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### *Who is the Stop the Debt Trap Alliance?*

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The Stop the Debt Trap alliance is a coalition of over 20 consumer advocacy organisations from around Australia including financial experts, community advocates and service providers. The alliance was launched in response to 1,000 days of inaction since the Coalition Government accepted the recommendations from the Small Amount Credit Contract (SACC) Review.

#### **WHAT ARE WE ASKING FOR?**

The alliance is calling for the Government to implement stronger laws to protect Australians from irresponsible lenders. More specifically:

**A 10% CAP.** Capping the amount payday lenders and consumer lease companies can charge, so they can't take more than 10% of someone's income every fortnight (i.e. 20% total for people using both). This will ensure people have enough money for expenses such as rent, food and electricity.

**EQUAL REPAYMENTS.** Requiring equal repayments over the life of a payday loan, rather than payday lenders staggering payments in an uneven way to drag out the loan term and make more money.

**RESTRICTING MONTHLY FEES.** If a loan is repaid early, people should not be continually charged fees for a debt they've repaid.

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### *Money 3 and Moratorium correspondence (from iCan Learn)*

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Hi Debt trap alliance,

This is just to alert you to an issue concerning Money3 which I think is worth being aware of and which I will raise with ASIC and AFCA.

#### **Access to online bank statements as part of hardship request**

In a recent matter, one of our financial counsellors has sought a moratorium on payments while we wait for documentation from Money3. Money 3 has provided the below response (de-identified) and critically has asked us to follow the 'Bank Statements' link below which requires the client to provide access to their online banking details so a third party data company, Illion can access their accounts directly. I know this is increasingly and concerningly a common practice when it comes to loan assessments by pay day lenders (when I recently tried to apply for a Cigno loan to understand the process they wouldn't give me one unless I gave them access to my accounts!) but I was not

aware it was also being asked of people again at the time they are seeking a variation on the grounds of hardship – which of course is a point in time when they are prone to targeted pay day lending offers. I am really concerned about this practice and particularly the many unrepresented people who will be handing this information over.

#### **ILLION'S PRIVACY POLICY**

Illion's privacy policy includes the following terms for use of personal information:

to include in one or more of our databases so that we can provide it to our customers as part of the product or service they select;

sharing with our group companies to assist with the management of information or delivery of our services;

sharing with our group companies, affiliates and partners who will collect, hold, use and disclose Personal Information shared with them by us to create and sell risk analysis and other information products; and

to assist our customers to identify products and services and special offers that might be of interest to individuals and businesses (limited to Marketing Services only).

I know Money 3 is not a SACC provider but it is a frequent flyer in our casework and I am concerned about the number of people who may be affected by this. We are lodging complaints about them with ASIC wherever possible.

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#### *Response re Money 3 and Moratorium, and Data Scraping*

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We have raised a number of concerns about access to 'free' credit reports via third party providers over the years - primarily due to concerns about access to data and targeted marketing with unsuitable or predatory credit offers. Given the history with credit reporting bodies, I would not currently trust them to effectively 'quarantine' data from any cohort of consumers, including FC clients. We are also concerned that credit reporting bodies continue to lend legitimacy to the credit repair industry. We recently raised concerns with Equifax about a recent call we received where the client reported being referred by Equifax to Credit Wipe. This is not the first time we have seen this kind of behaviour from the industry.

We also have very serious problems with screen scraping technology, particularly that it can jeopardise people's rights under the E-Payments Code for fraudulent transactions. FRLC has done a lot of excellent work in this space. We support a ban on screen scraping, including in lending assessments. This would help to ensure that the sharing of transaction information is within the Consumer Data Right system where there is great privacy protections.

In terms of regulation of budgeting apps, we consider that this should be done via the Consumer Data Right legislation, rather than a Code of Conduct. I would like to also thank Drew and Julia at FRLC, who have led the policy work in this space and we are very supportive of FRLC's positions on these issues. Drew and Julia are also giving evidence to a Senate Committee on fintech/CDR issues next week, I'm sure they'd be very happy to chat more about that.

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### *Case Study – Lazer Money, Data scraping*

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In terms of other examples about screen scraping, one of our financial counsellors dealt with one pay day lender recently, Financier, trading as Lazer Money. When we requested copies of the credit assessment and verification documents used, Lazer Money refused to hand over the details of the bank data that was used stating (in an email):

we have not provided bank statement data as we source those from a third party, Credit Sense, and they contain valuable intellectual property in relation to income and expense categorisation.

This obviously raises significant questions around their credit lending practices as well as their IDR practices as we would argue our client is entitled to all personal information that Lazer Money relied upon in making its assessment. I note that Lazer Money was also one of the payday lenders that have sent unsolicited text messages to at least two people we have seen.

We have included the above in a complaint to ASIC.

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### *NILS Tasmania – response to a “new player – MyPayNow”*

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John from NILS Tasmania issued this response to a local Tasmanian newspaper after seeing a write up which started “New pay advance web app gives power to the people - An exciting new Australian fintech company has launched MyPayNow, a digital pay advance web app that gives everyday Aussies the power to access a portion of their earned wages instantly.”

*See the Media Release – New Pay Advance Web App gives power to the people*

We are shocked about the opportunistic launch of this product just as the beginnings of the economic recovery from Covid 19 is beginning. I would call it what it is, this is predatory lender is seeking to target people who are in a very vulnerable position as wages are so uncertain due to COVID 19.....and they are seeking to cash in and hook people into ongoing debt.

This is appalling predatory behaviour that will hook understandably desperate workers with uncertain income into a debt spiral. This company will seek to blanket social media to harvest vulnerable people into debt.

It’s almost Orwellian how they speak so positively about their “AI system” and their offering as a great and positive thing when most people will see it as opportunistic parasitic lending. It appears on the surface almost benign but it aims to ensure people are trapped in a fortnight to fortnight debt cycle I believe.

This behaviour should be reined in through legislation. I hope our Federal Members and Senators in Tasmania see this and I beg them, as we have been for years, to introduce the legislation that will rein in the existing and these new predatory lenders. Legislation that will rein in unsolicited emails and digital bombarding of people who’ve had previous loans, that will cap the maximum amounts people can have harvested from their income each fortnight and put a cap on the fees and charges and costs which is how these and other pay day lenders are able to exempt themselves from responsible lending legislation. We need action now and I beg Tasmanians to be very very wary of this company and their desire to suck you into debt.