Newsletter

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Payday Lenders

Who Are They?

As the cost of living seems to increase every day, more and more of us are looking at alternative sources of money to finance our basic necessities.

Add into the mix the fact that mainstream banks are looking ever more closely at who they lend money to and you have the birth of a whole new industry – Payday Lending.

A Payday Loan is any small amount of money lent for a short period of time without any collateral. The name comes from the practice of setting repayment dates to coincide with the day that the customer's pay or Social Security benefit hit their bank account.

Good or Bad?

The industry has come under intense scrutiny of late and regulations have been introduced and tightened to limit the amount these lenders can charge for their services. Whilst there may be a legitimate place for Payday Lenders in society, there is no doubt that their usual practice of compounding loan upon loan leads to a debt cycle that is unsustainable.

How Do They Work?

All of us at some point have had a time when the money did not stretch quite far enough. Maybe we had an unexpected medical or car emergency. Or perhaps we wanted to buy a gift for someone special.

We see the ad on TV, ring the number and an hour later – hey presto – we have the money we need. The problem is we need to repay it plus the fees involved in borrowing it, and when we still don't have the money, the solution is ***simple*** – another loan.

Thus a simple loan can (and does) escalate quickly into an annual interest rate that is staggering.

Financial Choices can help.

Financial Choices can provide loans of up to $500 for up to 6 months for a total cost of only $50 (plus the repayment of the loan). The $50 covers the compulsory money management training provided when the loan is approved. For more details and to check eligibility visit www.seedsofhope.com.au

This Newsletter is produced and edited by John Bassett, a director of Seeds of Hope, Carrara and is presented as general information only. It should not be considered as financial advice.