



Doing it tough? Avoid these lenders

Canberra Times (Australia)

March 30, 2024 Saturday

Print & Internet Editions

Copyright 2024 Australian Community Media All Rights Reserved

Section: OPINION; Pg. 37

Length: 861 words

Body

It is bloody hard for Australians to be protected from financial institutions.

Still struggling financially after Christmas? Cost of living up, wages growing slowly, housing costs out of control.

I remember chaos back in the early '90s with three kids, childcare, a huge mortgage and the "recession we had to have".

Since that time, Australia has not been too badly off. We managed COVID with government subsidies which kept most of us out of trouble.

Now, as grocery bills grow, you can see families are finding it hard to manage and our credit card balances are increasing. We see businesses, meant to be in the job of supporting people as they experience hardship, doing the exact opposite.

I love talking to Fiona Guthrie about money and how we manage it. She was one of the very few who recognised buy-now-pay-later was not the awesome scheme it was made out to be.

Then, of course, it took time for governments to recognise the harm BNPL did. When Guthrie ran Financial Counselling Australia, she saw a dramatic shift from 2020 to 2021.

First, just a third of financial counsellors said they saw clients with BNPL debt. A year later that spiked to 84 per cent. Guthrie and the team campaigned to get the government to regulate companies like Zip, AfterPay and Klarna.

Because it wasn't regulated, no one was really checking whether people using these schemes could actually, really, pay. Looked cheap but as soon as you paid late, you were hit with hefty fees. And so many people paid late. It's how the BNPL sector makes its money.

The good news is it's about to be regulated. Under the proposed reforms, BNPL providers will be required to hold a credit licence and comply with Credit Act requirements, in relation to product disclosure, dispute resolution and hardship assistance; and will bring it in line with other types of credit.

Doing it tough? Avoid these lenders

It is bloody hard for Australians to be protected from financial institutions. We watched the Coalition pretend we didn't need a royal commission into banking, then we watched St Kenneth Hayne preside over the horrifying revelations of the banking royal commission, then we saw banks shrug and blank out during those revelations. Then we saw the Coalition try to roll back protections.

But there are some financial businesses who act as if they are exempt. Fiona Guthrie, now leading Way Forward after 15 years at Financial Counselling Australia, is once again teaming up with others to fight against poor conduct from big money.

And to whom is that poor conduct directed? Those experiencing hardship. Way Forward is a not-for-profit which helps those in financial trouble. Guthrie advocated for the establishment of such an organisation which arrived in 2018. And she's seeing some utter horror shows.

For the first time in its six years, Way Forward has a waiting list of people who need urgent help. Guthrie tells me the story of one family signed up to a debt negotiation firm which was holding \$3000 of the family's money. The family had no food in the fridge.

Debt negotiation firms are pretty much the devil's work. They charge for services which are mostly free anyway. And now a couple are in trouble, with the high-profile Solve My Debt Now the subject of legal action from the Australian Securities and Investments Commission.

Turns out, ASIC alleges, Solve My Debt Now failed to pass its customers' payments to creditors in a timely manner or at all. It claims the company collected a \$3.6 million from its customers but paid less than a third of that money to creditors.

Then there's Ultimate Credit Management. And in 2022, ASIC secured a \$650,000 fine against A&M Group, which traded as Debt Negotiators.

It's not just debt negotiation companies that are behaving badly.

Last week, Guthrie posted on LinkedIn a list of lenders Way Forward staff found difficult to work with. The list included **MoneyMe**, Now Finance, Plenti, Jacaranda, and CashFaster.

Guthrie said the inclusion of **MoneyMe** was particularly disappointing, given it has B Corp certification - an accreditation that indicates high social and environmental standards.

"These companies are regulated," Guthrie says. "but they are abusing the system."

We spent a long time focusing on the appalling practices of banks but Guthrie says we must now add small lenders, what she calls second-tier lenders, to our concerns.

"Those lenders are doing the bigger harms," she says.

Unfortunately for those in financial difficulties, the law is not clear on financial hardship. How do we know whether we are being treated fairly?

You might be told you have no way out, or only given a short period of time in which to sort out your money woes.

But there is good news. You'll recall that the Commonwealth Bank was repeatedly, firmly, criticised in the royal commission.

It released a statement at the time: "It has highlighted failings both in our business and across the wider financial services industry."

But Guthrie tells me that the bank has decided to treat hardship customers with decency and respect. The end result for Commbank?

Doing it tough? Avoid these lenders

Guthrie says: "They actually ended up getting repaid more."

Jenna Price is a regular columnist and a visiting fellow at the Australian National University.

Load-Date: March 29, 2024

End of Document