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1.6 million forgotten consumers suffer financial disadvantage as CAV/MISC research attempts to expose how current micro credit/micro finance serves their needs.

**FINAL RELEASE**



## 1.6 million forgotten consumers suffer financial disadvantage as CAV/MISC research attempts to expose how current micro credit/micro finance serves their needs.

MISC (Market Intelligence Strategy Centre) announced today the initial results of the first stage in a possible three-stage research survey of the Credit Environment in Victoria as a part of the Consumer Affairs Victoria (CAV) ongoing Credit Review. This research is being used by the Department of Justice to underpin its current enquiry into Fringe Lending and Micro Credit practices in Victoria, which have been severely criticised as imposing unfair burden on those more vulnerable consumers in the Victoria commodity#.

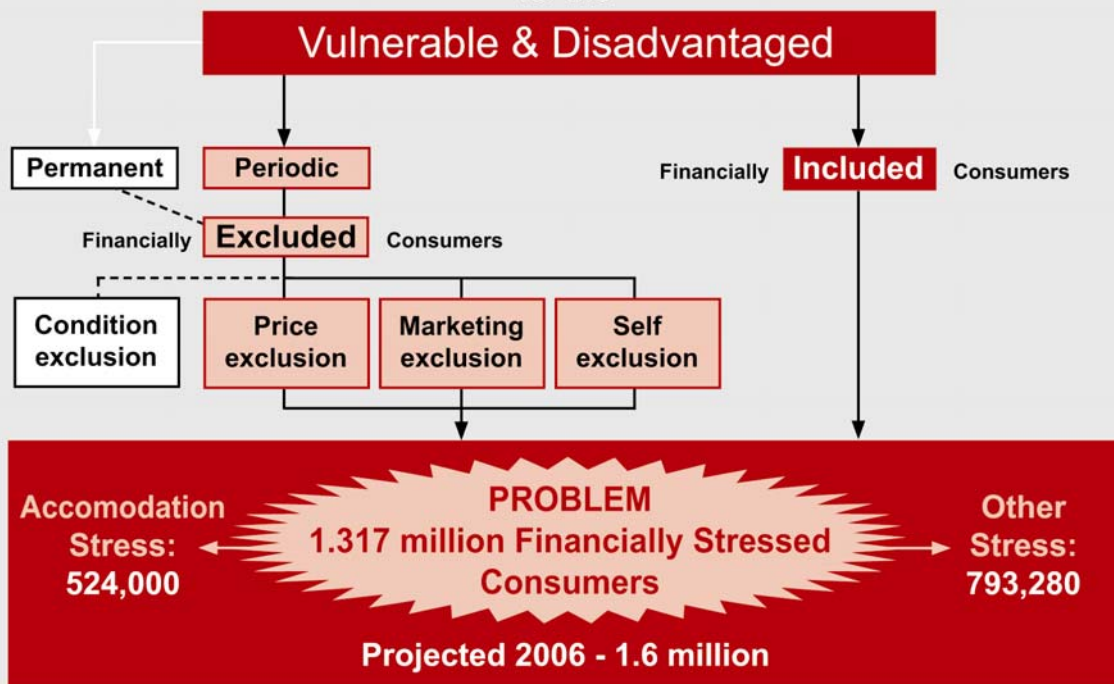
It is the first survey in Australia with a brief to report on all credit markets in Victoria, especially those that service this special consumer group. The project was awarded by CAV to the specialist Financial Service research group MISC (Market Intelligence Strategy Centre) who is best known for its work in the traditional banking sectors and responsible for much of the financial services research that guides the banks in significant segments of their business, from online banking to mortgages. MISC enjoys a reputation for unwavering impartiality in this space and is well respected by most financial institutions. It can boast among its clients most banks and lenders and even the Reserve bank. The commission by Department of Justice, Consumer Affairs Victoria represents a major departure for MISC from its normal research brief and is the first survey the company has conducted in a social research context.

In the first stage of the research, now completed by MISC for Consumer Affairs Victoria, 1.3 million Victorians were identified by the research group as being severely financially stressed some three years ago. The research group believes that this number may well have swelled to 1.6 million consumers by 2006. MISC says that based on its CAV research much of the growth and burden is accommodation stress imposed by often-disproportionate rental or mortgage commitment relative to income. While 40% of the stressed group was accommodation stress affected, on the basis of the MISC ongoing Mortgage industry research (regularly provided to the banks), MISC believes this group alone could have reached 700,000 consumers. At 1.6 million adults this comprises some 31.5% of the 2006 Victorian households, says MISC, based on ABS population projections<sup>^\*</sup>.

These research findings derived from the MISC databases, used by CAV, were augmented by special additional CAV research to trace all micro credit lenders operating in regional and metropolitan Melbourne. These lenders are often not so readily apparent as they function with less traditional credit structures that make them difficult to identify and even trace. The CAV commissioned research was also concerned with establishing hard evidence of credit lending practices adopted by such lenders and the MISC research isolated some 277 separate products that could be used and potentially accessed by these consumers as options for traditional lending. The research measured their feature costs, conditions and availability providing the most complete and impartial database of micro credit assembled to date. MISC was enthusiastically assisted in its research for the CAV by a range of traditional lenders as well as micro finance lenders and even community groups.

The CAV research was also concerned with ultimately establishing how these financially vulnerable consumers were interacting with both traditional lending and micro credit offerings while at the same time quantifying the precise extent of their borrowing use and the financial burden that was ultimately imposed. The research group also completed extensive pilot research works to underpin (in a further stage) the largest direct consumer survey of this consumer group. With the overriding objective set by the Department of Justice to create fairer treatment for these consumers such insight was considered essential. Though its wide network of associates globally MISC established a database of international financial experience in this consumer market and product space, which the group claims will provide invaluable benchmarks for subsequent Victorian financial commitment scoping, which is planned for later stages of research.

## The Consumer Context Fairer Treatment for the



Melbourne/Inner & Outer Regional	Melbourne
<b>Financially stressed consumers tested on the basis of:</b>	<b>Profile indicators:</b>
Residential expense as proportion of income too high	Female
Asked for help from welfare	Aged 16 to 34
Asked for help from family/friends	Employed working less than 35 hours per week
Could not pay bills on time	Earning between \$10,000 and \$30,000 p.a.
Could not raise \$2,000	Single, more likely without children
Could not pay rent/mortgage	Have 1 child living with them more than 50% of the time
Pawned or sold something	Have 0 children living with them less than 50% of the time
Went without meals	Renting, usually paying between \$100 and \$200 per week
Was unable to heat home	Were receiving government benefits and allowances

Source: Department of Justice/Consumer Affairs Victoria Credit Review Commissioned.  
MISC Australia Research/MISC Data Base.

For further details of scope of Department of Justice, Consumer Affairs Victoria Credit Review please go to”  
[http://www.consmer.vic.gov.au/CA256902000FE154/Lookup/CAV\\_Publications\\_Reports\\_and\\_Guidelines/\\$file/vulnerabledisadvantage.pdf](http://www.consmer.vic.gov.au/CA256902000FE154/Lookup/CAV_Publications_Reports_and_Guidelines/$file/vulnerabledisadvantage.pdf)

^ adults 18 years and over \* Series A projection 5077

**APPENDIX**

The table below isolates other than mainstream credit options provided by micro credit and micro finance groups and the scope of the CAV/MISC distribution and product databases.

**Table – Micro Credit Product Types:**

Lenders with product overlap ●

**Victorian Micro Credit Lender Distribution Research and Site Trace - Product Coverage**

Micro Credit Lenders Loan Types	Cash Advances	Payday Lenders	Pawnbrokers	Short-term Lenders	CentreLink	Community Schemes	Small Consumer Loans	Online Lenders	Other Subsidiary Micro Credit Lenders
Cheque Cashing				○					
Credit impaired finance				○					
Debt consolidation									●
Pawnbroker Loan against goods		●	●	●					
Nil Interest Loan Scheme						○			
Payday Loan	○	●	●	●				○	●
Personal Loan		●		●					●
Short-term Loan				●					
Small Consumer Loan				○			○		
Car Title Loan				○					●
Other Subsidiary Loans				○	○				

Source MISC Micro Credit Site Trace 2006, CANNEX database 2005/2006, APRA points of presence database 2005  
 Subsidiary Lenders consist of pawnbrokers, short-term loan providers, cash advancers, short-term consumer credit, and payday loan providers, CentreLink, Community Micro Credit schemes, online subsidiary creditors, other Subsidiary Micro Credit Lenders.

Note: Other loans include business loans, Government Micro Credit loans and boat finance  
 Personal loans are usually cash advances; consumer loans are asset-based advance