The rapid rise of debt consolidation

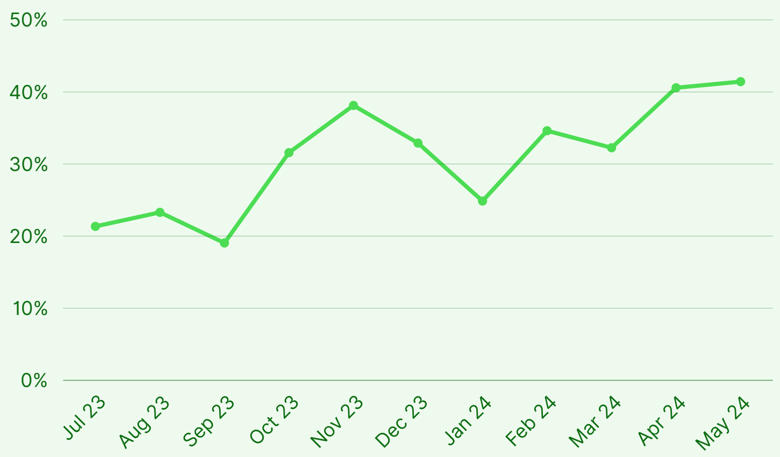
Deepening financial strain is pushing Australians to seek alternative financing, while debt consolidation loans skyrocket 170%.

Sydney, 13 June 2024 — As reports of the financial plight of Australians amid a challenging economic environment and stubborn interest rates continue to fill headlines, **Lendela, Australia's only digital loan matching platform**, embarked on a series of studies to uncover the true extent of the deepening financial strain in Australia.

In particular, we've discovered that Australians have been relying on financial restructuring, changing the way they make financial decisions, and perhaps more concerning, turning to high-cost credit facilities.

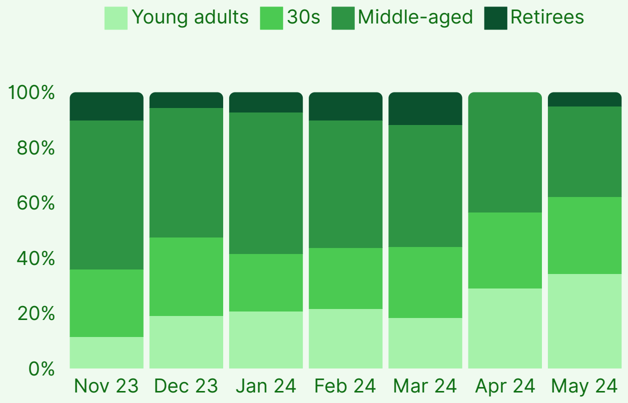
Below is a summary of key findings from our first study in this series, focusing on the rapid rise of debt consolidation (DC) over the past year.

Share of large debt consolidation loan applications

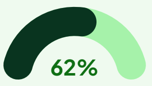


- There has been an average **increase of 170%** in debt consolidation loan applications over the past year.
- The share of large (above $20,000) debt consolidation loan applications has **doubled** in the same period.
- The average debt consolidation loan is approximately **$33,000**, going as high as **$68,000** in some months.

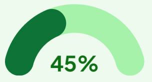
Debt consolidation demographic trends



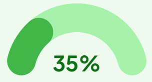
Average share of DC loans	
Middle-aged (40-59)	**45%**
30-39	**28%**
Young adults (18-29)	**22%**
Retirees	**5%**



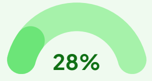
Young adults (ages 18-29) represent the fastest-growing demographic for debt consolidation loans, with a **62% increase** in share of applications over the last six months.



Middle-aged (ages 40-59) borrowers **account for 45%** of debt consolidation loan applications on average, representing the largest group.

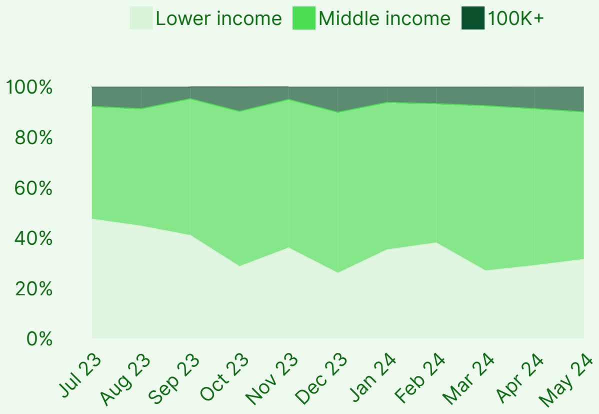


On average, young adults now account for **over one in five** debt consolidation loan applications, going **as high as 35%** in May 2024.



The share of Australians in their 30s also saw a slight uptick, now accounting for **28% of debt consolidation applications**.

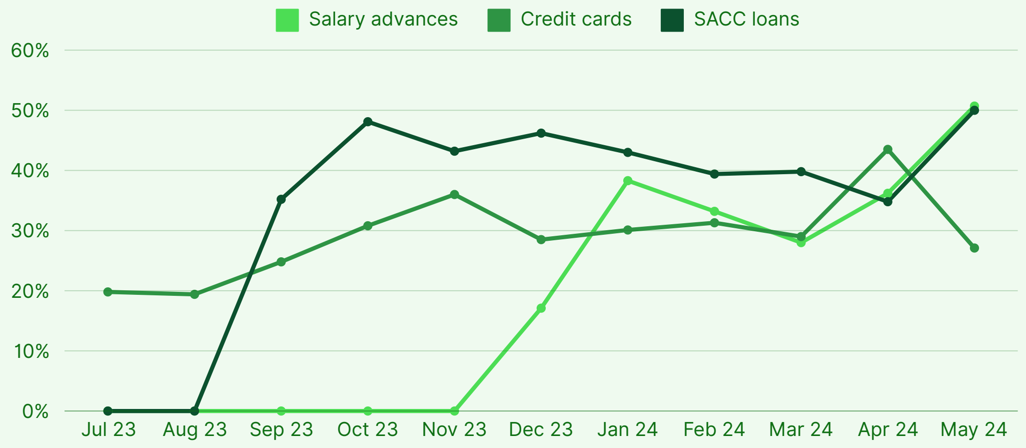
Middle-income Australians ($50K - $100K annually) make up the majority of debt consolidation loan applicants (58% on average), indicating a widespread need for financial restructuring among working Australians.



"Over the past year, we've observed multiple signs that point to growing consumer stress, with many Australians increasingly relying on high-cost credit options like BNPL, salary advances, and other revolving credit facilities," said **Jake Osborne, Australia Country Manager at Lendela**.

The rise in credit card use captured in Equifax's latest quarterly consumer credit insights report corroborates this, suggesting that Australians are likely using credit to handle immediate pressures from holiday and new year expenses. The rising arrears in almost all credit lines, with both mortgages and personal loans experiencing the highest 30+ days past due (DPD) arrears since the onset of the pandemic, further lays bare this deepening financial strain.

Share of DC loan applicants with high-cost credit facilities



- The share of debt consolidation borrowers with existing high-cost credit facilities, such as payday loans, salary advances, and SACC loans, has skyrocketed over the past year, reaching 50% of all debt consolidation loan applicants in some cases.
- High-cost credit facilities often come with steep interest rates or fees and minimal affordability assessments, providing a revolving credit facility that can potentially end in an unsustainable debt cycle.

Osborne shared that it's essential that lenders and regulators pay closer attention to these emerging financial behaviours and their potential long-term impact on the financial well-being of Australians. He also added that the value in more transparent and equitable financial solutions that can help Australians not only meet immediate needs but also support their long-term financial health cannot be overstated right now.

"These high-cost credit options, often characterised by steep interest rates or fees and minimal affordability assessments, can lead to the stacking of multiple loans without lenders being aware of each other. This may lead to a situation where monthly commitments outpace incoming funds, putting individuals in unsustainable debt cycles," Osborne added.

"As we navigate increasingly difficult terrain, it's crucial that lenders and regulators stay hyper responsive to ensure financial relief efforts don't inadvertently increase Australians' financial vulnerability," Osborne concluded.

The rapid rise of debt consolidation

A report by Lendela

If this report is of interest to you, please get in touch.

Chester Tan
Regional Communications Manager
chester@lendela.com

Founded in 2018, Lendela is a fast-growing fintech on a mission to simplify financing and enable greater financial access. The platform matches borrowers with personalised loan offers through one simple application, empowering borrowers with choice and transparency while offering an alternative to the cumbersome and opaque traditional lending landscape. Since its inception, Lendela has enabled over 300,000 consumers with the clarity and confidence to make informed financial decisions alongside more than 100 lending partners.

In 2023, Lendela successfully raised US$5M in an oversubscribed Series A to scale its unique model across Asia Pacific. The company's backers include Singlife co-founder Walter de Oude's Chocolate Ventures as well as prominent Singapore-based VC firm Cocoon Capital.

Lendela currently serves customers in Singapore, Hong Kong, and Australia.
Find out more at www.lendela.com.