Brotherhood of St Laurence

Working for an Australia free of poverty

Submission to the Treasury's *National Credit Reform Green Paper*

Brotherhood of St Laurence

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1 Background into the Brotherhood of St Laurence's interest in credit reform

The Brotherhood of St Laurence is an independent non-government organisation with strong community links that has been working to reduce poverty in Australia since the 1930s. Based in Melbourne, but with a national profile, the Brotherhood continues to fight for an Australia free of poverty, guided by principles of advocacy, innovation and sustainability. Our work includes direct service provision to people in need, the development of social enterprises to address inequality, research to better understand the causes and effects of poverty in Australia, and the development of policy solutions at both national and local levels.

As part of our wider efforts to promote social inclusion, the Brotherhood is committed to developing and demonstrating effective programs for disadvantaged people to address financial exclusion. Financial exclusion involves being denied access to affordable, appropriate and fair financial products and services, with the result that people's abilities to participate fully in social and economic activities is reduced, financial hardship is increased, and poverty (measured by income, debt and assets) is exacerbated (Burkett & Sheehan 2009). In particular, financial exclusion means that Australians living on a low income may be forced into vulnerable situations, including:

- being forced to pay extremely high rates of interest to borrow from payday and other 'fringe' lenders in order to make ends meet
- going without important everyday items and services
- lacking even small savings or simple insurance, so that unexpected financial pressures are difficult, if not impossible, to manage
- not being able to access the impartial advice, particularly on debt problems and accessing rights and entitlements, that can help people avoid significant distress.

Addressing financial exclusion is not merely about service provision; it also includes capacity building and structural change.

To this end, the Brotherhood delivers the following financial inclusion programs:

- *Saver Plus*, Australia's largest matched savings and financial education program developed in conjunction with ANZ and delivered in partnership with a number of community agencies. During 2009 to 2011, with federal government support, Saver Plus will reach 7600 participants in 60 communities nationally.
- *Progress Loans,* a low repayment, affordable small loan program delivered in partnership with ANZ. During 2009 to 2011, this mainstream and fair loan product will be made available to 800 borrowers.
- *MoneyMinded,* a financial literacy education program. The Brotherhood delivers this resource through a 'train the trainer' model and also through professional development for workers in community agencies.
- *Financial Health Service,* a pilot one-on-one financial guidance and information service.

The Brotherhood welcomes further efforts by policy makers to address financial exclusion, including consideration of the issues presented in the National Credit Reform Green Paper. In this submission, we respond to the following areas of the Green Paper:

- regulation of short-term, small-amount lending (chapter 5)
- regulation of consumer leases (chapter 6)
- regulation of credit cards (chapter 2)
- enhancement to the National Consumer Credit Protection Regime (chapter 7)
- coverage of credit under the *National Consumer Credit Protection Act 2009* and avoidance practices (chapter 8).

2 Regulation of short-term, small-amount lending

2.1 Background to the Brotherhood of St Laurence Loans Programs

The Brotherhood of St Laurence offers, through its Progress Loans program, eligible low income earners small personal loans of $500–$3,000 (up to $5000 for a vehicle). The primary purpose of Progress Loans is to enable financially excluded people access to affordable and safe mainstream finance to purchase essential items or services. Suitable items include whitegoods, medical equipment, bedding, a computer or a vehicle. Given that the program aims to assist the target market in the accumulation of assets, Progress Loans are not available for paying bills or rent. Key features of the Progress Loans are outlined in Table 1.

Table 1

Key features: Progress Loans	
Loan amounts	$500 to $5,000
Loan term	6 months to 5 years
Eligibility	Holders of Health Care or Pension Concession Card Able to make regular repayments Have been in current home for more than six months
Assessment	Specifically designed loan assessment criteria recognising typical spending patterns of people on low incomes (model provided by Brotherhood of St Laurence)
Interest rate	14.95p.a. (fixed)
Approval fee	$40 paid at loan drawdown
Purpose	Household items and services, vehicles, education and self-development, medical/dental care

The Brotherhood developed Progress Loans in 2006 in partnership with ANZ. Over the period May 2006 to July 2010, the program issued some 1213 loans (averaging approximately 300 loans per year). The number of loans issued per year has grown since the program's inception and currently stands at approximately 450 loans issued per 12 month period. The average loan size is $2572. The total funds lent from May 2006 to July 2010 was approximately $3.12 million, and the program had a default rate of approximately 1%. The Progress Loan is an ANZ product and its interest rate is pegged to the ANZ personal loans fixed rate, and is currently (July 2010) set at 14.95%. There is a one-off loan approval fee of $40 which is added to the amount to be repaid once a loan is approved.

The program aims to reach people at risk of social and financial exclusion. In order to qualify for a Progress Loan, applicants must meet the eligibility criteria:

- holder of Health Care Card or Pension Concession Card
- able to make regular repayments
- living in current home for more than six months

It should be noted that the Progress Loan is not necessarily 'short-term'. The repayment period is flexible to suit the needs of the borrower and can extend to 3 years for a $3000 loan and up to 5 years for a $5000 loan. The flexible repayment period is an important feature, which helps ensure that the borrower can afford repayments.

Appropriate repayment mechanisms are also an integral aspect of the loan program. Generally, repayments are fortnightly and are timed in accordance with a borrower's income flows (usually Centrelink repayments). This significantly reduces the likelihood of default. In some circumstances, Centrepay is also available, which can help vulnerable borrows manage their repayments.

As a mainstream loan provided by a bank, the Progress Loan is regulated in the same way as other consumer credit: the responsible lending obligations imposed by the *National Consumer Credit Protection Act 2009* and the new *National Consumer Credit Code* apply. It should be noted, however, that the Brotherhood is exempt from requiring to be licensed within the new laws.[1]

A profile of Progress Loans borrowers can be found in the Appendix.

In 2009, the Brotherhood and ANZ published an evaluation of Progress Loans (Vawser 2009). That evaluation found that many low-income earners find themselves excluded from mainstream finance by their limited income. Many Progress Loans recipients were unable to source credit from the mainstream market:

> I just can't walk into a bank and ask the bank to give me a loan for money because I haven't got a job, I've got no assets behind me or anything like that.

Many Progress Loans applicants operated on a tight budget and had no financial buffer to cope with unexpected expenses like a car break-down. Some who were faced with an unexpected expense sought financial assistance from family and friends but found this placed strain on relationships. Others have limited social networks on which they could have relied upon in a time of crisis.

These factors can push those in need of credit toward other sources including fringe lenders and loan sharks. It can also mean that people just 'go without' essential day-to-day items, for example someone unable to afford a bed may simply resort to sleeping on the floor, someone without their

[1] Regulation 20(12), National Consumer Credit Regulations 2010.

own vehicle may rely on public transport (which can become far more costly over time), or someone without a fridge may use an esky to keep food cool:

> You can save, but in my situation I needed things straightaway. I came out of a refuge and I had nothing. I left everything. I walked out the door with a nappy bag. In my situation, I needed things straight away. [The Progress Loan] was a lifesaver to me.

Cost efficiencies resulting from using a cheaper form of credit than was otherwise available were reported by 58 per cent of Progress Loans users. 22 per cent reported saving money on public transport costs, 17 per cent were able to buy things in bulk or on special (due to the acquisition of a freezer and/or vehicle), and 7 per cent saved money on services like the use of a laundromat.

Progress Loans also have the capacity to improve the financial literacy and capability of vulnerable borrowers. For example, 32 per cent of participants of the evaluation reported that they felt they had better budgeting and money management skills after taking out a loan, 42 per cent felt they had a better understanding of loan contracts, 38 per cent felt they had a better understanding of interest rates and 31 per cent felt they had an improved ability to deal with an unexpected expense.

The Brotherhood and ANZ have developed an efficient assessment process, and continue to investigate new methods of driving down costs while maintaining the program's social impact. With $1 million funding support from the federal government, Progress Loans will be testing innovations to improve the program's sustainability, scale and reach. These include utilising the ANZ branch network and other distribution channels, accepting postal applications, and employing past borrowers and other community champions as trainees to assist vulnerable communities access the program and improve their financial capability. Many of those served by the program have limited English and/or financial literacy, which can increase the time required to process loans. Given the small loan size (less than $5000), the interest collected is limited.

Nevertheless, the Brotherhood believes that small loans programs have the capacity to operate sustainably and that there is a place for fair and affordable mainstream small amount lending to people living on low incomes.

The Brotherhood also delivers the No Interest Loan Scheme (NILS®), a program originally developed by Good Shepherd Youth and Family Service. A NILS loan may be offered to applicants who do not qualify for a Progress Loan, but are still able to demonstrate a capacity and willingness to repay a loan. NILS applicants may be excluded from mainstream lending due to their income being short of the income threshold required by mainstream loan providers. Successful repayment of a NILS loan might be evidence that an applicant can use to show that they are able to repay a loan from a mainstream provider, and this may result in them being able to obtain important financial services in the future, for example a larger loan (for a vehicle) or a mortgage.

2.2 Other programs or schemes to access short-term finance

There are some similar programs to the Progress Loan. For example, the Good Shepherd Youth and Family Service, in partnership with the NAB, offers StepUP loans. The StepUP loans program offers loans ranging from $800 to $3,000 at an interest rate of 3.99% per annum. NILS are also offered by many providers nationally. The Brotherhood believes there should be more such loans products available in the market place, which would provide vulnerable borrowers with choice, reducing their need to resort to high-cost payday and fringe lenders.

The Australian Government has also announced a Community Development Finance Institution Pilot, whereby it is providing $7.5m to eligible community finance organisations to provide financial services, including small loans, to people and communities excluded from mainstream finance (Macklin 2010). The Brotherhood strongly supports this investigation into community finance models which will build the capacity and resilience of disadvantaged Australians who have difficulty accessing mainstream financial services and products.

As noted in the Green Paper, a number of government programs which provide short-term financial assistance. Noting that one of the primary uses of payday loans is for the payment of utility bills, the Victorian Government provides utility relief grants. Assistance may be provided to low-income households suffering a short-term (within last 12 months) financial crisis who are unable to pay a current utility account or LP gas account and who are at risk of disconnection, restriction of supply, or non-supply of gas bottles. The Utility Relief Grant Scheme is also available to eligible customers who experience difficulties paying for other non-mains sources such as carted water and heating oil. Similar programs operate in other states.

In Victoria, energy retailers are also required to assist customers experiencing difficulty in paying their bills. Clause 11.2 of the Energy Retail Code, which all energy retailers must comply with as a licence condition, provides that where a customer is experiencing repeated difficulties in paying a bill or requires payment assistance, the retailer must assess a customer's capacity to pay and offer an instalment plan that accords with that capacity. Retailers must also inform such customers about the availability of utility relief grants and independent financial counsellors. Clause 13.2 provides that a retailer must not disconnect a customer unless they have complied with clause 11.2. The effective operation of these clauses should mean that no-one is required to access short-term finance from a credit provider to pay a utility bill. The Brotherhood notes that similar provisions are proposed by the new National Retail Energy Law, which will replace state and territory consumer protection laws applying to energy.

Centrelink Advance Payments are also available to help Centrelink recipients pay lump-sum expenses. The advance is limited by minimum and maximum amounts which are determined by the type and rate of payment received. The lump-sum is not a grant, and must be paid back over a period of time. The Advance Payment is very useful for many Centrelink recipients, especially for those who have made a considered decision to use the Advance Payment for a specific lump sum expense, such as car registration. In the Brotherhood's experience of working with clients seeking loans who have accessed Centrelink Advance Payments, however, there is not always a rigorous assessment of the capacity to repay the Advance Payment, which on occasion may actually increase financial hardship. Additionally, the Advance Payments may not be accessible to those who have already had an Advance Payment made to them in the past 12 months, which may mean those with a recurring requirement (e.g. those with high expenses who require occasional small loans to assist in smoothing their cash flow) may not be able to access an Advance Payment when they need it.

The Brotherhood remains concerned about the marketing and selling of debt agreements (regulated under Part IX of the *Bankruptcy Act*) to people who are seeking short-term finance to consolidate other loans. Many of these debt agreements add costs to the overall debt and are not affordable to clients. In addition, there is still misunderstanding about the consequences of entering into a debt agreement, which are regulated by the *Bankruptcy Act*. Entering into a debt agreement is recorded on a person's credit information file in a similar manner to bankruptcy and the person's name will be recorded permanently on the National Personal Insolvency Index. Such records inhibit a person's ability to obtain more affordable and fairer finance, such as a Progress Loan, where a credit file check is undertaken as part of assessment of the loan.

2.3 Policy discussion and recommendations

The Brotherhood believes that commercial short-term, small-amount lending in Australia is exploitative and marked by market failure. The high costs of many payday and other fringe lending products may prevent them from accessing the material resources required to effectively participate in society. Given this, the Brotherhood does not support *option one* (the status quo) outlined in the Green Paper.

The high costs of many small-amount short-terms loans are indisputable. For example, a Cash Converters Cash Advance loan costs $35 per $100 lent, which equates to an annualised rate of upwards of 900 per cent on a two-week loan. Cash Converters lends thousands of loans at such rates each year. Its 2009 half year results showed its greatest profits ever, with its unsecured lending growing by nearly half and its Cash Advance service providing over $735,000 worth of loans in December 2009 alone. Similar providers operate solely online, an environment which allows cash to be advanced within minutes. The online environment also inhibits financial capability as it encourages quick decision-making, limiting of people's ability to make financial decisions that are in their interests.

The market failure is even more pronounced given the behaviour of borrowers. Recent research shows that potential borrowers of payday loans do not generally shop around for the cheapest alternative, rendering competition irrelevant (Marston & Shevaller 2010). Rather, potential borrowers are often dealing with multiple financial and other personal difficulties, giving rise to a financial desperation that results in seeking out expensive loans.

While the Brotherhood supports the new responsible lending obligations enacted through the *National Consumer Credit Protection Act 2010* (Cth), we are not convinced that these laws will demonstrably inhibit exploitative small-amount, short-term lending. The new laws require a borrower to complain that a particular credit contract was irresponsibly let, either to a court or the Financial Ombudsman Service, rather than proposing a systemic response. Research also shows that many such borrowers are quite satisfied with their loan, as it assisted them with a short-term crisis (Marston & Shevaller 2010), despite the significant costs that inhibit longer-term financial capability.

The Brotherhood believes that the *option two* (an interest rate cap) outlined in the Green Paper would be most effective in limiting the harm from the expensive fees and rates of many commercial small-amount short-term lenders.

An interest rate cap should be inclusive of fees and charges so that exorbitant fees and charges cannot be added to an arrangement irrespective of a somewhat 'contained' interest rate. While the Brotherhood does not (at this stage) advocate a specific rate for the cap, we would certainly favour a rate which encourages lenders to make short-term small-amount loans more affordable.

We note that small amount short-term finance can be provided at a much reduced rate. The National Australia Bank's small loans pilot found that, for loans between $1000 and $5000, an annual percentage rate (APR) of 32.8 per cent (or $18.70 per $100) was the minimum required to enable the lender to break even.

The Brotherhood does not believe that *option three, warnings on high-cost products (enhanced disclosure)*, will improve the market for small-term short-amount lending. Our previous research, involving discussions with low-income Victorians who had recently signed a credit contract with a bank, credit cooperative or fringe lender, found that contractual disclosure did not enable consumers to make an informed choice about the signing of contracts (Sheehan et al. 2008). Many consumers signed contracts even though they did not understand the detail because they felt that they had limited options and were powerless in their relationship with the lender. We recommended that governments should reduce their reliance on disclosure as a means of protecting consumers.

The Brotherhood also does not believe that *option four*, the prohibition on extension of outstanding loans, will be effective. This is for the reason articulated by the Green Paper, that it does not prevent people accessing multiple lenders.

We make the following additional recommendations relating to small-amount lending:

- Governments should continue to support the development and accessibility of affordable and fair small lending programs through a range of measures, including grant funding, tax incentives, regulatory supports and good practice monitoring.
- The federal government should continue to investigate models of community development finance through its Community Development Finance Institution pilot project.
- Small-amount short-term lenders should be banned from lending for utility payments, given the range of assistance available for those experiencing utility payment difficulties.
- Laws relating to utility payment difficulties should be extended to other essential services, such as telecommunications.
- Centrelink Advance Payments should be provided in conjunction with a rigorous assessment of capacity to repay without hardship.
- The federal government should further investigate the market for, and practices of, providers that promote and deliver Part IX debt agreements.

3 Regulation of consumer leases

3.1 Background to consumer lease experiences

Consumer lease arrangements are not subject to the same regulatory requirements (under the National Credit Code) as consumer credit contracts, leaving financiers with a means to avoid the stricter obligations that apply to credit contracts. The comprehensive report, *A loan in lease clothing: problems identified with instalment based rent/purchase contracts for household goods*, demonstrates a range of lesser protections provided in the regulator regime for consumer leases, including:

- less extensive disclosure requirements
- absence of requirement to issue default notice before enforcement action
- no requirement to display an annual percentage rate cost of credit (Micah 2008).

However, vulnerable households commonly obtain essential items (including whitegoods, TVs) through consumer leasing companies such as Radio Rentals and Mr Rentals. Many Brotherhood clients access these services at a high overall cost, when they might be able to access fair and affordable options.

The following cases highlight the experiences of Brotherhood clients in accessing consumer leases.

Jim was paying a rental company $174 per fortnight for a TV and home theatre system (which his lease contract stipulated he would *not* get to keep at the end of his contract) and approached the Brotherhood for assistance in purchasing similar goods outright. Doing so would not only free up a substantial proportion of Jim's income, reducing dramatically the pressure on his budget, but would also assist him in building an asset base into the future. Jim could have taken a $3,000 loan over 3 years and made repayments of $49 per fortnight. Not only were the loan repayments substantially cheaper than lease payments, but Jim would get to keep the goods once the loan was repaid. The loan was unaffordable while the payments to the rental company were in place, however the loan would have been affordable if the lease obligations were not included in Jim's budget.

3.2. Policy recommendations

The Brotherhood strongly supports further regulatory intervention to ensure that the same protections that apply to loans also apply to consumer leases (*option two* in Green Paper). Particularly in relation to a purchase of an essential household item, it should not matter whether a consumer chooses a lease or loan. Regulation should require lease providers to display the cost of purchasing an item via a lease, so that it can be easily compared with other loan options. Displaying the full cost of the lease contract would also help consumers compare the cost with purchasing the item outright after accumulating savings. Further, given that many consumer leases are for small-value household goods, the cost of a lease to purchase an item should be restricted in a similar way to that proposed for small-amount short-term loans discussed above.

4 Regulation of credit cards

4.1 Problems of Brotherhood of St Laurence clients with credit cards

For lower income households, credit cards can be a dangerous trap. While many households are able to use credit cards as an efficient payment mechanism, outstanding debt on which interest continues to accumulate is likely to become unmanageable for many credit card users. Credit card statistics show that the $34 billion of interest-bearing credit card debt in Australia is held by just one-third of credit card holders (Singer 2010). This shows that there is a great degree of polarity between those who use credit cards prudently (pay them off monthly) and those who do not pay their credit card off monthly and who instead accrue costly credit card debt.

Generally speaking, lower income households are less likely to hold a credit card than higher-income households. However, 47.4 per cent of those who receive Centrelink benefits do have a credit card (Pension Review 2010). Many Brotherhood clients do have credit cards and we have worked with numerous clients who have fallen into credit card debt subject to a high rate of interest, and who have subsequently been unable to pay the debt off. The example of Jane, outlined below, is common.

Jane sought assistance from the Brotherhood's Financial Health Worker so that she could better manage her money. Jane is on a Disability Support Pension and struggling to pay her household bills and rent. She shares private rental accommodation with a friend. Jane presented as very organised and a responsible bill payer who did not overspend her budget. Because of her medical condition, she required regular chiropractor treatment at significant expense (not covered by Medicare).

When reviewing her budget, it became clear that Jane was paying all of her household bills with a credit card. Her credit card debt was at the limit of the card, at $3000. Between monthly rent payments, Jane would make sporadic payments on her credit card; however she was barely covering the interest charge.

Jane and the Financial Health Worker discussed the cost of credit card debt and options such as paying off this card and then possibly lowering her credit limit so the same situation would not recur.

The Financial Health Worker also suggested paying household bills fortnightly, which would help Jane make regular small payments rather bigger amounts when the bills arrived every two to three months. This would also mean that she did not have to use her credit cards to pay these bills.

The case highlights just one way in which a credit card user may fall into a debt trap that can be very difficult to recover from.

4.2 Regulatory options

The Brotherhood generally supports the changes outlined in *option one* (change the timing of essential information) that result in more relevant information being made available to the consumer at times when financial decisions are made. We agree that a summary of key features of credit card contracts, rather than detailed and lengthy terms and conditions, would assist many people to decipher their rights and responsibilities. However, as noted above, our research has demonstrated that disclosure is an insufficient consumer protection measure in relation to consumer credit.

The Brotherhood also generally supports *option two* (require credit card providers to allow consumers to nominate the limit sought). Choosing the amount of credit required should be an essential component of the decision to purchase credit. However, the manner of implementation would also be important. For example, if providers were still able to pre-approve and prominently display their own chosen credit limit in an unsolicited offer, and simply include the option to nominate a different amount, it is unlikely to be effective.

The Brotherhood also believes that consumers should be allowed to easily lower the credit limit on their cards. This would assist those who wish to control their use of credit.

We note the statement in the Green Paper, that *option three* (prohibit the card issuer from providing more credit than the consumer can repay from income without substantial hardship) has largely been addressed in theory by the requirement for credit providers to meet the responsible lending obligations under the new *National Consumer Credit Protection Act 2009*. However, the Brotherhood is concerned about the application of these obligations to credit cards, where minimum monthly repayment amounts are often deceptively low, but, interest and debt can accrue significantly. In our view, credit cards should be subject to a requirement that the credit limit be able to be entirely repaid within a particular period, for the purposes of considering whether repayments would result in substantial hardship. We note that *option four* (making debt unenforceable where irresponsibly lent) would be required to make *option three* effective.

The Brotherhood strongly supports *option five* (require card issuers to warn consumers about the effect of paying only the minimum payments). Credit card providers should be required to set out the time and the total cost it would take each consumer to pay out the balance by making minimum payments on the monthly statements. Such individualised information would be more effective than more general warnings. Requiring lenders to inform consumers of the consequences of making only minimum repayments would assist consumers to make better informed decisions.

Information on monthly statements should also clearly outline the consequences of not paying by a due date, or not paying the full amount owing. The different methodologies for applying interest, as outlined in the Green Paper, can mean that interest is applied to original purchase balances, rather than the full amount, resulting in interest being payable on amounts that are no longer owed. The Brotherhood believes that the approach to applying interest should be regulated so as to apply consistently across different cards and providers.

Regarding unsolicited credit card limit increase offers, we support the findings and recommendations in the Consumer Action Law Centre's (2009) report, *Congratulations, you're pre-approved!* This report found that these offers do not contribute to good financial decision-making and that pre-approved credit card limit increase offers should be banned.

5 Enhancements to National Consumer Credit Protection Regime

5.1 Enhancements to hardship variations

The Brotherhood supports moves to broaden the types of hardship variations that can be requested by borrowers experiencing financial hardship. We note the findings of the Australian Securities and Investment (2009) report, *Helping home borrowers in financial hardship*, that many borrowers experiencing financial difficulties are not receiving adequate assistance and information about the options available to them. In particular, many lenders rely on collection offers and only offered short-term solutions.

A key financial literacy message that we provide to vulnerable consumers is that they should contact their credit provider if they are concerned that they will be unable to make a repayment due to financial hardship. This message will only be effective, however, if lenders do provide borrowers with appropriate assistance and information.

We note that industry self-regulation such as the Mutual Banking Code of Practice requires credit unions to work with debtors in a constructive way if they experience genuine difficulties in meeting their financial commitments. We support a similar requirement being enshrined in legislation so that all borrowers are protected, no matter what institution they have borrowed from.

5.2 Canvassing consumer credit at home

In general, the hawking of financial services at someone's private residence is banned by law.[2] This recognises that individuals are in a vulnerable negotiating position when they purchase goods and services in the home—they may not be in a position to consider alternatives, and significant pressure may be placed upon them.

We believe such provisions should be extended to consumer credit, including credit offered incidentally for the financing of goods and services sold in a person's home. Given that the decision to enter into a consumer credit contract is a significant one—and one that could result in financial hardship—there is no reason to see why consumer credit products should be treated any differently from other financial products and services.

[2] Sections 773, 992A and 992AA, *Corporations Act 2000* (Cth).

6 Coverage and avoidance practices

6.1. Avoidance practices

The Brotherhood notes that some credit providers continue to avoid the Consumer Credit Code and other consumer protection laws by developing new product offerings that are structured to evade such laws. Given that it may be possible for credit providers to find ways around new legal requirements, the Brotherhood believes the market regulator should be sufficiently resourced to continue to monitor market offerings and practices to ensure that the intended effect of the law is achieved. The Brotherhood also suggests that a general anti-avoidance provision be considered.

7 Appendix: Profile of Progress Loans borrowers (May 2006 – June 2009)

Characteristic	Research sample (%)	Progress Loans customers (%)	Australian population (%)
Gender			
Male	34%	34%	50%
Female	66%	66%	50%
Country of birth			
Australia	63%	NA	77%
Overseas	37%	NA	23%
Age			
18 to 34	12%	16%	23%
35 to 44	21%	23%	15%
45 to 54	22%	25%	14%
55 to 64	26%	19%	11%
65+	20%	17%	13%
Living arrangements			
Renting privately	19%	24%	21%
Renting from government	75%	70%	5%
Own or purchasing a home	3%	2%	70%
Other / NA	3%	4%	4%
Income and employment			
Receive income support payments	100%	100%	24%
In workforce*	12%	14%	65%
Centrelink income type			
Parenting payment / family tax benefit	25%	27%	NA
Disability pension	40%	37%	NA
Age pension	19%	16%	NA
Newstart	7%	11%	NA
Other	9%	9%	NA
Highest education level			
Primary/ econdary school	68%	NA	49%
Non school qualification (certificate, degree, apprenticeship)	32%	NA	51%
Number of Progress Loans			
One loan	92%	93%	NA
Two or more loans	8%	7%	NA
Household structure			
Live alone	41%	NA	NA
Live at home with parents/guardian	3%	NA	NA
Live with partner and no children	7%	NA	NA
Live with partner and children	13%	NA	NA
Live alone with children	32%	NA	NA
Live with other singles	4%	NA	NA
Other	1%	NA	NA
Level of savings at application			
No savings	55%	58%	NA
$1 to $99	22%	18%	NA
$100 to $499	10%	11%	NA
$500 to $999	6%	5%	NA
$1000 plus	6%	6%	NA

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