



JOINT SUBMISSION FROM THE FINANCIAL COUNSELLING SECTOR

ASIC Consultation Paper 335

Product intervention orders: Short term credit contracts and continuing credit contracts

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About Financial Counselling and the Financial Counselling Sector

Financial counsellors provide advice and support to people experiencing financial stress. Working in community organisations, their services are free, confidential and independent. This is a joint submission from the peak bodies in the financial counselling sector.

- Financial Counselling Australia
- Financial Counsellors ACT
- Financial Counsellors Association of NSW
- Financial Counsellors Association of Queensland
- Financial Counsellors Association of Tasmania
- Financial Counsellors Association of Western Australia
- Financial Counselling Victoria
- South Australian Financial Counsellors Association (also covering the NT)

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1. About this Submission

This submission is from the financial counselling sector, represented by the State and Territory financial counselling associations and the peak body, Financial Counselling Australia. Financial counsellors are on the front line assisting people experiencing financial hardship and our submission draws on this direct casework experiences.

Our sector has been utterly dismayed by the ongoing presence in the marketplace of lending models that avoid the National Credit Act and cause significant harm to low income and vulnerable people. We therefore support ASIC's two proposals:

1. to make the industry-wide short term credit product intervention order
2. to make the industry-wide continuing credit contracts product intervention order

Our submission is structured as follows:

- Section 2 describes the impact of the loans based on the experience of financial counsellors
- Section 3 responds to ASIC's questions about likely compliance costs, likely impact on competition and any other impacts
- Section 4 responds to each of the consultation questions.

We have had the benefit of seeing the joint submission from Consumer Action Law Centre, Financial Rights Legal Centre, WEstjustice and the Indigenous Consumer Assistance Network (Joint Consumer Submission). We support this submission and refer to it in Section 4.

We refer to the "Cigno business model" in places in this submission. This collectively describes the business models described in paragraph 23 of the Consultation Paper (short term credit model) and paragraph 45 of the Consultation Paper (the continuing credit contract model).

We previously made submissions to ASIC in response to previous consultations about the use of ASIC's powers to make product intervention orders in relation to Cigno.¹ Both submissions included several case studies and make some similar points to this one. Given that the Cigno business model is essentially unchanged, we also refer ASIC to them.

2. Impact of the Cigno Business Model – Financial Counselling Casework Experience

Appendix 1 sets out 20 case studies collected from financial counsellors around Australia about clients they have assisted with loans using the Cigno business model. The landscape table below summarises key aspects of the case studies.

¹ They were in response to ASIC Consultation Paper 316 (July 2019) regarding the short term credit model and ASIC Consultation Paper 330 (July 2020) regarding the continuing credit contract model.

In a nutshell, the Cigno business model uses loopholes in the credit laws to provide relatively small value loans (up to \$1,000), at extremely high overall cost, to people in vulnerable circumstances. In the experience of financial counsellors this almost inevitably results in significant harm for borrowers. It appears however to be highly profitable business model.

2.1 The cost of the credit is extremely high

The most obvious issue with the business model is the high cost of the credit. The Cigno business model relies on charging people extremely high fees, and these are often a huge multiple of the original loan as shown in the summary table below. Borrowers can repay the loan many times over. Kelly for example (case study 2) borrowed \$100, and made total repayments of over \$1,000.

Appendix 2 is a deidentified account statement from a person who took out a loan for \$60 on 10th May 2021 and is a further example.

- For a loan of \$60, the other fees charged the same day totalled \$423.40.
- Over the next five months, the person repaid \$516. They were charged a weekly account keeping fee of \$5.95, default fees of \$79 per default and change of payment fee of \$22. All up the fees totalled \$914.30. The loan payout figure at 12th October 2021 was \$458.30.
- We have not calculated the effective interest rate, but this would be in the hundreds of per cent, if not more.

2.2 The people targeted are often vulnerable

In the experience of financial counsellors, people taking out loans with Cigno are on very low incomes, usually Centrelink, and are experiencing circumstances or have personal factors that make them highly vulnerable, for example, being victims/survivors of family violence, being unable to read and understand documents or having a disability.

Steven is a 30 year old client with autism who relies on NDIS support services for daily assistance including help with hygiene and shopping. He receives a Disability Support Pension. He has limited capacity in relation to financial literacy. (Case study 4)

Mary-Ann is a First Nations woman and single mother in her early 40s. English is her second language and she has difficulty reading. Mary-Ann also has low numeracy skills and has experienced economic abuse from within her family in recent years. (Case study 5)

2.3 Inadequate assessments of repayment capacity

Financial counsellors are seeing examples where the assessment of repayment capacity is inadequate. The case studies show how loans have been provided to people where a proper assessment would have identified that the person could not afford the loan.

Jenny took out a loan with Cigno Australia Pty Ltd for \$700. At the time of the loan she had a fortnightly income of \$1,900 from Centrelink. She currently is in arrears in her mortgage payments, with two expired hardship agreements. She is prioritising payments to her mortgage to keep the property. As a result, she has no capacity to repay the loan (case study 15).

Steven took out a loan with Cigno Australia Pty Ltd for \$250. He struggled to make repayments due to his income only being \$960 per fortnight and he was in arrears in rent, utilities, car loan and money owed to family members. Cigno accessed bank statements via an online platform (case study 4).

In the following case, the assessment took place after the loan was provided

Keith is a 30ish man with severe mental health issues living with his mother on a Disability Support Pension. He has difficulties managing his money. He gambles most evenings on international casino websites.

To support his gambling he takes out 'payday loans' of between \$250-\$400 each. He usually has two to three current 'payday loans' at any time.

As part of the documentation provided to the financial counsellor, Cigno included an assessment of Keith's bank statements for the period June to September. However, the date of this assessment was November, which is the date Cigno provided the document to the financial counsellor. This suggests the bank statement assessment was not undertaken as part of the loan processes, but after approval of the loan. (case study 19).

2.4 Impact on people from these loans is serious

The provision of credit should help, rather than harm, a borrower. The impact on people of taking out Cigno loans however is often highly detrimental. The case studies in Appendix 1 indicate that:

- people are unable to meet their other day to day living expenses, such as food and utilities
- some people take out further credit, such as a payday loan to make their Cigno loan repayments
- because of their high cost, people become "trapped" in debt with the Cigno business model
- people are asked by Cigno to borrow money from family and friends. Some people do in fact do this.

These serious issues also flow on to other people in the borrower's family, including, and of course, worryingly, children.

(In order to pay her Cigno loan) Kelly has been obtaining loans from friends for food, in addition to taking out Centrelink advance payments for food and other bills. (case study 2)

Rachel struggled to make repayments due to her low income, this led her to obtaining a small amount credit contract from other lenders to fund living costs and she fell short on other commitments. (case study 3).

On a previous loan of a similar amount, Cigno asked Michelle if she could borrow money from family members to pay off the debt. (case study 1).

2.5 Cigno are difficult to deal with

As outlined in our previous submissions to ASIC about Cigno, financial counsellors report that the company is difficult to deal with. Some clients and financial counsellors have struggled to get through to Cigno on the phone and the online login process has left some people unable to check their account information as they do not have login details.

The financial counsellor made representations to Cigno, which resulted in the debt being waived. However, the process was arduous and required significant time on the part of the financial counsellor. (case study 4)

Since our last submission, it appears Cigno changed their inbound call procedure during parts of the COVID-19 pandemic.

He attempted to call Cigno to get information, but there was a recorded message saying no one was available to speak due to the COVID pandemic. He was referred to the online client portal but he did not have login details. He was not aware of the default fees, weekly account keeping fees or rescheduling fees. (case study 12)

Summary of Case Studies

Name	Initial loan value	Amount repaid	Fees and charges identified ²	Loan vs amount repaid as a multiple ³	Main income source	Other risk factors	Impact of the loan on the person
1 Michelle	\$250	\$100	\$1,400	0.4	Centrelink	Family violence. Loss of job	Unable to pay for food and living costs
2 Kelly	\$100	\$1055	\$1,335	10.6	Centrelink	Low income	Borrowing from friends. Stress.
3 Rachel	\$175	\$860	\$879.30	4.9	Disability Support Pension	SACC loans. Disability. Low income	Fell short on other living costs
4 Steven	\$250	\$64 (loan waived)	\$959.70	0.2	Disability Support Pension	Disability. Low income. Poor financial literacy	Arrears in rent, utilities and other debts
5 Mary-Ann	\$140	\$140 (under hardship)	\$562.60	1	Disability Support Pension	Poor literacy. Economic abuse	Unknown
6 Joanne	\$350	\$60	\$2,100	0.2	Centrelink (Parenting payment, Family tax benefit)	Living with and supporting 7-8 family members	Unknown
7 Jazzlyn	\$250	\$250 (hardship)	N/A	1	Disability Support Pension	Severe intellectual disability. Poor literacy	Stress
8 Helen	\$150	\$320	\$170	2.3	Centrelink	Transient, due to escaping perpetrator	Had to rely on emergency food relief

² It may be that the actual fees and charges were higher. These are the figures that the financial counsellor could ascertain.

³ Figures have been rounded.

Name	Initial loan value	Amount repaid	Fees and charges identified ²	Loan vs amount repaid as a multiple ³	Main income source	Other risk factors	Impact of the loan on the person
9 Catherine	\$250	Unknown	Unknown		Centrelink	Rent arrears and existing debt	Unknown
10 Mandy	\$250	\$429	\$1076.55	1.7	Centrelink	Low income	Unknown
11 Sophie	\$250	\$384	\$134	1.5	Disability Support Pension	Existing debt. Disability. Low income	Stuck in a debt trap
12 Joseph	\$200	\$510	\$631.05	2.6	Centrelink	Low income. Existing debt	Unable to pay for food
13 Michael	\$700	Unknown	Unknown		Centrelink	Low income	Unknown
14 Polly	\$950	Unknown	Unknown		Centrelink	Victim of family violence	Stress
15 Jenny	\$700	Unknown	Unknown		Centrelink	Arrears in rent, expired mortgage hardship agreements	Unknown
16 Paul	\$324.65	Unknown	Unknown		Centrelink	Low income. Debt repayment arrears	Stopped paying rent
17 Jill	\$360	\$360 (with waiver)	\$460.25	1	Centrelink	Low income	Unknown
18 Kerry	\$717	Unknown	\$542.00		Centrelink	Low income	Repayments left her accounts in overdraft, occurring further fees and hardship

Name	Initial loan value	Amount repaid	Fees and charges identified ²	Loan vs amount repaid as a multiple ³	Main income source	Other risk factors	Impact of the loan on the person
19 Keith	\$250	\$441.50	\$191.10	1.7	Disability Support Pension	Low income. Disability. Regular withdrawals to online gambling companies.	Stress and anxiety
20 Stan	\$250	Unknown	\$456.65		Disability Support Pension	Low income. Disability.	Anxiety

3. Costs, Benefits, Competition

This section responds to the request in the consultation paper to consider the likely compliance costs, likely effect on competition and other impacts, costs and benefits.⁴ Our response is based on the assumption that both of the product intervention orders are made.

3.1 Likely compliance costs

If the product intervention orders are made, and act as intended, the effect would be to close down the Cigno business model. This would mean there were no ongoing compliance costs.

If in response to the product intervention orders however, Cigno changed its business model so that it instead complied with the law, for example, by offering small amount credit contracts, the company's compliance costs would be exactly the same as those offered by all other regulated credit providers.

3.2 Likely effect on competition

The purpose of competition is better consumer outcomes: Cigno does not deliver that

The purpose of competition is to deliver better outcomes for consumers, for example, in terms of lower prices, higher quality or more choice. Let's take each of those in turn:

- The Cigno business model does not deliver lower prices. In fact, it offers a product at eye-watering cost.
- The Cigno business model is not providing a higher quality loan experience. All online lenders provide fast turnaround times (this is a key to their success), including Cigno. As noted in Section 2, when things go wrong, Cigno is very difficult to contact and does not offer appropriate hardship responses. In that sense, the result is a poorer quality product.
- The Cigno business model is not one where people are making informed choices. In a strict sense, it is hard to see how "choice" is even a factor when the product design is so detrimental.

There are other competitors to Cigno

There are many regulated credit providers that also target people on low incomes, for example, those businesses offering small amount credit contracts. While we have argued for stronger regulation of this industry, at least it operates within the law. This market is highly competitive with many operators.

⁴ Paragraph 65 of the Consultation Paper.

A fundamental principle of competition is the so-called “even playing field”, where all competitors operate within the same regulatory framework.

3.3 Other impacts, costs and benefits

There are several other impacts, costs and benefits that need to be factored into any regulatory impact analysis for the proposed product intervention orders. This section does not consider the costs of these loans on individuals which are discussed in Section 2.

Costs of delay

The longer the Cigno business models are allowed to continue the more people are harmed.

The Consultation Paper notes that 270,000 retail clients obtained loans from GSSF and Cigno between May 2016 and 14 September 2019.⁵ This equates to 6,750 per month.⁶ Assuming the rate of lending continued since then, a further 189,000 retail clients will have received loans.⁷

We urge ASIC and the Minister to act as quickly as possible in making the product intervention orders.

Costs for financial counsellors and the community sector

As discussed in Section 2, financial counsellors and community legal centres spend valuable casework time trying to unravel the details of loans provided through the Cigno business models and then negotiating with the company – if they are in fact able to be reached. Relative to the size of the debts, the time spent is also disproportionate.

Costs for the community

Although difficult to put an exact number on it, the costs for the community will also add up. These include costs when people with these loans seek emergency or food relief, as they have no money left for food, rent or electricity. There are also broader costs when people may become homeless or whose mental or physical health is affected. These are borne by the health and social security systems.

Confidence in Australia’s credit regulation and the regulator

The majority of Australians would be appalled to realise that exploitative lending of this nature is actually occurring. If it continues, consumer confidence in the effectiveness of our overall regulatory framework, and ASIC as the regulator, would be undermined.

⁵ Paragraph 29(d).

⁶ May 2016 to 14 September 2019 is 40 full months (counting May 2016 and excluding September 2019). The calculation is therefore 270,000/40.

⁷ From September 2019 to December 2021 is 28 full months. The calculation is 6,750 * 28.

4. Response to Consultation Questions

4.1 Proposal to make the Short-Term PIO

<p>D1Q1 - Do you consider that short term credit facilities, when issued to retail clients in the way described in paragraph 23, have resulted in, or will or are likely to result in, significant detriment to retail clients? Please provide any relevant case studies and evidence (including qualitative and quantitative data) which support your response.</p>	<p>Yes. See Section 2 and Appendix 1 case studies.</p> <p>Our submission in response to ASIC Consultation Paper 316 in July 2019 also included a number of case studies demonstrating the significant detriment to retail clients from the short-term credit model.</p>
<p>D1Q2 - Do you consider that ASIC should make the order, which is in substantially the same terms as the 2019 order (i.e. ASIC Corporations (Product Intervention Order—Short Term Credit) Instrument 2019/917)? Please give reasons to support your response, including whether you consider that there have been any significant changes in matters relevant to ASIC’s decision (such as the financial circumstances of retail clients) since 14 September 2019.</p>	<p>Yes. See Section 2 and Appendix 1 case studies.</p> <p>We reiterate the comments made in the Joint Consumer Submission about the economic and social impact of COVID, that are affecting retail clients. Financial counsellors have been particularly concerned about the dramatic increase in gambling during COVID, with the Illion/Accenture consumer spend tracker index increasing by 380% between January 2020 and November 2021,⁸ and the well documented increase in family violence.</p>
<p>D1Q3 - Are you aware of entities, including BSF Solutions and Cigno Australia, that are currently issuing, or likely to issue, short term credit facilities in the way described in paragraph 23? If so, please provide any relevant evidence to support your response.</p>	<p>Yes. We are not aware of any other entities offering short term credit facilities of this nature, other than BSF Solutions and Cigno Australia.</p>
<p>D1Q4 - What alternative approaches could ASIC take that would achieve our objectives of preventing the significant detriment identified in this paper?</p>	<p>The only way to address the significant harm from this business model is regulatory intervention.</p> <p>The only other options would be disclosure or consumer education. Given the people targeted by this business model, both would be completely ineffective.</p>

⁸ <https://www.e61.in/index-tracker>

4.2 Proposal to make the Continuing Credit PIO

<p>D2Q1 - Do you consider that continuing credit contracts, when issued to retail clients in the way described in paragraph 48, have resulted in, or will or are likely to result in, significant detriment to retail clients? Please provide any relevant case studies and evidence (including qualitative and quantitative data) which support your response.</p>	<p>Yes. See Section 2 and Appendix 1.</p> <p>Our submission in response to ASIC Consultation Paper 3330 in August 2020 also included a number of case studies demonstrating the significant detriment to retail clients from the continuing credit model.</p>
<p>D2Q2 - Are you aware of entities, including Cigno and BHFS, that are issuing, or likely to issue, continuing credit contracts in the way described in paragraph 48? If so, please provide any relevant evidence to support your response.</p>	<p>No. We are not aware of any other entities offering continuing credit facilities of this nature, other than BHFS Solutions and Cigno.</p>
<p>D2Q3 - Are you aware of any changes in the continuing credit contracts market—including changes to the continuing credit contracts that were issued in the way described in paragraph 48—since the publication of CP 330 (July 2020) and the Addendum to CP 330 (November 2020), which may be relevant to ASIC’s proposal to make a continuing credit contracts production intervention order? If so, please provide any relevant evidence to support your response.</p>	<p>No. The business model being used by Cigno appears to be the same.</p>
<p>D2Q4 - Do you agree with our proposal to make a continuing credit contracts product intervention order by legislative instrument as set out in the draft product intervention order in Attachment 2 to this paper.</p>	<p>We support ASIC making a product intervention order in this area.</p> <p>We agree however with the concerns raised in the Joint Consumer Submission that the drafting of the current order may still allow for regulatory arbitrage. We risk playing regulatory “whack a mole” unless the order closes all of the potential loopholes.</p>
<p>D2Q5 - What alternative approaches could ASIC take that would achieve our objectives of preventing the significant detriment identified in this paper?</p>	<p>The only way to address the significant harm from this business model is regulatory intervention.</p> <p>The only other options would be disclosure or consumer education. Given the people targeted by this business model both would be completely ineffective.</p>

Appendix 1 - Case Studies

All case studies are for Cigno loans issues after July 2020. Names have been changed and the case studies anonymised. Figures are rounded including timeframes related to loan periods.

The case studies were provided to us from financial counsellors around Australia. We rely on the information provided by them as to the client's circumstances, the costs of the loan and the impact on the client and other factors. We have not been provided with copies of loan documentation.

Case study 1 - Michelle

About the contract - Short Term Credit Contract, mid-2021

Michelle is a single mother, affected by family violence. She has a young son. She is separated from the perpetrator but he withholds child support. Michelle lost her job at the beginning of the pandemic and receives JobSeeker.

Michelle took out a loan with Cigno Australia Pty Ltd for \$250. Cigno asked to see her bank statements and asked questions about expenses, but did not request a payslip. At the time of the loan, Michelle had a fortnightly income of \$1,000.

Since receiving the loan, the amount owing has grown to \$1,650, including \$948 in default fees.

Michelle was only able to afford \$100, as she advises she was 'living on nothing' and probably didn't pay any of her utility bills to afford this.

On a previous loan of a similar amount, Cigno asked Michelle if she could borrow money from family members to pay off the debt.

This case is still being resolved.

Case study 2 - Kelly

About the contract - Short Term Credit Contract, late 2020.

Kelly is an First Nations single mother of two twins. She sought the help of a financial counsellor due to struggling to pay her Cigno loan which was resulting in her falling behind in other payments. Kelly has been obtaining loans from friends for food, in addition to taking out Centrelink advance payments for food and other bills.

Kelly took out a loan with Cigno Australia Pty Ltd for \$100 in late 2020. Since taking out the loan the amount owed has increased to \$1,435.

She has struggled to make repayments, as her fortnightly income was only \$560 at the time of the contract. To date, the client has paid \$1055, with \$379 outstanding.

She has had to ask a friend to repay the loan and did not want to pursue the issue further with Cigno due to the stress they have already caused. At the time of seeking help from a financial counsellor, Kelly was about to give birth to her twins. She was worried about her new babies and the impact of further stress on them.

Case study 3 - Rachel

About the contract - Contract type unknown, mid-2020.

Rachel receives the Disability Support Pension and has ongoing mental health challenges including Borderline Personality Disorder.

Rachel took out a loan with Cigno Australia Pty Ltd for \$175.

On top of the loan, she was charged a financial supply fee of \$118, a lender fee of \$15 and a weekly account keeping fee of \$5.95. At the time of the loan Rachel earned \$860 per fortnight.

Rachel struggled to make repayments due to her low income, this led her to obtaining a small amount credit contract from other lenders to fund living costs and she fell short on other commitments.

Her account was charged five default fees of \$79, totalling \$395. At the time of seeking support from a financial counsellor Rachel had paid back \$860, with \$194.30 remaining.

Cigno has offered to refund \$220 after a request by the financial counsellor.

Case study 4 - Steven

About the contract - Loan type unknown, mid-2021.

Steven is a 30-year-old client with autism who relies on NDIS support services for daily assistance including help with hygiene and shopping. He receives a Disability Support Pension. He has limited capacity in relation to financial literacy.

Steven took out a loan with Cigno Australia Pty Ltd for \$250. He struggled to make repayments due to his income only being \$960 per fortnight and he was in arrears in rent, utilities, car loan and money owed to family members. Cigno accessed bank statements via an online platform.

At the time he saw a financial counsellor he had made \$64 in repayments, with \$395 in default charges and \$895.70 still owing on the account.

The financial counsellor made representations to Cigno, which resulted in the debt being waived. However, the process was arduous and required significant time on the part of the financial counsellor.

The process that the financial counsellor took included:

1. Financial counsellor requests documents
2. Cigno respond with documents
3. Cigno follow up email requesting update
4. Financial counsellor request waiver
5. Cigno decline waiver
- 6 Financial counsellor sent cease contact letter
- 7 Cigno approve waiver

Case study 5 - Mary-Ann

About the contract – continuing credit contract, early-2021

Mary-Ann is a First Nations woman and single mother in her early 40s. English is her second language and she has difficulty reading. Mary-Ann also has low numeracy skills and has experienced economic abuse from within her family in recent years.

Mary-Ann obtained a loan with Cigno Australia Pty Ltd for \$140. Due to the direct debit being connected to an account with no money, no repayments were made. The loan increased to \$702.60.

The breakdown of costs was:

- Lender fee \$15
- Financial supply fee \$118
- Account keeping fee $\$5.95 \times 8 = \47.60
- Default fee $\$79 \times 4 = \316
- Change of payment schedule fee $\$22 \times 3 = \66

The documents produced by Cigno showed no evidence that any information was collected during the loan assessment.

With the help of a financial counsellor, the loan was reduced back to the original amount of \$140, which the client was able to pay in one payment.

Case study 6 – Joanne

About the contract - contract type unknown, 2021.

Joanne is a First Nations client from remote central Australia. She receives a parenting payment and family tax benefit as her primary income. She is the single mother of four

children. She has an acquired brain injury, has a history of family violence and substance abuse.

Joanne took out a loan with Cigno Australia Pty Ltd of \$350. At the time of the loan, Joanne earned \$1,200 a fortnight. Cigno accessed bank statements via an online portal.

The breakdown of additional costs, when taking out the loan included:

- Supply Fee \$210
- Same day deposit fee \$16
- Lender fee \$17.50
- \$5.95 account fee per week.

Joanne has only been able to pay back \$60, with \$2,390 outstanding due to ongoing account default charges, investigator hand over fees and dishonour fees.

Joanne was living in a remote community in Central Australia at the time of the loan approval. These communities are made up of families that support each other. Joanne lived with family, approximately 7-8 people in a house. She used the funds to assist her to move away from community due to family violence and substance abuse.

This case is still being resolved.

Case study 7 – Jazzlyn

About the contract - continuing credit contract, late 2021.

The case study below was provided by the mother of Jazzlyn.

Jazzlyn has a severe intellectual disability that means that she cannot live on her own without significant support.

Whilst she receives a Disability Support Pension into her own account, each fortnight she transfers the money to me as she cannot manage money. I then transfer money to her for her daily expenses.

Recently she told her Aunty that she had been offered "free money" and that she just provided some details, and she got the free money into her bank account. She told us the name of the company that gave her the free money was "orange loans", she does not understand what a loan is.

She disclosed to us that she had given the company her bank account details and password.

On investigation, it appears that Cigno Australia Pty Ltd provided her a loan of \$250.

She spoke to the bank and was able to cancel future direct debits but the first deduction did go through. It appears so far that she has made \$218 in payments to date.

Unfortunately due to the payment, it meant her account went into arrears and she did not have any access to money for a few days. Jazzlyn lives day to day and her bank account is her only access to money as she lives on her own. She was very distressed that she couldn't get money. I had to give her money for food.

A check of her bank statements would have shown the pattern of the withdrawals and that they were quite unusual, yet no one as far as I am aware spoke to her about her application.

I have resolved it with Cigno, with them agreeing to accept repayment of the amount financed only which was \$250.00

They have also said that they will put her on a list not to lend to her again.

Case study 8 - Helen

About the contract – short term credit contract, mid-2021

Helen is in her early 30s. She took out a loan with Cigno under duress at the request of her partner, at the time of a separation and court request for an intervention order. Helen subsequently moved three times, while also trying to stay in proximity to her family.

Helen entered into a Short Term Credit Contract with Cigno Australia Pty Ltd a for \$150. Due to her low income of only \$599.60 per fortnight, she struggled to make repayments. Helen had to forgo food and provisions for her children as a result of making the payments. She sought emergency relief food parcels instead.

Helen tried to call Cigno to enter a hardship arrangement, but Cigno's phone numbers were not taking calls. She involved a financial counsellor who wrote to Cigno. Cigno offered to settle the account if Helen make one further payment of \$80 (split into eight \$10 payments). She accepted and was able to pay out the debt and close the account with Cigno.

Linda paid a total of \$320 for a \$150 loan.

Case study 9 - Catherine

About the contract – Loan type unknown, 2021

Catherine is a single mother of three children in her late 30s. She is a family violence victim/survivor.

Catherine took out a loan with Cigno Australia Pty Ltd a for \$250. At the time of the loan, Catherine earned \$1,300 per fortnight from Centrelink. She had rent arrears of \$2,500, along with other debts which she was unable to pay at the time of taking out the loan.

This case is still being resolved.

Case study 10 - Mandy

About the contract - continuing credit contract, early-2021

Mandy is a single mother of two children. She is a family violence victim/survivor, recently leaving a 17 year relationship with a partner who controlled all of the finances. Money from Cigno was borrowed after she left the perpetrator.

Mandy took out a loan with Cigno Australia Pty Ltd and BSF Solutions Pty Ltd (BSF) for \$250. At the time the loan was taken out Mandy earned \$939 per fortnight from Centrelink. She is currently struggling to make repayments and is being supported by a financial counsellor.

As of November 2021, the amount had increased to \$1,326.65 with multiple default charges of \$79.00.

Mandy was able to make a payment of \$429.00, however \$897.65 remains due on the account.

Case study 11 - Sophie

About the contract – short term credit contract, mid-2021

Sophie is living in lodgings on a Disability Support Pension.

Sophie took out a loan with Cigno Australia Pty Ltd for \$250, at a time she had a fortnightly income of \$967.50. Her Cigno repayments are \$128.00 per fortnight, in addition to other debts. In total, her debt repayments per fortnight overall were \$735.72 per fortnight.

Sophie's Cigno loan has increased to \$384.00.

She is in the early stages of getting financial counselling, however the impact of the loans have meant she is stuck in a debt trap having to borrow money each fortnight as she doesn't have any surplus income after paying her creditors.

Case study 12 – Joseph

About the contract – short term credit contract, mid-2021

Joseph is a young male in a relationship who is struggling financially, with large unpaid debts and a diagnosed mental health condition.

Joseph took out a loan with Cigno Australia Pty Ltd in late 2020 for \$200. At the time Joseph's fortnightly income was only \$644. He struggled to make repayments due to being behind on other bills, which left him experiencing severe financial hardship. He had to borrow money each week for food.

Joseph's Cigno loan increased to \$845.25, with \$631.05 worth of fees and charges.

He attempted to call Cigno to get information, but there was a recorded message saying no one was available to speak due to the COVID pandemic. He was referred to the online client portal but he did not have login details. He was not aware of the default fees, weekly account keeping fees or rescheduling fees.

The financial counsellor was able to negotiate a waiver on the balance of the loan. This was on the basis that Joseph's prior repayments covered the original amount of the loan and because he was in hardship.

Case study 13 - Michael

About the contract – Loan type unknown, 2021

Michael has been unemployed since 2012.

Michael took out a loan with Cigno Australia Pty Ltd for \$700. At the time Michael's fortnightly income was only \$820 from Centrelink. He had no capacity to repay the loan.

Michael is now being supported by a financial counsellor to address the outstanding debt.

Case study 14 – Polly

About the contract - Loan type unknown, 2021

Polly is a single mother with two children. She is a victim of family violence, having fled the perpetrator.

Polly took out a loan with Cigno Australia Pty Ltd for \$950. At the time of the loan she had a fortnightly income of \$1,900 from Centrelink.

Case study 15 – Jenny

About the contract - Loan type unknown, 2021

Jenny is a 33 year old single mother with one child. Jenny took out a loan with Cigno Australia Pty Ltd for \$700. At the time of the loan she had a fortnightly income of \$1,900 from Centrelink.

She currently is in arrears in her mortgage payments, with two expired hardship agreements. She is prioritising payments to her mortgage to keep the property. As a result, she has no capacity to repay the loan.

Case study 16 – Paul

About the contract - Loan type unknown, 2021

Paul is living in a private rental.

Paul took out a loan with Cigno Australia Pty Ltd for \$324.65. At the time of the loan he had a fortnightly income of \$775 from Centrelink. He was facing eviction from his rental due to unpaid rent.

The client prioritised paying Cigno over his rent due to the pressure he felt from their contact. The impact of this was that he stopped paying his rent, putting him at greater risk of eviction.

When contacted, Cigno approved a waiver of the remaining amount.

Case study 17 – Jill

About the contract – loan type unknown, early 2021.

Jill is a single mother aged 43 with a 9-year-old child and has been diagnosed with ADHD and struggles with impulse control. Jill lives in NRAS housing and income is derived from Centrelink benefits only.

Jill took out two loans with with Cigno Australia Pty Ltd in early 2021. The first was for \$250 in early 2021 and the second for \$110 one month later. At the time she had a fortnightly income of \$1,577.

Jill could not afford the loan repayments and sought the help of a financial counsellor.

Jill's first loan had increased to \$495.25 and second loan to \$325.

A financial counsellor sought a refund based on the creditor exceeding maximum fees and charges payable if the loan was regulated. Cigno waived the outstanding fees and closed the loan accounts but declined to provide a refund.

Case study 18– Kerry

About the contract – short term credit contract, mid-2021

Kerry is First Nations woman living in the NT, who has struggled with gambling, drug and alcohol related issues. Kerry is reliant on Centrelink income and is subject to 'humbugging' from family and friends.

Kerry took out a loan with Cigno Australia Pty Ltd for \$175.00. At the time, she had a fortnightly income of \$582.

Kerry could not afford the loan debt, and payments were being direct debited. She kept incurring overdraw fees through her bank, which has further impacted her hardship.

Kerry's loan has increased to \$717.

A financial counsellor contacted Cigno to advise that Kerry was never able to afford to repayments and the loan should not have been provided. Cigno agreed to reduce the repayment on the basis of hardship.

Case study 19 – Keith

About the contract – continuing credit contract, mid-2021

Keith is a 30ish man with severe mental health issues living with his mother on a Disability Support Pension. He has difficulties managing his money. He gambles most evenings on international casino websites.

To support his gambling he takes out 'payday loans' of between \$250-\$400 each. He usually has two to three current 'payday loans' at any time.

Keith entered into a loan with Cigno Australia Pty Ltd and BSF Solutions Pty Ltd. At the time his only income was his disability support pension.

The Service Agreement sets out the minimum total cost of Keith's \$250 loan:

- BSF loan \$250
- BSF fees \$12.50
- Subtotal \$262.50 repayable to BSF
- Cigno 'Financial Supply Fee' \$200.50
- Cigno 'Account Keeping Fee' \$47.60
- Subtotal \$248.10 repayable to Cigno
- Total minimum repayments \$510.60

This repayments schedule assumes there are no 'Default Fees' of \$79 per default added to the account. In fact, Keith had two 'Default Fees' added to his account.

- Keith's actual total loan repayments \$668.60
- Total fees of \$406.10

As part of the documentation provided to the financial counsellor, Cigno included an assessment of Keith's bank statements for the period June to September. However, the date of this assessment was November, which is the date Cigno provided the document to the financial counsellor. This suggests the bank statement assessment was not undertaken as part of the loan process, but after approval of the loan.

This issue has caused stress and anxiety for the client. After representation from a financial counsellor Cigno reduced the total payment amount to \$441.50 and banned the client from future Cigno loans.

Case study 20 – Stan

About the contract -

Stan is a 40-year-old man. He has been on the Disability Support Pension his whole adult life and has had extended periods in psychiatric hospital. He has issues with gambling and shopping beyond his means.

Stan entered into a Short Term Loan Contract with Cigno Australia Pty Ltd for \$250 in late 2021. At the time his only income was \$965 per fortnight from the Disability Support Pension. In addition he has another SACC loan with another provider which he has defaulted on numerous times.

Stan's loan has increased to \$706.65, as he has been unable to make repayments.

This has led to increased anxiety for the client, who is currently being supported by a financial counsellor to find a resolution with Cigno.

Appendix 2 – Deidentified Cigno Account Statement

This person borrowed \$60 on 10th May 2021. Over the next five months, they were charged fees of \$914.30 and made repayments totalling \$516. The loan payout figure at 12th October 2021 was \$458.30.



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Detailed Account Statement

Client Ref	[Redacted]
Statement Begins	10/05/2021
Statement Ends	12/10/2021
Amount to Debtor	\$60.00
Establishment Fee	\$0.00
Stamp Duty	\$0.00
Revs, Certificate, Bill of Sale	\$0.00
Total Credit	\$60.00

Opening Balance	Total Payments (Credited)	Total Interest (Debited)	Total Fees (Debited)	Payout Amount
\$60.00	\$516.00	\$0.00	\$914.30	\$458.30

Date	Description	Debit	Credit	Accruing Interest	Accruing Fees	Balance
10/05/2021	Loan	\$60.00	\$0.00	\$0.00	\$0.00	\$60.00
10/05/2021	Lender Balance	\$198.75	\$0.00	\$0.00	\$198.75	\$258.75
10/05/2021	Provider Balance	\$151.85	\$0.00	\$0.00	\$350.40	\$410.40
10/05/2021	Lender Fee	\$15.00	\$0.00	\$0.00	\$365.40	\$425.40
10/05/2021	Financial Supply Fee 4 Repayments	\$58.00	\$0.00	\$0.00	\$423.40	\$483.40
17/05/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$429.35	\$489.35
18/05/2021	Payment	\$0.00	\$132.00	\$0.00	\$429.35	\$357.35
24/05/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$435.30	\$363.30
31/05/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$441.25	\$369.25
01/06/2021	Payment	\$0.00	\$132.00	\$0.00	\$441.25	\$237.25
07/06/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$447.20	\$243.20
14/06/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$453.15	\$249.15
15/06/2021	Payment	\$0.00	\$132.00	\$0.00	\$453.15	\$117.15
21/06/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$459.10	\$123.10
28/06/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$465.05	\$129.05
01/07/2021	Default Fee	\$79.00	\$0.00	\$0.00	\$544.05	\$208.05
05/07/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$550.00	\$214.00
12/07/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$555.95	\$219.95
15/07/2021	Default Fee	\$79.00	\$0.00	\$0.00	\$634.95	\$298.95
15/07/2021	Change of Payment Schedule Fee	\$22.00	\$0.00	\$0.00	\$656.95	\$320.95
19/07/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$662.90	\$326.90
26/07/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$668.85	\$332.85
29/07/2021	Change of Payment Schedule Fee	\$22.00	\$0.00	\$0.00	\$690.85	\$354.85
29/07/2021	Default Fee	\$79.00	\$0.00	\$0.00	\$769.85	\$433.85
02/08/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$775.80	\$439.80
09/08/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$781.75	\$445.75
10/08/2021	Payment	\$0.00	\$30.00	\$0.00	\$781.75	\$415.75
16/08/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$787.70	\$421.70
23/08/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$793.65	\$427.65
26/08/2021	Default Fee	\$79.00	\$0.00	\$0.00	\$872.65	\$506.65
30/08/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$878.60	\$512.60
06/09/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$884.55	\$518.55
07/09/2021	Payment	\$0.00	\$30.00	\$0.00	\$884.55	\$488.55
13/09/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$890.50	\$494.50
20/09/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$896.45	\$500.45
21/09/2021	Payment	\$0.00	\$30.00	\$0.00	\$896.45	\$470.45
27/09/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$902.40	\$476.40
04/10/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$908.35	\$482.35
05/10/2021	Payment	\$0.00	\$30.00	\$0.00	\$908.35	\$452.35
11/10/2021	Account Keeping Fee	\$5.95	\$0.00	\$0.00	\$914.30	\$458.30
	Totals	\$974.30	\$516.00	\$0.00	\$914.30	\$458.30
					Payout Amount	\$458.30