

## Easy cash loans

This fact sheet is for information only. You should get professional advice about your personal situation.

### Main ideas

- Easy cash or payday loans are very expensive.
- There are better options.
- Lenders must comply with responsible lending laws and offer hardship if your situation changes.
- Financial counsellors can help if you have a problem. Their services are free.

In this fact sheet:

### There are better options

#### Easy cash loans can be very expensive

- Loans for \$2,000 or less
- Loans between \$2,001 and \$5,000
- Buy Now Pay Later

#### Lenders must check you can afford the loan

#### If you can't afford the loan

- If you could never afford the loan
- If you could afford the loan at the start, but then your finances got worse
- If the lender keeps on taking payments by direct debit

## There are better options

Borrowing money to pay your everyday expenses only makes things worse in the long run. More and more of your money disappears in loan fees or interest.

If you need money urgently, try these options:

- **No Interest Loan Scheme (NILS).** These are loans for people on low incomes for household items, medical and dental. Call 13 64 57 or [visit the NILS website](#).
- **Emergency Relief.** Community organisations and charities provide immediate support

to people in financial crisis. Assistance includes food hampers, clothing, emergency housing, and energy vouchers. Each service provider has criteria you need to meet to access the help they can give. [Check the Department of Social Services \(DSS\) Service Directory](#) or [visit the Ask Izzy website](#).

- **Centrelink advance.** [Contact the Department of Human Services](#).
- **Make a repayment arrangement.** If you are struggling to make repayments on your debts, contact the creditor and ask for a hardship arrangement. Read our fact sheets on [Financial Hardship](#), [Phone debt](#) and [Electricity and gas debts](#).

A free financial counsellor can help you work through the best option for you. Call the National Debt Helpline on 1800 007 007 to discuss your situation.

## Easy cash loans can be very expensive

Loans for small amounts are advertised heavily and easy to get. They sound attractive but they are often very expensive and can easily push you into a 'debt trap'. A debt trap is when you need to keep on borrowing money to pay back the last loan, and you never get out of debt.

### Loans for \$2,000 or less

Loans for \$2,000 or less to be paid back between 16 days and one year are called Small Amount Credit Contracts. The lender can charge:

- a set-up fee of 20% of the amount borrowed
- a monthly fee of 4% of the amount borrowed.

So, if you borrowed \$2,000 over one year, you could be asked to pay back \$3,360. That's \$1,360 more than you borrowed – the same as 68% per year interest.

The lender can also charge:

- default fees if you don't pay on time
- enforcement costs if they need to chase you for the money.

The total amount the lender can chase you for is limited to double the amount of credit lent to you (including repayments). So you cannot end up paying more than \$4,000 if you took a \$2,000 loan.

### Loans between \$2,001 and \$5,000

Loans for between \$2,001 and \$5,000 to be paid back in less than 2 years are called Medium Amount Credit Contracts. The lender can charge:

- a set-up fee of \$400
- interest up to 48% per year.

The lender can also charge:

- default fees if you don't pay on time
- enforcement costs if they need to chase you for the money.

## Buy Now Pay Later

Buy Now Pay Later products are considered Low Cost Credit Contracts. They are regulated differently, even if they meet the definition of a Small Amount Credit Contract or Medium Amount Credit Contract.

If you have problems with Buy Now Pay Later, [read our fact sheet about Buy Now Pay Later](#).

## Lenders must check you can afford the loan

Responsible lending laws apply to all consumer loans.

Loans for business purposes do not have the same protections, so don't let a lender push you into getting an ABN and pretending it is a business loan. If a lender says the credit law does not apply to your loan, call us for legal advice.

For consumer loans, lenders must make sure

- the loan is suitable for purpose
- you can afford to repay the loan without much hardship.

For all consumer loans under \$2,001, lenders:

- cannot take security (for example, a car) for the loan
- must review 90 days of your bank account statements to make sure you can afford the loan
- must warn you about the high cost of small amount credit and tell you about alternatives. This should include a notice displayed online or on premises, or over the telephone.

If your loan was under \$2,001 and was **taken out before 12 June 2023**, lenders:

- must be able to show that you are not in a debt trap if you already had two or more loans, before giving you another loan within a 90 day period
- must consider carefully giving you loan if you have been in default on another loan in the previous 90 days

- cannot set repayments at more than 20% of your income if more than half your income comes from Centrelink

If your loan was under \$2,001 and was **taken out after 12 June 2023**, lenders also:

- must not give you a loan if the total repayments on that loan, plus any existing small loans you already have, is more than 10% of your income
- you should have regular repayments of equal amounts due. The last payment may be a bit smaller (for example, \$50 a fortnight with a final payment of \$35)
- if you repay the loan early, the lender can't charge you the remaining monthly fees owing for future months
- the lender cannot advertise new loans to you, unless you have asked them to
- the lender cannot send you to unregulated lenders (where there are less rules and less protections for you if something goes wrong).

For all loans, the lender should ask you for:

- Bank account statements. Do not give the lender online access to your statements. It's a risk to the security of your bank account.
- Proof of income, for example, payslips or your Centrelink statement.
- Details of your living expenses.
- Details of other loans.

If the lender does not ask for this information, it is likely they are not complying with their legal obligations.

## **If you can't afford the loan**

### **If you could never afford the loan**

Lenders must assess your financial position and make sure you can afford to repay the loan without substantial hardship, when you apply for the loan. If you are struggling with repayments, you could argue the loan was unsuitable and should not have been given to you.

If the lender gives you a loan you cannot afford to repay, you may only need to repay the loan amount less what you have already paid back. That is, you may not need to pay any fees or interest.

If you believe that you could not afford the loan from the beginning, and you are in NSW, contact us for free legal advice on 1800 844 949.

### **If you could afford the loan at the start, but then your finances got worse**

Ask for a repayment arrangement on the grounds of financial hardship. All lenders have

legal obligations to work with customers in financial hardship. [Read our fact sheet about Financial Hardship.](#)

Pay your basic living expenses (rent, food, utilities) before you pay your loan. Arrange to pay an amount you can reasonably afford. Get legal advice if the lender will not agree to the changed repayments.

A free financial counsellor can help you negotiate a repayment arrangement.

### **If the lender keeps on taking payments by direct debit**

Most loans are repaid by direct debit. If there is not enough money in your account, you could be charged reject fees. You can cancel the direct debit with your bank. [Read our fact sheet about Direct Debits for details about cancellation.](#)

You need a plan to deal with any money still owing. Talk to a free financial counsellor by calling the National Debt Helpline on 1800 007 007.

Need more help?

[For a list of other resources, visit our Useful Links page.](#)

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