

Small amount loans

What do I need to know?

What is a small amount loan contract?

This is a contract where you borrow up to \$2000 for between 16 days and one year. You will pay a much higher annual interest rate than the rate paid on a credit card or a bank loan or mortgage.

How do I pay for a small amount loan?

You must make weekly or fortnightly payments for the term of the loan contract.

How much interest can a lender under a small amount loan contract charge me?

A lender can charge you a one-off establishment fee of up to 20 percent of the loan value and a maximum monthly account fee of four percent of the loan amount borrowed. The lender can also charge you default fees and enforcement expenses.

For example:

Loan amount	Loan length	Total interest and fees charged	Total amount that will be paid
\$600	3 months	\$192	\$792
\$600	4 months	\$216	\$816
\$600	5 months	\$240	\$840
\$600	6 months	\$264	\$864
\$600	7 months	\$288	\$888
\$600	8 months	\$312	\$912

Do small amount loan companies have to assess if I can afford to pay the money back?

Yes, they must look at your income and expenses to make sure you can afford the loan payments.

For more information about our services call 1300 65 11 88 or visit legaid.qld.gov.au

or phone our Indigenous Hotline on 1300 650 143.

BRISBANE 44 Herschel St, 4000

WOODRIDGE 1st Floor, Woodridge Place, Cnr Ewing Rd & Carmody St, 4114

How does the lender check if I can afford to pay the money back?

They need to get three months' worth of your bank statements and review your current income and expenses to decide whether you can afford the loan.

Is there a limit on the number of small amount loans you can have at any one time?

Yes. The law assumes your third small amount loan in 90 days is not affordable for you. But the company can still give you the loan if it can show the third loan is affordable for you after looking at your income and expenses.

What happens to my payments if I lose my job or get sick?

You can ask the company for financial hardship help. This could involve reducing your payments until you are well or get another job.

What happens if I don't pay?

There is a risk the company could take you to court and list a default on your credit report.

Where can I get help if I have a problem with one of these contracts?

You can get help by calling:

- a financial counsellor on 1800 007 007
- Legal Aid Queensland on 1300 65 11 88.

You can also lodge a complaint with the Australian Financial Complaints Authority at www.afca.org.au or 1800 631 978.

For more information about entering a small amount loan, visit: <https://www.moneysmart.gov.au/borrowing-and-credit/payday-loans>

