



The Salvation Army Australia Territory

Territorial headquarters

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Senior Manager, Financial Services Group
Australian Securities and Investments Commission
Level 7, 120 Collins Street
Melbourne VIC 3000

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

Dear Sir/Madam,

The Salvation Army appreciates the opportunity to make a submission in response to the Australian Securities & Investments Commission (ASIC) Consultation Paper 316 *Using the product intervention power: Short term credit*. We welcome the focus on short term credit, which is causing significant harm to people already experiencing hardship and support the approach ASIC is proposing.

The Salvation Army is an international Christian movement with a strong presence in Australia. Our vision is to confront hardship and injustice by living, loving and fighting alongside others to transform Australia one life at a time, with the love of Jesus.

The Salvation Army, through our Moneycare program, is one of the largest financial counselling services in Australia. We deliver a range of free and confidential services, including financial counselling, financial capability support, financial literacy workshops, and microfinance. Through these services, The Salvation Army seeks to help people in hardship by addressing their immediate crisis situation and by building their long-term capability and resilience in managing financial hardship.

The Salvation Army's view on the proposed product intervention order is based on the experience of our Moneycare program and within the context of The Salvation Army's general commitment to addressing disadvantage in Australia.

The Salvation Army strongly supports the use of ASIC's proposed legislative intervention as a first step to curbing the harm increasingly being caused by predatory short term loans.

Recent research by The Salvation Army found that the incidence of people with predatory debt has increased significantly, from 6% in 2008-09 to 13% in 2017-18. In addition, the median values (after adjusting for inflation) have trebled from \$423 to \$1,383 in the same period. The Salvation Army's data on the cohorts who are more likely to have payday loans or consumer leases is consistent with the groups identified by ASIC in the consultation paper.

Founder **William Booth**
General **Brian Peddle**

*Wherever there is hardship or injustice, Salvos will live, love and fight
alongside others to transform Australia one life at a time with the love of Jesus*

salvationarmy.org.au

The Salvation Army does consider that protections could be further strengthened. The popularity of predatory short term credit loans highlights the level of need within the community for quick access to relatively small amounts of money. While ASIC's proposed industry-wide product intervention order would eliminate the potential harm caused by the current short term lending model, failure to properly address the need would only leave the target market open to exploitation by different means.

Possible ways to strengthen the protections provided by the proposed Option 1 could include:

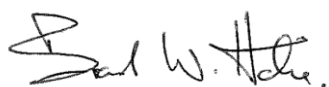
- Additional use of ASIC's product intervention power to require licenced payday lenders and other identified referral points, including utility and telecommunications companies, to refer those assessed as ineligible for a small amount credit contract to ASIC's MoneySmart website or to community organisations that provide support for those experiencing financial hardship.
- Better targeting of community awareness raising and financial literacy campaigns to the cohorts identified in paragraph 48 of the consultation paper.

The Salvation Army would also encourage monitoring of the effect of the proposed product intervention order on the uptake levels of other schemes, such as 'buy now, pay later' payment services, such as 'Afterpay' and 'ZipPay'. Our services have noticed an increased uptake, particularly among younger people, with some people using them for multiple concurrent purchases. While advertised as fee-free and zero interest, The Salvation Army's experience is that the nature and design of these models encourage clients to spend beyond their current means, and failure to meet repayments on time can affect a client's credit rating.

The Salvation Army would be pleased to provide any further information or support that would be of assistance to ASIC. If we can be of any further assistance please contact Mr Tony Devlin, Moneycare Manager NSW/ACT & Qld, on 0412 440 060 or at tony.devlin@salvationarmy.org.au.

Thank you again for the opportunity to comment on this consultation paper and for the focus and attention ASIC is giving to this important matter.

Yours sincerely,



Brad Halse, Major
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The Salvation Army, Australia

30 July 2019