assistance. The $400 has blown out to $900.

Case study - Sarah

Sarah was left with no money to buy food when Cigno changed the repayment arrangement and tried to take $350 in one go. Cigno also refused to provide the loan documents when requested by her financial counsellor. Sarah was affected by domestic violence and financial abuse and obtained the loan to help manage living expenses. She was earning $960.29 per fortnight from her casual job. The $350 Sarah borrowed has now escalated to $1226.81. Sarah tried to change the repayments without success and the whole experience has caused her a great deal of stress. No credit check was performed before Cigno granted the loan. The matter is ongoing.

Case study - Renee

Renee is a single mother and her ex-partner is in jail. Renee had been disconnected from electricity. Her fortnightly income was $1277 and Cigno gave her a loan for $120. Renee could afford only one repayment of $30. In less than four months the debt escalated to $1159.20. Her financial counsellor negotiated a waiver of the debt and helped her switch to a basic bank account as she was paying more than $60 a month in bank fees.

Case study - Graham

Graham is going to bankrupt his $1097 Cigno debt because the stress has been too much for him, watching a $250 loan increase exponentially. He borrowed the money out of sheer desperation to meet basic living expenses. Within 8 months it was $1097. His financial counsellor believes she has strong grounds for a debt waiver but Graham has decided he can't cope waiting any longer. Graham said he recognises his mistake in approaching a payday lender but didn't see any other alternative at the time.

Case study - Emma

Emma is in financial hardship because she says her "ex partner dumped the kids on her". She has debts to Cigno and Cash Converters. Emma said they take money out of her account leaving her with no money. She borrowed $250 on 27/12/17 and owed $1097.60 two months later on 26/2/18. Her financial counsellor has emailed Cigno requesting a waiver of this debt.

Case study - Jennifer

Jennifer is 18, pregnant, homeless, with a son but currently living in a safe house. She has experienced domestic and family violence and has had insecure housing for some time. Jennifer was on Centrelink and needed some cash to pay the rent (at the time she was in private housing but struggled to make ends meet). She had sole care of her young son and needed more money to look after him. Could not afford the loan and a dispute letter has been sent.