



# Sharks still unchecked

As cost of living soars, payday loans can top 700 per cent

At a time of increasing hardship due to rises in the cost of living, vulnerable Victorian consumers have less protection than borrowers in other states from exploitation through excessive fees and charges demanded by payday lenders.

A just-released study by a senior La Trobe University law student forwarded to the State Minister for Consumer Affairs, Tony Robinson, highlights an example where a borrower is required to pay an effective annual interest rate of 740 per cent on a \$300 loan – despite the government recently capping the interest rate on payday loans at 48 per cent.

Patrick Stobauss, who carried out the study while on clinical legal education placement at the West Heidelberg Community Legal Service in Melbourne's north, said the Victorian Government needed to move beyond its new disclosure requirements and interest cap, and take action to limit the amount in fees that can be charged.

'The 48 per cent cap strictly only applies to interest and is therefore of little value in protecting consumers from excessive fees. Victoria is now, in the words of one consumer lawyer, "embarrassingly" out of step with several other states where the cap is applied across the board to interest and fees,' says Mr Stobauss.

'There is a belief that the very practice of payday lending is centred upon the exploitation of the desperation of borrowers, particularly those receiving welfare,' Mr Stobauss says.

'The overwhelming opinion among those who work at the grassroots level, including financial counsellors, is that contrary to being a form of assistance to someone with financial woes, payday loans generally exacerbate the borrower's debt and financial issues.'

Apart from stressing the urgency of further law reform to control payday lending in Victoria, Mr Stobauss has called on the State Government to work with other states and the Commonwealth to 'look at ways of better assisting the most disadvantaged in the community to ensure that dubious means of finance such as payday loans are not their only option'.

The payday loan law reform study was one of six distributed to leading State and Federal legal decision makers. The studies were supervised by Dr Liz Curran, La Trobe law lecturer and student clinical legal education supervising solicitor at the West Heidelberg Community Legal Service.

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## High use of capsicum spray by police

With a recently reported 1,600 per cent increase in the use of capsicum spray from 1998-2008, another study suggests the need for better training for police in verbal negotiation and highlights a disproportionate use of force being used against juveniles and people between the ages of 16-25.

Law student Simon Bogil says in his report there are 'cultural concerns within the police force that must be addressed if the police are to improve their standing in the community, especially amongst the youth. He says 78 per cent of young people say that police 'rarely' or 'never' treat them with respect.

'This may explain the mistrust, and to a degree, the force, including capsicum spray, that police may have to use against young people. This is not a sustainable relationship. A community policing organisation is more effective if it maintains good relationships with all members of the community,' he concludes. The report was forwarded to Chief Commissioner of Police, Christine Nixon.

Other studies examined the provision of sub-standard and inhumane accommodation through the Office of Housing; lawyers taking advantage of consumers with a limited understanding of the law by claiming legal costs in letters of demand; sentencing of people with an intellectual disability to prison - a practice that the researchers claim may well be in breach of the new Victorian Charter on Human rights; the high cost of expert witnesses and the impact this has on access to justice; and complaints about police misconduct lodged at police stations.

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