

Requirements: Show the video on this topic from the Legal Aid WA website under Resources>What's the law

Pre-teaching

Vocabulary: pay day loan, cash loan, credit, interest, fees, direct debit, debt, repayments, credit history, lender, financial hardship

Warm up activity to introduce topic: ask the class what they think about pay-day lenders.

Key messages

1. 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.
2. 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 often a good idea.
3. 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.
4. 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 you big problems.
5. Think about whether you can afford the loan repayments plus your normal living costs such as food, rent, transport, and entertainment.
6. 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.
7. 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.
8. 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 with the Australian Financial Complaints Authority. Get help from a financial counsellor to do this.
9. A financial counsellor may be able to help someone in financial hardship get access to a Hardship Utility Grant (HUGS). This is a small, one off, government payment that can help with bills. There are rules about who is eligible for this grant.
10. 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.

Answers

Activity A

1. b. to be able to pay his rent this week
2. b. getting extra shifts at work
3. a. for his bank details
4. c. he did not have enough money in his bank account when the loan company tried to take the repayment money out.

Activity B – Watch the story again. Match each expression on the left with its meaning:

On the spot	Right now
Direct debit	Money is taken out of your bank account electronically
Too good to be true	Something that sounds much better than it really is
Hardship Utility Grant	A small government payment that may help people in financial hardship pay their bills
Pay day loan	A short term loan that is very expensive because of high interest and fees
Interest	The amount of money you have to pay back on top of the money you borrowed
Debt	Money that you owe
Financial hardship	You don't have enough money to pay what you owe
Financial counsellor	Someone who can help work out money problems

Activity C – Read the statements and circle True or False.

1. True
2. True
3. False
4. False
5. True
6. True

Activity D – Discussion

Activity E

Service	Web address	Phone number
Consumer Credit Legal Service (WA)	www.cclswa.org.au	(08) 9221 7066
Legal Aid WA	www.legalaid.wa.gov.au	1300 650 579
Financial Counsellors Association of WA	www.financialcounsellors.org	1800 007 007
National Debt Hotline	http://www.ndh.org.au/	
Australian Financial Complaints Authority	www.afca.org.au	1800 931 678
Translating and Interpreting Service	www.tisnational.gov.au	131 450

Script for consumer issues video

Van is reading a sign in a shop window that says, 'Instant cash loans here!'

- Assistant Hi mate. Do you need a loan?
- Van Maybe. How much money can you give me?
- Assistant \$500 on the spot. It'll be in your bank account tomorrow.
- Van Great. I just need some extra money until I get paid next week. So I can pay my rent.
- Assistant That's what we're here for. We just need to check some recent bank statements. You can use our computer here to log into your bank account and print them out.
- Assistant Ok, great. I just need your bank details so I can set up a direct debit. The payments come straight out of your bank account every two weeks. You won't even have to think about it.

Van is at work, talking to his colleague John.

- Van I got this great loan yesterday.
- Van It was really easy to get the loan. They just looked at some bank statements, I signed the papers and look – the money is already in my bank account!
- John Do you have to pay a lot of interest and fees?
- Van I'm not sure about all the details. The payments come straight out of my bank account every two weeks and it will all be paid back in six weeks. I just needed some extra money to pay rent before we get paid from work. And this is so easy!
- John But can you afford to make all these repayments after you pay rent, bills and shopping? It sounds too good to be true.
- Van It will be fine. I'll get more shifts here soon. The extra work means I'll have enough money to pay everything back.

Two weeks later, Van is at home sitting at his computer. The computer displays his bank account balance and transactions. Van has no money left in his account.

Van is holding an electricity bill for \$100, the bill reads "DUE NOW", he looks worried.

Van is at work, talking to his colleague John.

- Van Hi John.
- John Hey Van. How is everything going?
- Van I'm in some trouble with that loan. The payments are taken out of my bank account as soon as I get paid from work. Now there's not enough money left to pay for my other bills. Last week the loan payment didn't go through because there wasn't enough money in my account. And then the bank charged me more fees. And now the loan company called me and said I have to pay money for fees and interest. They said if I don't pay, they will send a debt collector to get the money from me.
- John That doesn't sound right. I think you should talk to someone who knows more about this stuff. Financial counsellors can give you free help about money and bills.

Van is at home, on the phone to a financial counsellor

- Van Hello. I got a loan and I can't pay it back. Now they are saying I must pay extra money in fees.

- Financial Counsellor Ok, let's see how I can help you. First, can you tell me the details of the loan?
- Van I saw a sign out the front of a shop that said cash loans. So I went in to the shop
- Financial counsellor Under the law, before a lender gives you a loan they must assess whether you can afford to pay it back. It sounds like the lender at the shop did not do this properly. It's good that you came to us for advice now. There are a few different things that you can do. You could contact the lender and tell them you are finding it difficult to pay the loan back. This is called being in financial hardship. You could ask for more time to pay or for a payment plan to pay the loan back in smaller amounts. You can do this with the Financial Ombudsman Service or the Credit and Investments Ombudsman (please note: **the Financial Ombudsman Service and the Credit and Investments Ombudsman have both been replaced by the Australian Financial Complaints Authority**).
- You can also complain if the lender has treated you unfairly. They cannot harass or bully you to make you pay.
- Van Ok, thanks. I might do that. But I'm still worried about paying all my other bills.
- Financial counsellor You could contact your gas, electricity, water and phone providers. You can tell them you are in financial hardship, and ask for payment plans for those bills, too. You can also apply for a utility relief grant for help to pay your gas, electricity or water bill. Your provider can give you the forms you need to fill out to apply for this grant.
- Van Thanks, that sounds good.
- Financial counsellor We can also help you work out a budget so that you know what things you have to pay for when you get paid from work.

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