

February 2016

Rental Traps



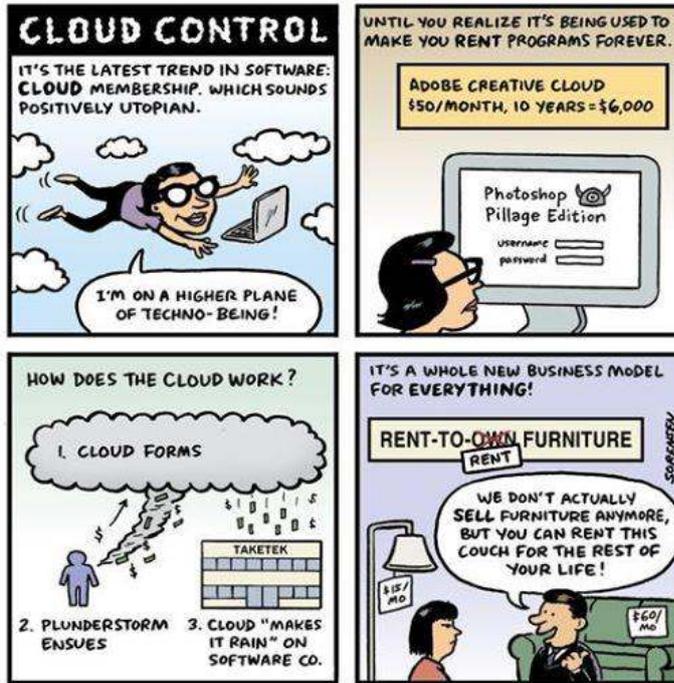
Consumer leases, often referred to as 'goods rental' or 'rent to buy', allow consumers to rent household goods for a number of years, after which they may be given the option to buy the product.

Consumer leases are an extremely expensive way of accessing household items and building assets. In dollar terms they see clients pay around \$1,800 for a \$650 fridge over three years.

A recent report from the Australian Securities and Investments Commission (ASIC) found people on low incomes and Centrelink benefits are likely to pay more than other customers, and may even be charged more than the advertised price.

Unlike credit contract and phone plans, consumer lease companies are not required to disclose the overall cost of their contracts, making it almost impossible for customers to make an informed decision about whether the deal represents good value.

In stark contrast to consumer leases, NILS provides safe, fair and affordable loans of up to \$1,200 for people on low incomes, to pay for essential items including laptops and tablets and a \$650 fridge costs just that - \$650.



- People sign up for rental contracts because the fortnightly or monthly repayments appear affordable – the total cost of the contract is rarely disclosed

- The cost of finance is equivalent to interest rates of over 250 per cent and can be up to 884 per cent

- Lease providers are using Centrelink's payment system CentrePay which sees money directed towards a

consumer lease contract before it ever enters the recipient's bank account, and before it can be allocated to everyday living expenses - Last year \$90 million of Radio Rentals' revenue came directly from Centrelink via CentrePay.

