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

Consultation Paper 316: Using the product intervention power: Short term credit

Thank you for the opportunity to comment on Australian Securities and Investments Commission's **(ASIC's)** *Consultation Paper 316: Using the product intervention power: Short term credit* (**CP316**).

The Financial Rights Legal Centre (**Financial Rights**) and Consumer Action Law Centre (**Consumer Action**) welcome ASIC's planned intervention in the short term credit market and in particular the business models of Cigno Pty Ltd (**Cigno**) and Gold-Silver Standard Finance Pty Ltd (**GSSF**). We strongly support ASIC intervening by way of legislative intervention. We support ASIC prohibiting short term 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 changed in line with subsection 6(1) of the National Credit Code (**NCC**). Such an intervention will address the significant detriment identified by ASIC in the current model and address the fact that regulation 50A in the National Consumer Credit Protection Regulations 2010 **(the Regulations)** are not capturing the Cigno model. We provide the following information to assist ASIC in determining appropriate regulatory action as proposed.

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

Yes, we believe that the short term lending model as detailed in the CP316 does causes significant detriment to consumers. We agree with the five consumer detriments outlined in the consultation paper including:

- the targeting of vulnerable consumers experiencing financial stress;
- having significantly higher upfront costs compared to regulated credit products;
- having high and uncapped fees payable on default creating a financial incentive to offer credit to consumers who are unable to meet repayments;

- funneling consumers to a high-cost alternative;
- requiring consumers to repay the credit amount and fees via direct debit.

The Cigno business model has had a significant impact upon consumers contacting Financial Rights and Consumer Action via the National Debt Helpline (**NDH**).

In the financial year 1 July 2018 to 26 June 2019 Financial Rights' NDH financial counsellors and solicitors provided information, advice, assistance or casework support to 67 National Debt Helpline callers regarding Cigno debts.

Of the 67 clients we spoke or provided assistance to, 42 clients (64%) reported more than one additional debt above and beyond their Cigno debt. Of those 42 reporting multiple debts, 22 clients reported either 2 or 3 debts. 20 clients reported 4 or more, one of whom reported 11 debts. Furthermore, of those 42 reporting multiple debts, 29 clients reported holding one or more pay day loans in addition to their Cigno loan. Wallet Wizard (10 clients) and Cash Converters (9 clients) were the most common pay day loan provider mentioned. 11 people reported holding a debt with a telecommunications provider (either Telstra or Optus).

25 of the 67 clients (36%) only spoke of, and sort advice or assistance on, a Cigno debt. However, it should be noted that this does not necessarily mean that these 24 clients held no further debts, just that they were not reported to the financial counsellor or solicitor.

In the period 1 July 2018 to 26 June 2019 Victoria's NDH financial counsellors assisted 90 clients with Cigno debts. Of the 90 people, 61 clients (68%) reported other debts in addition to their Cigno loan. Of those 60 clients, 32 reported either 2 or 3 debts. 19 clients reported 4 or more, one client reported they had bankrupted twice in the past.

Of those 61 reporting other debts, 36 clients reported holding one or more payday loans in addition to the Cigno loan. As with NSW, Wallet Wizard (9 clients) and Cash Converters (15 clients) were commonly mentioned in Victoria.

22 clients reported having telecommunications debts – most commonly with Telstra and Optus.

21 of the 90 clients only spoke of, and sought advice or assistance on, a Cigno debt.

Our experience suggests that Cigno borrowers tend to fall into two groups in line with the data above:

- either they would not qualify for a loan from any other provider because of their personal circumstances (long term Centrelink recipients with no surplus income after expenses) and have therefore borrowed from Cigno;
- or they have borrowed from a number of sources and have become trapped in a debt spiral, borrowing from one provider to pay for living expenses after direct debits to meet other loans have depleted their income. Often Cigno is the last port of call in a downward trajectory towards financial rock bottom.

Amounts borrowed by clients ranged from $75 to $800, where the initial amount borrowed was stated. Where Financial Rights holds information on both the amounts borrowed and the amounts owing (36 clients), the amounts owing ranged from 146% of the original amount borrowed to 952% higher than the original amount borrowed. 28 NSW NDH clients owed more than 200% of the original borrowed, 13 clients owed more than 400% more than the original amount borrowed. While the Cigno loan may have been the proverbial straw that broke the camel's back in a lot of cases, these rapidly escalating debts, with no access to hardship or dispute resolution, can quickly become these clients' most insurmountable financial problem.

Financial Rights provides 20 recent case studies at **Attachment A** to support the case that there has been significant consumer detriment identified. As is evident from the case studies many clients who have sought assistance with Cigno loans have been unemployed, sole parents with a number of dependent children, or on the disability support pension. Many are dealing with other challenges which increase their vulnerability including: intellectual disabilities, mental or physical illness, cognitive deficits due to strokes and other causes, substance addiction, or living in remote Aboriginal communities with little experience of accessing credit or financial contracts in general. Some are surviving on food vouchers or doing without essential medication. Many have rental arrears and some are already homeless.

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?

Undermining the effectiveness of the consumer protection legislation, and the authority of the regulator, and promoting regulatory arbitrage

The ASIC consultation paper provides an excellent summary at paragraph 41 of the rights afforded to consumers of small amount credit contracts (**SACCs**) under the national credit law. These same rights amount to a series of obligations imposed on other SACC providers, which the Cigno/GSSF business model does not meet. This gives these entities a significant competitive advantage over other lenders in the industry. If this business model is permitted to continue to operate with impunity, it is inevitable that other lenders will adjust their business models accordingly to avoid the necessity to comply with the consumer protection provisions, and the business costs and price limitations those obligations impose. This will undermine the effectiveness of the regime, and result in a potential manifold increase in the consumer detriment described above and in the consultation paper.

Regulators are also limited by their resources: they cannot possibly take action in every case of misconduct. They are essentially dependent on the deterrent effect of the actions they do take to have a ripple effect in the relevant industry. It is vital that the regulator is seen to be able to take effective action in serious cases, including taking a firm stance on avoidance strategies. The Product Intervention Power provides ASIC with the perfect tool to do this more effectively than in the past, and its preparedness to do so could have a powerful impact in other areas of potential regulatory arbitrage. Equally, not taking action is likely to have the opposite effect, with the potential to not only increase consumer detriment, but also the resources required to address it in the future.

Impact on resources of financial counsellors/legal assistance services

A related detriment caused by the short term lending model has been the impact upon the resources of financial counsellors, and community legal centres such as Financial Rights and Consumer Action in providing advice and support to vulnerable and disadvantaged consumers. Given the unique issues raised by the Cigno/GSSF business model, significant resources have had to be re-directed into both assisting consumers who have had to deal with the inevitable consequences of engaging with this business model, but also resources have had to be re-directed into developing strategies to understand and deal with the business itself.

In 2018/19 Financial Rights Legal Centre provided 138 services to Cigno borrowers, up from 54 in the previous financial year. Unlike with other licensed credit providers, it is never sufficient to simply tell people their rights and direct them to the hardship team or the internal dispute resolution service at the lender because they don't exist for Cigno. A similar increase in the 2019/20 financial year would have a significant resourcing impact.

We are aware that other financial counselling and legal assistance services all over the country are also dealing with this problem. We believe that in the long term, the proposed intervention will allow those services that have had to engage with clients impacted by Cigno to free up service resources to tackle other issues, helping other clients currently unable to access assistance due to resource constraints.

No obligation to provide hardship relief

The short term lending model provides no relief to consumers suffering from hardship because lenders operating under the section 6 exemption are not required to meet the hardship provisions under section 72 of the NCC. This means that the model actively exacerbates and maintains financial hardship in a way that other models that meet the requirements under the NCC do not.

As will be detailed in answer to Question C1Q3 below, the proposal will not necessarily address this particular point specifically. However, given the practical impact of the proposed intervention, we believe that the issue is unlikely to arise in a manner that will require addressing.

Disempowering consumers, exacerbating financial exclusion and undermining financial capability and resilience

Offering credit to consumers who cannot reasonably afford to repay it does not amount to financial inclusion – quite the opposite. Consumers who find themselves with rapidly escalating debts that are completely beyond their capacity to repay are not only constrained financially but also psychologically. Being faced with impossible objectives is completely disempowering. Research suggests two key behaviours that are strongly correlated with financial well-being and unrelated to wealth or financial literacy – saving and not borrowing for everyday expenses.[1] Loans such as those offered by Cigno encourage the latter and make saving impossible (because there is no money left to save). This feeds a vicious cycle that makes it necessary to borrow to cover essential everyday expenses again and again.

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 ASIC intervention proposal as detailed in Option 1 – that is

> *(a) make an industry-wide product intervention order by legislative instrument under s1023D(3) of the Corporations Act to prohibit 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 and*
>
> *(b) if a new model, which seeks to circumvent the industry-wide product intervention order, evolves in response to the prohibition, amend the existing order or introduce a new order to address that model.*

We believe that this is an appropriate and measured solution to ensure no further harm is caused by this business model since the proposed order is likely prevent the use of the short term lending model currently being used by Cigno and GSSF.

As we understand it, following the making of the product intervention order, Cigno and GSSF could prima facie continue to trade in their current form, subject to the new limits on charges, in the sense that consumers could still enter into two contracts, one with GSSF as lender and one with Cigno as "helper" in relation to obtaining that credit more quickly. However, it is difficult, on the face of it, so see what benefit Cigno and GSSF would derive from continuing to trade in this form.

The only reason for having the two entities and the two contracts is to enable higher costs to be imposed on consumers than permitted by the subsection 6(1) of the NCC exemption. If it ceased to be possible to impose those higher costs, then there would be no obvious point having the two entities/two contracts.

However the question arises (at least theoretically), whether a short term credit business is viable despite the inability to charge over the maximum allowed under subsection 6(1) – in other words can a business operate profitably while compliant with the current exemption.

We are not aware of any firm in the marketplace offering credit on terms that comply with the subsection 6(1) exemption with the following exceptions.

Buy now, pay later services like Afterpay are also arguably using the short term credit exemption in section 6 of the NCC. Unlike Cigno these services generally do not charge

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[1] ANZ, Financial Wellbeing, A survey of adults in Australia, April 2018 https://www.anz.com/resources/2/f/2f348500-38a2-4cfe-8411-060cb753573d/financial-wellbeing-aus18.pdf?MOD=AJPERES

interest.[2] The profitability of these services is reliant on merchant fees and, to some extent late fees, although these are significantly lower than the default fees charged by Cigno. While we are of the view that buy now pay, later services are essentially a form of credit, and should be regulated, we do not believe they would be affected by the proposed product intervention order.

MyFi and BHF Solutions

It has come to our organisations' attention that there are now two new financial firms involved in this short term credit model. They are:

- MYFI AUSTRALIA PTY LTD / ABN 76 626 283 645 myfiservices.com.au/
- BHF SOLUTIONS PTY LTD ABN 15 631 775 123 bhfsolutions.com.au/

As we understand it MyFi is a new trading name for Cigno Australia Pty Ltd and has been since 15 May 2019.[3] We note however that Cigno Pty Ltd is an ongoing concern under ABN 43 612 373 734.[4] Its website is still active but now provides a link directly to BHF Solutions where it states the consumer opts to deal with the lender directly: https://cignoloans.com.au/lender-option/

BHF Solutions have been active since 20 February 2019.[5]

GSSF also seems to be an ongoing concern as per the Australian Business Register[6] and is still referenced on the Cigno website.

While MyFi/BHF Solutions is a slightly different model – the result is very similar if not exactly the same as the Cigno/GSSF model.

MyFi offers a membership system where MyFi acts as an agent between the consumer and the lender or product provider – similar to the short term credit model described in the consultation paper. They offer an Active Membership and a Standard Membership. We provide a redacted contract for an Active Membership for a $200 loan at **Attachment B**.

Under a contract for a $200 loan MYFI active membership charges:

- Financial initiation fee of $150

[2] In some cases, for some providers, this is debatable, particularly where there is a substantial difference between the cash price for which goods and the price quoted when the intention is to purchase using the buy now pay later service.

[3] Australian Business Register - Details for ABN 76 626 283 645 http://www.abr.business.gov.au/AbnHistory/View/76626283645 and ASIC https://connectonline.asic.gov.au/RegistrySearch/faces/landing/panelSearch.jspx?searchText=626283645&searchType=OrgAndBusNm&_adf.ctrl-state=cej5tk2ni_15

[4] Australian Business Register - Details for ABN 43 612 373 734 http://www.abr.business.gov.au/ABN/View?abn=43612373734

[5] Australian Business Register - Details for ABN 15 631 775 123 http://www.abr.business.gov.au/AbnHistory/View?id=15631775123

[6] Australian Business Register -Details for ABN 89 611 823 940 http://www.abr.business.gov.au/AbnHistory/View?id=89611823940

- Active membership fee of $5.95/week
- An additional financial supply fee of $22 – should the consumer request a change of payment, leading to additional membership fees if the amendment results in an extension of membership time.
- Default fees
    - o (the above) financial supply fee of $22
    - o DCR fee of $79
- The total amount to be paid was $413.55 by 8 weekly payments of $52 (the eighth being a payment of $49.55).
- These amounts are disbursed to BHF solutions which charges the principal plus 5% interest – that is, eight weekly payments of $27 (the eighth being a payment of $21).

At first glance, it seems the MyFi/BHF Solutions would fall afoul of the proposed product intervention order, however given these new moves, it is incumbent upon ASIC to investigate the model further to ensure that MyFi and BHF Solutions are in fact captured by the proposed product intervention order.

Viability of continuing to lend within the amounts permitted by section 6 of the NCC

A short term credit provider complying with both subsection 6(1) and the product intervention order would have the competitive advantage of lower overheads, as there would be no obligation to comply with responsible lending requirements or credit licensing requirements (including internal dispute resolution requirements, AFCA membership, and provision of warnings). These would also be clear disadvantages for consumers interacting with such a entity, although the problem of excessive cost would at least be significantly diminished.

While it might be possible in theory to run a viable, but very marginal, business within the limits on costs imposed by the proposed order – particularly if the credit provider can itself borrow money on significantly better terms than 24% p.a. on the wholesale market and has a highly efficient and effective debt collection operation, we do not consider it likely. With the exception of buy now, pay later services who operate under a different model, no other entity has opted to operate within the exemption [7]presumably because it is not particularly profitable, or profitable at all. We note that in lobbying against both the state imposed interest rate caps that preceded and originally overlapped with the NCC, and the SACC provisions which were later enacted in relation to costs, the industry has consistently maintained that it is not possible to operate a profitable business under 48% per annum[8]. The section 6 exemption limits costs to much less than 48% per annum.

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[7] The entities above are also exceptions but appear to be related to Cigno/GSSF. Teleloans also formerly operated using a similar arrangement to Cigno/GSSF to charge more than the permitted costs under section 6.

[8] Wallet Wizard also offers a low balance product for less than 48% per annum, using a continuing credit arrangement. ASIC should consider whether there are any relevant implications from the use of that model for the likely effectiveness of the product intervention order.

Therefore, assuming they comply with the product intervention order, Cigno and GSSF are likely to have to give up the most harmful aspects of their current business model, and will likely cease to operate it at all, as this would not serve their intended purpose. As a continued source of financial detriment resulting in significant consumer harm this would be a positive outcome.

Ensuring the definition is sufficiently broad to capture the current model and any foreseeable variation

The real danger in this scenario is not that Cigno/GSSF or any other relevant entity will continue to offer unregulated credit within the cost parameters set by section 6, but whether they can find another way to circumvent the product intervention order to continue to overcharge.

As we read it, the product intervention order is drafted to preserve the existing exemption, including preserving the ability for someone to offer subsection 6(1)-compliant credit through a two entity, two contract model if they (for some reason) wanted to do so.

The definition of "collateral service" in the product intervention order limits it to a service in relation to an "application" for credit. Given Cigno markets itself as providing services in relation to both the application for and management of GSSF loans, this definition should be broader. For example:

> "*collateral service* means a service provided to a retail client in relation to the provision of credit to that retail client by a short term credit provider under a short term credit facility, and for the avoidance of doubt includes (a) a service provided to a retail client in relation to an application by the retail client for the provision of credit by a short term credit provider under a short term credit facility; and (b) a service provided to a retail client in relation to the management of a short term credit facility provided the retail client by a short term credit provider".

The "condition" in subsection 5(3) of the product intervention order arguably does not make it clear that the *total* fees and charges imposed by the associate *together* with the credit provider cannot exceed the limits in subsection 6(1) (i.e. the condition arguably leaves open the possibility of double-dipping, where GSSF imposes the maximum fees and charges it can under subsection 6(1), and Cigno then does the same). It is clear from the consultation paper's use of the word "total" (see eg paragraph 10) that this is not ASIC's intention. ASIC should consider if the drafting of subsection 5(3) could be made clearer. Subsection 5(3) may be clearer if reformulated as follows:

> "The total amount of the amounts in paragraphs (a) and (b) must not exceed the maximum amount of credit fees and charges permitted under subsection 6(1) of the National Credit Code in relation to the provision of credit under the short term credit facility:
>
> (a) Collateral fees and charges imposed or provided for by a short term credit provider or an associate for the provision of a collateral service to a retail client.
>
> (b) Credit fees and charges imposed by or provided for by the short term credit provider under the short term credit facility."

Default fees and enforcement expenses

The consultation paper sets out on page 18 and 19 both the upfront costs charged under the Cigno/GSSF model but also the default fees. In many ways these fees represent the real crux of the problem because they are both likely to be incurred as a result of the lending being targeted to those who can least afford it, coupled with no responsible lending obligations, and so high as to ensure that borrowers in default quickly become indebted for much more than the amount originally borrowed.

Unlike a SACC, there is no fixed cap on the amount a consumer can end up owing under a subsection 6(1)-compliant contract if they remain in default: interest at the 24% p.a. interest rate permitted under subsection 6(1) can continue to be charged indefinitely. Of course, interest at that rate on the small amounts Cigno and GSSF lend ($50-$1000) would take a very long time to even approach the amounts recoverable in the event of a default under a SACC, much less the fees Cigno currently charge: daily interest would be $0.03 (on $50) to $0.65 (on $1000).

We note however that on our reading of subsection 6(1) and the proposed product intervention order, the maximum 24% p.a. interest rate is an absolute maximum, including in the event of default: while section 30 of the NCC permits the charging of default interest in regulated credit contracts, any default rate is still itself an “annual interest rate” (see the definition of “default rate” in section 27), and so captured by the language of subsection 6(1)(c) and thus unable to be greater than 24%.

It is arguable that the default fees imposed by Cigno/GSSF are similarly limited by the current wording of section 6 of the NCC as a result of the inclusive definition of credit fees and charges in section 204 of the NCC. As such, these fees should be limited to 5% whereas both the consultation paper and our clients’ experiences reveal instances of default charges being equivalent to in excess of 900%. Clearly, Cigno/GSSF have gone to some trouble to construct their business model to avoid breaching the upfront costs limit, but no such machinations have been employed in relation to their default charges, suggesting some level of confidence that these fees are not relevant to the section 6 parameters.

Finally, enforcement expenses can still be charged even under the proposed product intervention order: again, see paragraph (d) of the definition of “credit fees and charges” in section 204 of the NCC. Further, section 107 of the NCC in relation to the recovery of enforcement expenses does not apply if the contracts are successfully excluded from Code application by section 6. There may be some common law limitations on recovery of reasonable enforcement expenses, but as Cigno’s clients are clearly unlikely to be pursuing their rights in a court of law, and have no access to external dispute resolution, this could also represent a practical loophole. Even section 107 includes expenses reasonably incurred by the use of the staff and facilities of the credit provider, meaning there is no intention to limit such expenses to disbursements such as court filing fees. We submit that the product intervention order should put these matters beyond doubt and specifically insert “(including fees, charges and enforcement expenses imposed in the event of default)” wherever there is a reference to fees and charges.

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 support simply encouraging consumers to use alternatives as proposed under Option 2. Disclosure and financial literacy have very little impact upon the cohort who would consider using a Cigno loan since they are already in a state of financial hardship and likely to be willing to do almost anything to obtain short term credit. This need will be greater if they are knocked back by other payday lenders that must comply with responsible lending requirements. The impact of disclosure in changing consumer behaviour is well documented as detailed by ASIC. While our organisations do receive some calls from consumers who have read the warning required to be displayed by other short-term lenders, these are few and far between. We also see many consumers who are in trouble as a result of SACC loans regardless of the warning (although not with the same degree of rapidly escalating debt). Further warning will do little to reduce the consumer harms inherent in the Cigno model.

The do nothing approach proposed by Option 3 is – to put it simply - not an option.

As detailed in our answer to question C1Q3 above, the effect of the proposed order is to ensure that the business model stays within the bounds of the legislated exemption under subsection 6(1) of the NCC which permits short term credit outside the consumer protections of the NCC. ASIC is therefore constrained by extant legislated intent to provide such an exemption. We believe that ASIC has taken the most appropriate approach, within those legislated bounds – to intervene. Anything more will require legislative change.

AFCA membership

One action that ASIC is prevented from proposing as an additional measure in any product intervention power is a condition that a person who is not required to hold an Australian credit licence become a member of an external dispute resolution scheme: Section 301D(4)(b) and Section 1023D(4)(b) of the *National Consumer Credit Act 2009*. This is disappointing given such a power could have assisted ASIC to address some of the issues outlined above. Reconsideration of this restriction may be required.

Concluding Remarks

Thank you again for the opportunity to comment. If you have any questions or concerns regarding this submission please do not hesitate to contact Drew MacRae, Policy and Advocacy Officer, Financial Rights on (02) 8204 1386 or at drew.macrae@financialrights.org.au or Patrick Sloyan, Policy Officer on 03 9670 5088 or at patrick@consumeraction.org.au.

Kind Regards,

Karen Cox
Chief Executive Officer
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About Financial Rights

Financial Rights is a community legal centre that specialises in helping consumers understand and enforce their financial rights, especially low income and otherwise marginalised or vulnerable consumers. We provide free and independent financial counselling, legal advice and representation to individuals about a broad range of financial issues. Financial Rights operates the National Debt Helpline, which helps NSW consumers experiencing financial difficulties. We also operate the Insurance Law Service which provides advice nationally to consumers about insurance claims and debts to insurance companies, and the Mob Strong Debt Help services which assist Aboriginal and Torres Strait Islander Peoples with credit, debt and insurance matters.

About Consumer Action

Consumer Action Law Centre is an independent, not-for profit consumer organisation based in Melbourne. We work to advance fairness in consumer markets, particularly for disadvantaged and vulnerable consumers, through financial counselling, legal advice and representation, and policy work and campaigns. Delivering assistance services to Victorian consumers, we have a national reach through our deep expertise in consumer law and policy and direct knowledge of the consumer experience of modern markets.

Attachment A: Cigno Case studies from Financial Rights

Financial Rights Case Study 1 – Cindy's story - C177585

Cindy is a single mother looking after three dependent children aged 7, 13 and 16. Cindy had recently divorced from her de facto partner of 15 years.

Cindy obtained two loans with Cigno. Cindy obtained first loan in August for $250; and the second loan in November for $250. During this period Cindy was living pay-check to pay-check. She had a number of defaults listed on her credit file and a number of other loans.

Prior to obtaining the first loan, Cindy remembers that she had been rejected from another loan. This company then recommended our caller apply for a loan through Cigno online.

Cindy applied online and signed a document. She was then approved for the loan. She does not remember providing any documents.

Cindy defaulted four times on the first loan loan. She was offered a settlement on this loan in early November. Cindy paid a total amount of $687.50. Cindy accepted this settlement offer. She made the lump sum payment by borrowing funds from her mother.

Cindy then received a notification from Cigno that she could obtain further funds. 3 days later Cindy entered into the new loan contract with Cigno. They conducted no further enquiries.

Cindy has already defaulted on this loan twice. She cannot afford repayments. Cindy has made no payments towards this second loan.

Financial Rights Case Study 2 - Sam's Story - C173878

Sam is a young Aboriginal man in his 20's who is on the Disability Support Pension. Sam had been threatened by a debt collector (debt collectors for a Telecommunication) for a debt of close to $3500. Sam also had a debt to a lease provider $1,184.00 and a Cigno debt of $1,020.00. The Cigno debt was originally $250 but he was unable to afford it.

Financial Rights Case Study 3- Kyle's Story - C174577

In July 2018, Kyle applied for a loan with Cigno for $150 through their website (Cigno gave him $175). The loan does not charge interest but loan admin fees with each repayment, plus a default fee of $49 plus $30 letter fee for each default.. The website application process did not ask any questions about whether Kyle could afford the loan. Kyle could not afford the repayments as he was living on Youth Allowance, had an intellectual disability and was in financial hardship. The $175 loan turned to $909.80. Kyle paid some amount but Cigno did not register the payments.

Financial Rights Case Study 4 - Vivek's Story - C181159

Vivek applied for a loan with Cigno for $200 through their website. The loan does not charge interest but loan admin fees, plus a default fee of $49 plus $30 letter fee for each default. The website application process did not ask any questions about whether Vivek could afford the loan. Vivek could not afford this as he was living on Youth Allowance, getting treatment for mental illness and in financial hardship. $200 loan turned to $1095.25 and Vivek had paid $424 before seeking assistance.

Financial Rights Case Study 5 - Larry's story - C174656

Larry called NDH in relation to a number of debts he had acquired while he was in and out of homelessness. Larry had only recently found accommodation at a men's refuge. His only source of income was the Disability Support Pension. Larry obtained a loan with Cigno in June 2018 and had a loan with another provider in 2015. The Cigno loan was for a hotel stay. Larry was unable to afford repayments on these loans.

Financial Rights Case Study 6 - Taylor's story - C178364

Taylor had previously suffered from a stroke leading to his being on the Disability Support Pension. Taylor came to NDH about a personal loan with Cigno taken out in about May 2018 for $250.00 to pay for medication, obtained through an online application. Taylor was unaware of the high cost and other fees that entering into a loan with Cigno would entail.

Taylor had been trying to pay off his personal loan by paying $30.00 per fortnight, which was being direct debited. This had been causing him tremendous financial hardship, and he had even forgone food. Taylor was living pension to pension, and after deductions for rent and CentrePay from his DSP, he had barely $40.00 per fortnight to live on. He believed that he had paid off the initial amount borrowed plus fees, however Cigno continued to debit further fees.

Taylor had contacted Cigno to resolve the dispute in late 2018. Cigno wrote back to him to say that even though he had already paid back $397.00, they still required a pay-out amount of $421.70. Cigno said they would settle Taylor' account for a further $295.19, and that he had to make 4 payments of $74.00 per fortnight to be released. There was no way that Taylor could afford those further repayments.

Taylor was at risk of being made homeless if he couldn't pay his private rental (he has been on the priority housing list for years with no progress).

Financial Rights Case Study 7- Katherine's story - C178892

Katherine was a Mob Strong caller from South Australia, Aboriginal, 60 years old, on the DSP. She was stressed from receiving regular text messages from a debt collector about a Cigno loan she never took out. Her phone had been hacked a few months earlier - she suspected it was the partner of a friend - and she thought they probably took out a loan in her name. She didn't want to contact the debt collector because she didn't want to give them her name or other details in case that made it easier for them to chase her for the debt.

Financial Rights took on the case and asked for documents. They could not find any accounts under the client's name, and after a search of the reference number in the text messages - confirmed she was not named on the Cigno debt she was receiving messages for, and they removed her mobile as a contact number on that account. Shortly after we closed her file, Katherine came back to us and she received more texts from the debt collector.

Financial Rights Case Study 8 - Brody's story

Brody is 21 years old and has had a drug dependency for 5 years. He had been working and living in rental accommodation until April 2018 when he lost his job and was no longer able to afford his rent. Because of his drug dependency Brody was not able to return home and so became homeless.

In May 2018 Brody applied for and was granted 2 payday loans. The principle amounts borrowed were $350 with Cigno and $500 with another payday lender.

At the time of applying for the loans Brody was homeless, still had a drug dependency, had no income or savings, was not receiving Centrelink entitlements and had $100 per week to cover essential living expenses. Brody could not afford to make repayments and so did not make any from the outset.

Brody wanted to improve his life and came to us for help with dealing with his debts. At this time the first loan with Cigno was with a debt collector for $1,133 and the other, which was in default, had an amount of $600 being demanded. Brody also had a phone plan contract which was in arrears by $524 with a couple more months remaining on contract. Brody had also lost the original iPhone that came with the plan.

Brody was granted Centrelink Youth Allowance and rental assistance totaling $559 per fortnight in mid September 2018 but much of the money is needed to pay for treatment.

Financial Rights Case Study 9 – Aaron's story - C167932

Aaron had three pay day loans from Cigno in the past 6 months. He was unemployed at the time of each loan, with living expenses in excess of his small Centrelink income. He struggles with addiction and schizophrenia. At the time of taking out at least two of the three loans, Aaron was in a drug rehabilitation facility. Cigno sent Aaron repeated marketing emails, offering him "pre-approved" loans, despite having never (as best we can tell) done any assessment of his capacity to repay.

Aaron managed to pay back the first loan (he could not explain how); his dad paid the second one to stop Cigno taking money out of Aaron's account (which would have meant he defaulted on his payments to the rehab facility and got kicked out), and the third one was unpaid when Aaron contacted us (through his dad, initially, as he could not make outgoing calls from the rehab centre). In relation to this third loan, Aaron borrowed $200 in May and by June was being pursued for over $700, growing all the time.

Financial Rights Case Study 10 – Casey's story - C184533

Casey obtained a short term pay day loan with Cigno. Casey obtained the loan for $200 a week before Christmas.

She has attempted to pay off what she can. She has already paid $187, but still owes $630 after three months. She has tried to contact Cigno numerous times and can't get through. She has told them she is in financial hardship but they will not delay the payment.

She was not working at the time she obtained the loan and she was on Newstart. She obtained the loan online, and doesn't remember what they asked her but it was a very quick process. She only received the 13 page terms and conditions after she obtained the loan .

There are also fees when you change a payment date. She couldn't change the dates sometimes because she couldn't get through the phone system to talk to someone – she had to go through online portal. This caused her payment to be dishonoured and these fees were added on to the payment due.

She is still on Centrelink at the moment, and cannot afford to pay enough to get on top of the loan and the accumulating fees.

Financial Rights Case Study 11 – Jessie's story - C179759

Jessie took out a loan with Cigno in 2017 for $200. Jessie is still paying it off in 2019. The balance of the loan is currently $870.

Jessie had to change her direct debit details as she closed her old bank account, but Cigno have not changed it on their system so Jessie is continuously being charged direct debit default fees.

Jessie doesn't have the funds to make a one off payment. She is on a disability pension and has no assets. She took out the loan for her son.

The debt has gone up by $200 and is now $1093.

Financial Rights Case Study 12 – Harry's story - C100017

Harry's sole source of income is the Disability Support Pension.

In late May 2019 he took out a loan with a loan with Cigno online for $130. Repayments were to be $80/fortnight over 4 repayments (in total $320). At the time he contacted Financial Rights he made two repayments of $80 and a single repayment of $50 as he could not afford more.

In June 2019 he received an email from Cigno indicating that must pay his outstanding balance in full within 3 days or the debt would be sold to a debt collector. The outstanding balance is currently $850.

Financial Rights Case Study 13 – Tammy's story - C182934

In March 2019 Financial Rights Legal Centre assisted Tammy, who had obtained a loan from Cigno. She had applied for a loan online in about August 2018. She was offered $200. At first she did not accept the loan, but Cigno continued to contact her until she eventually accepted the loan about a month after first applying for it.

When she applied for the loan, the client had an income of approximately $2000 per fortnight (a combination of paid work and Centrelink). She is a single parent with one child living in private rental accommodation and often does not have any funds left at the end of each fortnightly pay cycle. Cigno were aware of this as she provided a copy of her recent bank statements when she applied for the loan. The loan repayments were $100 per fortnight which the client instructs she could not afford without substantial hardship.

She instructs she has paid approximately $100 towards the loan so far. When she contacted Financial Rights, Cigno alleged that she owed approximately $1377.

Financial Rights Case Study 14 – Khloe's story - C186528

Khloe recently become unemployed and is in approximately $20,000 worth of debt due to various personal loans and credit card debts. She is currently in rental arrears and surviving on emergency food vouchers.

Khloe borrowed $300 from Cigno and has had paid them back $748.75. She has substantial debts totalling $20,000 and her rent has fallen into arrears.

Financial Rights Case Study 15 – Rhonda's story - C179946

In November 2018, while feeling very weak and vulnerable, Rhonda successfully applied for a $350 loan with Cigno. Rhonda provided Cigno with access to her bank statement when she applied for the loan, which showed that her sole source of income was a full time work salary of $1,680 per fortnight. Rhonda instantly regretted the loan and sought to terminate the contract.

Later that month Rhonda paid back Cigno the principal amount of $350 by internet transfer as a means to settle this matter. Despite this, Cigno have refused to acknowledge this payment

Cigno now demands that Rhonda repay a total of $987.85, including the loan fees in one repayment.

Rhonda cannot afford to repay the loan without substantial hardship.

Financial Rights Case Study 16 – Jasmine's story - C172743

Jasmine is an Aboriginal and Torres Strait Islander living in Cape York. Jasmine has a Centrelink carers allowance to support herself while caring for her mum.

She has two main debt problems: The first problem is debt with a phone company for $400 for the house phone bill. The second problem is debt with Cigno. Jasmine applied for $300 loan in Christmas 2017. Jasmine's daughter completed the application for her on her behalf so Jasmine does not know what happened with the application process. Jasmine then received text messages that she had to pay back $800. Jasmine didn't think she would have to pay that much back as this was the first loan she had ever taken out. Jasmine noted that nearly everyone in the community has a Cigno loan.

Financial Rights Case Study 17 - Annabel's story - C105460

Annabel is a 70 year old widow whose sole income is a Centrelink pension of $906 per fortnight. Annabel has a serious medical condition and has been struggling to afford food and other basic necessities because of recent high medical expenses arising from her condition.

In April 2019, Annabel applied for loans of $50-$100 with a number of payday lenders, all of whom rejected her application. She was told by one of the lenders that they could try to find another lender who could assist her.

Later in April, she received an email from Cigno, which said that “[her] application for a loan had been finalised” and “the funds will be available from that Friday. The loan was for $250. The repayments were 3 fortnightly payments of $125 and a final payment of $122.60, which would be directly debited from her bank account.

Annabel had not made any contact with Cigno before receiving this email. She had not provided any loan application, direct debit authorisation or financial information to Cigno. She was not provided with any information about Cigno before receiving this email.

On that Friday the $250 was deposited in Annabel’s account. Days later, Annabel was informed by Cigno that her next payment had been increased to $155.80 because a “change of payment” fee and weekly account keeping fees had been added.

Financial Rights Case Study 18 – Derek’s story - C175831

Derek is an Aboriginal man living on a disability pension and performing part time work. He has significant medical expenses to treat a serious medical condition.

In October 2018 Derek took out a $350 Cigno loan to pay for car repairs so he could attend sorry business. The loan came with one repayment of $519.40 was due on 24 October 2018. Derek had selected this option to pay in one instalment so he does not have to pay so much extra in additional fees. Also Derek did not want to risk overdue fees which would make it more expensive.

Derek was never asked for details of his income and expenses before applying for the loan. Cigno never asked for a bank statement from Derek until after he received the money from Cigno in his bank account. Derek had previously applied for financing from other high profile pay day lenders but they did not approve his applications.

Derek paid $16 for same day deposit but did not get the money until the next day. Derek later realised that when he makes the required repayment, it will use up 90% of his weekly income and cause him financial hardship.

Derek applied to Cigno to have the admin fees waived through 3-4 emails but never received a response.

Financial Rights Case Study 19 – Juan’s story - C188313

Juan is a 47 year old man with 4 children. He is currently unemployed and his sole source of income is Centrelink benefits.

Juan originally applied for a loan with a particular pay day lender. At the time, he was already had two high interest loans one secured over his car and had a SACC with another lender. He applied to increase his SACC and was rejected, they referred him to Cigno.

Juan applied for a loan with Cigno online in January 2019. In late January 2019, he was approved for a loan for $120. According to the documents he was provided, the term of the loan was 13 days and he was required to make one repayment of $173.95 in mid February 2019.

Juan was unable to afford the repayment. Account keeping fees of $5.95 per week and dishonour fees totalling $375 accumulated so that eventually, Cigno were claiming that he owed $815. The alleged debt was referred to a debt collector for collection.

In April 2019, Juan applied online for a repayment arrangement with Cigno. The repayment schedule that he received provided that he was to repay $30 per fortnight until September 2020. The total amount he was to repay under this repayment schedule was $1,142.85, which is almost 9 times the original loan amount.

Financial Rights Case Study 20 – Kayley's story - C179827

Kayley has used Cigno loans in past and always has money taken out on the correct pension pay day. This time Kayley borrowed $250 and they changed the date the money comes out of her savings account. There was no money in account on this day so fees and penalties blew out and the debt grew to $1100. A debt collector is now involved but no money is coming out of her account and the debt is just growing. Kayley has tried to contact Cigno but cannot get through.

Kayley had provided financial information to Cigno when she applied for the loan showing that her sole source of income was the Disability Support Pension .

Kayley had for months tried to update her direct debit account details with Cigno online and via the telephone. Cigno have failed to update these details and continue to charge her default fees.