



No Interest Loans Scheme Funding

Supporting a recovery for all
Queenslanders

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qcross.org.au

About QCOSS



We are QCOSS (Queensland Council of Social Service), Queensland's peak body for the social service sector.

Our vision is to achieve equality, opportunity and wellbeing for every person, in every community.

We believe that every person in Queensland – regardless of where they come from, who they pray to, their gender, who they love, how or where they live – deserves to live a life of equality, opportunity and wellbeing.

We are a conduit for change. We bring people together to help solve the big social issues faced by people in Queensland, building strength in numbers to amplify our voice.

We're committed to self-determination and opportunity for Aboriginal and Torres Strait Islander people.

QCOSS is part of the national network of Councils of Social Service lending support and gaining essential insight to national and other state issues.

QCOSS is supported by the vice-regal patronage of His Excellency the Honourable Paul de Jersey AC, Governor of Queensland.

Join us to mobilise a force for equality, opportunity and wellbeing. To join visit [the QCOSS website](http://www.QCOSS.org.au) (www.QCOSS.org.au).

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Funding for the No Interest Loans Scheme

Queensland Council of Social Service (QCOSS) is calling on the Queensland government to fund community organisations to deliver the No Interest Loan Scheme (NILS), providing individuals and families on low incomes with access to safe, fair and affordable credit.

Additional funding of \$3 million per annum will result in the employment of 30 NILS accredited community sector workers across Queensland.

Why?

With rising unemployment as a result of COVID-19, access to NILS can protect financially vulnerable Queenslanders from developing unsustainable debts. The financial impact on a person accessing NILS, in comparison to payday loans is illustrated in figure 1.

Currently community organisations providing NILS do not receive funding for this service from the state government, and a significant number of organisations rely on the generosity of their volunteers to deliver access to the crucial program. This limits the capacity of organisations to provide the service.

How?

The additional community sector workers should be located in services around Queensland. Providing access in this setting enables a gateway to other crucial supports like housing, early learning care, domestic and family violence prevention, and preventative services for those in financial difficulty.

“As a microfinance worker and loan assessor, I have come across hundreds of clients and heard the impact of how much NILS has affected their situation. From elderly ladies using NILS for new washing machines as they had been handwashing since their old washer died for weeks, to new beginnings for domestic violence clients starting fresh with the basics again. The amount of gratitude and thanks we receive is a daily occurrence. The peace of mind for our clients to have affordable repayments with no fees or charges is why the program is so needed in our community. A specific client that really stands out is an Indigenous client who travelled a long way to come to the Logan East Community Centre as she was so happy to talk to a microfinance worker and have that community connection. She needed car repairs as she volunteers as a youth mentor and support worker. By helping her get her car back on the road the flow-on effect of support continued for the community.”

– A message from a NILS loan team member

NILS overview

NILS is not a bank loan or a payday loan. The scheme charges no interest, fees or charges. As a result, people accessing NILS repay the same amount they borrowed. Repayments are set at affordable amounts over a 12-18-month period (Good Shepherd Microfinance, 2020).

NILS provides access to loans of up to \$1,500 to facilitate the purchase of essential goods and services such as fridges and washing machines, or expenses such as car repairs and medical procedures. Any individual who has a Health Care Card, Pension Card or earns less than \$45,000 a year after tax (\$60,000 for couples or people with dependants) is eligible to access NILS. The applicant must also demonstrate a capacity to repay the loan.

In Queensland there are 107 service locations providing access to NILS; these are managed by 60 service providers accredited through Good Shepherd Microfinance (GSM). The scheme is made possible through a public-private partnership between the National Australia Bank (NAB) and GSM, with funding support from the federal and state government.

Figure 1: NILS versus payday loans

Georgia's car broke down and she urgently needs \$900 to fix it. She doesn't have the money or access to other sources from where she can borrow.

Accessing NILS

If Georgia had access to NILS in the local community where she lived, Georgia's fortnightly repayments for a term of one year would be:

Fortnightly payments: \$34.60

Her repayments would be automatically deducted from her bank account after her pension is paid. She will only repay the amount she borrowed — **\$900**.

Accessing payday loans

If Georgia did not have access to NILS and had to depend on a payday loan, her payments would be:

<i>Establishment fee (20% of amount borrowed):</i>	\$ 180.00
<i>Monthly fees (4% each month):</i>	\$ 432.00
<i>Fortnightly repayments:</i>	\$ 58.15
<i>Total to be repaid:</i>	\$1,512.00

In addition to the high interest rates and fees, payday lenders are well known for employing aggressive tactics to ensure borrowers like Georgia become repeat customers and stay in the debt cycle.

*Case study adapted from <https://moneysmart.gov.au/loans/no-or-low-interest-loans>

*Fees are set at the maximum a payday lender can charge

Benefits

The benefits of NILS have been demonstrated through a 2014 outcome evaluation. These include the following.

- For every dollar invested in a NILS loan, an estimated \$1.59 worth of social and economic value is created.
- NILS successfully diverted 42 per cent of surveyed clients away from predatory lenders and goods rental services.
- 82 per cent of the 710 surveyed NILS clients experienced a net improvement in social and economic outcomes.
- One third of the surveyed clients reported improvements due to an increase in cost savings (33 per cent) and financial independence (46 per cent).
- 74 per cent experienced an improvement in their social and health outcomes due to positive changes in their standard of living, stress and anxiety levels, confidence in achievements, general confidence and self-esteem, physical health, personal relationships and participation in society.
- The financial capabilities of 47 per cent of surveyed clients improved. For example, they followed a budget, paid bills on time, saved money, maintained emergency savings funds and comparison shopped more often.

In addition to improving the financial wellbeing of individual borrowers, NILS also provides a benefit to the whole community through a process called 'circular community credit.' This means that when a borrower makes a repayment to NILS, the funds are then available to someone else in the community. This community centric focus of NILS leads to repayment rates consistently averaging between 95 and 97 per cent (Good Shepherd Microfinance, 2020).

“Securing the NILS Loan meant we could pay for car rego. Having a car has made all the difference to our lifestyle. My girlfriend now has less anxiety in her life as I am able to drive her to the doctors without it being an all-day event using public transport or the increased cost of a ride share. We also have the ability to go grocery shop without only buying small amount of groceries that can be carried back home walking (I have health issues too). Without the loan, we felt we were not moving forward and were struggling financially to manage.”

– A message from a Queensland Carer accessing NILS

Protecting financially vulnerable Queenslanders

In the COVID-19 recovery period, it is important that people in need have access to services that will not result in further financial stress. However, for many people on low incomes who don't have easy access to mainstream credit, a common option is a payday loan or consumer lease. These loans have very high fees and interest rates that are substantially higher than other sources of credit (Financial Counselling

Australia, 2020). In some cases, payday loans and consumer leases attract interest and fees of up to 800 per cent (ASIC, 2015; McCutcheon, 2020).

The negative impact of these loans is well documented. In 2019, Queensland residents entered into more than 300,000 payday loan agreements. According to an analysis by Digital Finance Analytics, approximately 15 per cent of payday loan borrowers will fall into serious debt (Consumer Action Law Centre, 2019). Further to this, a national survey of financial counsellors found that a majority (79 per cent) of survey respondents noted that payday loans 'never' improved their client's financial situation and led to people being trapped in a cycle of debt (Financial Counselling Australia, 2011).

“A wonderful story of our program responding to local community need is the approval of loans to community members to purchase headstone plaques for the unmarked graves of relatives and ancestors at the Aboriginal Community Cemetery. The Elders in the community approached our NILS Microfinance Worker, who is well known in the local Indigenous community, to query if families could access the NILS program to purchase headstone plaques as the community members know and trust the NILS process. NILS has to date approved over ten loans for plaques at the cemetery. These are placed on a simple cement square on the ground. This gives recognition and dignity to deceased loved ones. The social return of what NILS is enabling this community to achieve is immeasurable. NILS allows people to give dignity and recognition to the lives of their loved ones and the graves are a visible reminder of the existence of past community members.”

– A message from a community service centre providing NILS access

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