

‘In a perfect world it would be great if they didn't exist’: How Australians experience payday loans

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Abstract

In the last few decades, payday lending has mushroomed in many developed countries. The arguments for and against an industry which provides small, short-term loans at very high interest rates have also blossomed. This article presents findings from an Australian study to contribute to the international policy and practice debate about a sector which orients to those on a low income. At the heart of this debate lies a conundrum: Borrowing from payday lenders exacerbates poverty, yet many low-income households rely on these loans. We argue that the key problem is the restricted framework within which the debate currently oscillates.

Key Practitioner Message: ● *Framing payday borrowing as a problem of market failure leads to one-sided and ineffective regulatory responses;* ● *Until governments instigate real alternatives for cheap and readily available credit, and broader anti-poverty measures, curbing access to payday lenders can have the perverse effect of increasing privation;* ● *For practitioners seeking to abolish payday lending, campaigns for higher wages and a liveable social welfare income are central.*

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