

What's the law? – Consumer issues – pay day loans

Presenter's notes

How to use these notes

Topic: The legal consequences signing a contract to get a short-term loan of money and then being unable to repay the loan.

Resources: *What's the law?* free online resource 'Consumer issues', which contains a photo story, activity sheets and answer sheets.

These notes provide guidelines for a presenter's script and information on how to use these resources when presenting to a community group. The notes include a story summary, questions and answers, key messages, areas for further discussion and referral information.

Preparing to present

It may be useful to read the activity and answer sheets to prepare for your presentation – they may give you ideas for additional questions and activities for your group. It is also a good idea to look at the websites and referral information provided under 'Possible discussion points and referral information' below.

If you need assistance with presentation skills, engagement ideas or coordination support for the group you are preparing for you can contact cle@legalaid.wa.gov.au or (08) 9261 6500.

Introduce yourself and *What's the law?*

Before you begin the presentation, introduce yourself, your role and your organisation.

For example, if you work at Legal Aid WA:

- Legal Aid WA helps the community in many different ways if people have problems with the law. We provide legal education to newly-arrived communities about their rights and responsibilities.

Refer to the *What's the law?* free online resource and its purpose by mentioning these key points:

- We see many different newly-arrived communities get into trouble with the law and often the same legal problems arise. These problems can be avoided if you know some simple information about the law and where to go to for help before your problem becomes serious.
- The photo stories in *What's the law?* have been made to help you learn about the law on thirteen different topics.

Begin with some introductory statements and general questions about the topic:

- Today we are going to show you a photo story about the problems that can arise from taking out a short-term loan and then being unable to pay it back.

- The interest and fees for short term or pay day loans can be very expensive.
- If you miss one payment the loan fees can start to increase.
- If you repay your loan by direct debit and don't always have money in your account this can cause more problems.
- You may need the help of a financial counsellor if you are having trouble repaying a debt.

Summarise the photo story

- This story is about Van who takes out a short-term money loan to pay his rent until his next pay day at work.
- Van found it easy to get a loan with the money to be taken directly out of his bank account.
- Van does not have enough money to cover his other bills and one week there was not enough in his bank account to cover his loan repayment. He has to pay more for the loan and interest.
- Van contacts a financial counsellor to get help.

Ask questions

To strengthen engagement with the photo story and develop the group's legal literacy, ask key questions before showing the story. This will encourage the group to watch actively and think about key messages.

While you are watching the story, think about the next three questions:

Why does Van have to keep repaying the loan?

Why does repaying the loan make it harder for Van to pay his other bills?

Where can Van go for help with his problem?

Show the photo story



Answer the questions

Ask the same key questions after you show the story and allow for discussion to tease out the right answers.

Why does Van have to keep paying the loan?

- Van has signed a contract – this is an agreement between him and the lender (Assistant).
- The law says once you sign a contract, you must do what is promised in the agreement even if you have not read the agreement.
- You should not sign anything if you do not understand or have not read what you are signing. It is often difficult to stop a contract after you have signed it. If you don't understand the contract, you can get free legal advice before you sign.

Why was a short-term loan not a good idea for Van?

- Interest is an amount charged for the benefit of getting money on loan straight away.

- If you ever sign a loan agreement, always check how much interest you have to pay. It may be very high and you may have to pay a lot more in total. Also check other fees that you might have to pay, for example, if you do not make a payment on time.
- Think about whether you will always have the money in your account to cover direct debit.
- The interest and fees for short term or pay day loans can be very expensive – you will usually have to pay back much more than you borrowed. Pay day loans are not a good idea.
- If you miss one payment because there is not enough money in your bank account for the direct debit, the loan fees can start to increase. Your bank may also charge you a fee.
- Van did not have enough income to cover repaying the loan and his other bills.

Where can Van go to get help for his problem?

- Van can see a financial counsellor for free. He can contact a financial counsellor on 1800 007 007.
- To help pay his electricity, water, or gas bills he may be able to apply for a Hardship Utility Grants Scheme (HUGS) payment.
- As Van is in financial hardship if the lender does not give him more time to pay or a changed repayment plan he may be able to get help from the Australian Financial Complaints Authority.
- The Consumer Credit Legal Service of WA may be able to give help about whether the lender has treated Van unfairly.
- He can call the **Legal Aid WA Infoline** on **1300 650 579** for information and referral.

Emphasise key messages

- When you sign a contract for a pay day or cash loan, you can usually get the money very quickly, but you pay for the loan by paying interest and fees. Always ask how much you have to pay and how often. Also ask what will happen if you miss a payment.
- The interest and fees for short term or pay day loans can be very expensive – you will usually have to pay back much more than you borrowed. Pay day loans are often not a good idea.
- If the lender requires you to pay by direct debit you may need to reconsider going ahead with the loan. If you don't always have money in your account direct debit may cause big problems.
- If you miss one payment because there is not enough money in your bank account for the direct debit, the loan fees can start to increase. Your bank may also charge you a fee.
- Think about whether you can afford the loan repayments plus your normal living costs such as food, rent, transport, and entertainment.
- If you find that you have trouble with a loan, tell the lender that you are in financial hardship or get some free advice from a financial counsellor.
- If you are in financial hardship, you or a financial counsellor may be able to make a payment plan, with the agreement of the lender, to pay the money back in smaller amounts and have more time to pay.
- Lenders must assess whether you are able to pay back a loan before they give you a loan. If the lender did not do this, you may be able to make a complaint to the Australian Financial Complaints Authority. Get help from a financial counsellor to do this.
- A financial counsellor may be able to help someone in financial hardship get access to a Hardship Utility Grant (as part of the Hardship Utility Grants Scheme (HUGS)). This is a small, one off, government payment that can help with gas, electricity and water bills. There are rules about who is eligible for this grant.

- Lenders and debt collectors cannot harass or bully you to make you pay back a loan. This is against the law. Get help from a financial counsellor if you think you are being bullied or harassed.
- Call Legal Aid WA or your community legal centre if you have legal problems or have to go to court.

Further questions and discussion

- Does anyone have any questions?

You are not expected to be a lawyer to use this resource. Many teachers and community workers use this resource successfully. If a participant raises personal legal issues, you can provide referral information. If you are not a lawyer, legal assessment or advice should be referred to the **Legal Aid WA Infoline** on **1300 650 579** or the closest community legal centre (<http://www.communitylaw.net/>) or Legal Aid WA office.

Possible discussion points and referral information

Consumer Credit Legal Service of WA

- Provides free advice to WA consumers on financial related disputes. Call **(08) 9221 7066**.

Legal Aid WA

- Call the **Infoline** for information and referral **1300 650 579**.

Financial counselling

- Financial counselling may be able to assist. Search for a financial counsellor close to the group: <http://www.financialcounsellors.org/>. You can talk to a financial counsellor on the phone from anywhere in Australia by ringing **1800 007 007**.
- National Debt Hotline <http://www.ndh.org.au/> **1800 007 007**.
- Check if your local community legal centre offers financial counselling services: <http://www.communitylaw.net/>.

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