

July 30 2019

Australian Securities and Investments Commission

Product.regulation@asic.gov.au

**RE: Letter of support from SA Financial Counsellors Association for FCA submission to ASIC
Consultation Paper 316 (Using the product intervention power: Short term credit)**

The South Australian Financial Counsellors Association (SAFCA) provides advocacy, information and support to our members, the 185 financial counsellors and financial capability workers who assist financially vulnerable clients in South Australia and the Northern Territory.

Our members work for some 26 not for profits around SA and NT and they assist South Australians and Territorians facing many issues – debt, mortgage stress, unemployment, mental health problems, disability, problem gambling and family violence to state only some.

Cigno has been raised with us as a particularly troublesome cause of people falling into an escalating debt trap. Cigno seeks to avoid the National Consumer Credit Protection Act (National Credit Act) and as a consequence its customers have lost protections under the law. We are particularly concerned that vulnerable aboriginal people living in the Northern Territory and the north of South Australia appear to be the subject of targeting by Cigno. SAFCA makes the following statements:

SAFCA supports the Financial Counselling Australia submission in response to Consultation Paper 316.

We support ASIC using the product intervention powers to prohibit short term lending models (the Cigno model).

We support the proposal by ASIC to make a product intervention order by legislative instrument under s.1023D(3) of the Corporations Act as drafted and attached to the ASIC Consultation Paper 316

Cases involving Cigno

Our members in the Northern Territory and in north of South Australia have reported an escalating problem with Cigno targeting vulnerable aboriginal clients. As the FCA submission states, our members have made many complaints about Cigno's practices, and indeed that submission provides over 40 case studies provided by financial counsellors from around Australia. SAFCA provides the additional case studies of aboriginal people in central and northern Australia falling into unfair debt due to the misconduct of Cigno. Please see the attached page.

We thank ASIC for the opportunity to comment on C P 316, and for pursuing this issue.

Yours sincerely



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CASE STUDIES

Client from a remote NT community. Borrowed \$250 from Cigno around January 2019. Thus far has paid back over \$1400. Client is 35 year old female, unemployed with three children and partner. Family travels regularly to Alice for medical appointments. Have sent email to bank requesting cancellation of direct debits to Cigno.

Client, 28 year old male from remote SA who borrowed \$200 on 17/6 for cigarettes and alcohol while in Alice. Paid back \$294 on the 20/6 and there were 2 further dishonoured direct debits for \$104 each after that are possibly to Cigno, unclear from bank statements.

Client, 24 year old female from remote SA on compulsory income management who took out \$200 loan and paid back \$629 before Money Mob Talkabout stopped direct debits. Client still owes \$382. Was referred to us by Centrelink.

Client, 24 year old female from remote SA on Abstudy. Borrowed \$150 but made mistake in providing bank details for repayment so has not made most of the repayments. Now owes \$1144. Budget shows \$5 surplus before debt repayments, \$156 when debt repayments taken into account.

Client, 49 year old female from remote SA on disability support pension. Took out loan for \$175 in January 2019 for which she was supposed to repay \$272 in total which was not paid back due to insufficient funds in account. Now owes \$859.60. Client was already in significant debt.

Client 31 year old female, moved from Tiwi islands to town Camp in Darwin for support with her illness after being diagnosed with MJD. Borrowed \$300 from Cigno 27/02/2019. Paid back \$353, a total of \$1005.20 in fees and charges were added to loan and client still owes \$952.20. Sole income is Newstart and FTB and client is Income Managed.

Client 24 year old female, living in Darwin. Borrowed \$200 22/12/2018 to buy Christmas presents. Paid back \$320, a total of \$889.75 in fees and charges were added to loan and client still owes \$769.75. Sole income is Parenting pension and FTB and client is Income Managed.

Client 22 year old female, living with family borrowed money to buy power cards. Borrowed \$75 on 11/10/2018. Paid back \$150, a total of \$301.60 in fees and charges were added and balance owing by 06/12/2018 was still \$226.60. Sole income single parent pension and FTB.

Letters were written to Cigno regarding the above three clients re the debts and requesting debt waivers as clients were in financial hardship and had paid back core debts plus between 50 and 100% of amount borrowed. Cigno only responded to my first complaint. I have a copy of the response if you want it. They basically said they would cancel the direct debits and client could pay what they could afford when they could afford it and provided account details for transfer. Then they continued to debit the account.

Female Client, 22 took out \$175 Cigno Loan in March 2019 for food. As of July 2019, the payout figure was \$619.15. FC was advised by Cigno on 23/7/2019 that the debt had been forwarded to Milton Graham. On the 24th and 26th of July, Milton Graham informed FC that they had no record of the debt. Client will await contact from Milton Graham before proceeding with any further negotiations.

Female client Darwin based first contact late Nov 2017. Sole parent Centrelink Disability income extensive mental health & intellectual disability. Presented with Cigno debt of \$634. Cigno was in addition to 5 other SAC loans, 2 overdrafts and a credit card. Cigno agreed to waiver the debt. The very same day that the waiver was confirmed the client was able to secure a further Cigno loan of \$200, because she needed to get cigarettes.

Elderly female, remote aboriginal Community. Borrowed \$175 in Sep 2017. Owed \$1107, had repaid the original \$175 after approx. 6 months in one lump sum. Didn't understand why she owed so much money to them. It became clear she had no understanding of the fees associated with the loan. The loan was taken out over the phone, she doesn't believe she ever received anything in writing re the loan. Cigno agreed to waiver the loan.

Female client in Darwin, sole parent recently left DV situation. Client previously working but wasn't at time of meeting but planned to return to work once family resettled. \$1000 owed to Cigno, \$200 borrowed early 2018, \$0 repays made. Requested waiver of debt, supplied copy of DVO. Cigno offered to settle for \$200 originally lent to client with the client able to pay in whatever increment she could afford, over whatever time period suited client. Client accepted this offer, advising that payments would begin on her return to work early 2019.