

Milking the top-ups: excessive and disproportionate credit fees

Jeannie took out a \$3,000 loan to help ease the stress of a difficult financial period. Based on her good payment history, a year later she received a text saying she was approved for a loan top-up. She wanted to do some work on her house, so decided to top-up by an additional \$1,000. A couple of months later, she topped up again by \$500.

Jeannie's issue was that the lender charged a loan processing fee when she first took out the loan, and charged the same loan processing fee again for each of her two top-ups. The total bill for credit and processing fees for the two top-ups was greater than 50% of the total top-up amount. She complained that there had not been adequate disclosure of the fees and that the fees were unreasonable, given that she was topping up an existing loan.

FDRS worked with Jeannie and the lender as part of FDRS's early facilitation process. The lender agreed to rebate \$300 of the credit fees. The takeaways for both parties were that more information should have been given at the time of the offer and the finance company agreed to look at the reasonableness of their fees in situations like this.