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FEATURE ARTICLE

### **Debt by Deception- The Hidden Cost of Borrowing**

**It's a silent crisis unfolding across Fiji—one loan at a time.**

For many families, borrowing money is not a choice but a necessity. Whether it's for school fees, medical bills, or to put food on the table, informal loans often appear to be a lifeline. But beneath the surface lies a web of hidden costs, illegal interest rates, and coercive tactics that are pushing vulnerable consumers into financial quicksand.

This feature unpacks the dark realities of Fiji's informal money lending landscape—a world where desperate borrowers are left without receipts, contracts, or clarity, and where unlawful practices thrive in the absence of enforcement and awareness. It draws on real-life cases investigated by the Consumer Council of Fiji, highlights alarming trends, and offers essential guidance to help consumers recognize and escape these modern-day debt traps. From retaining borrowers' ATM cards to charging illegal compound interest, the article explores how everyday Fijians are being exploited—and what needs to change to protect them.

#### **Beyond the Loan Agreement**

Fiji's Money Lenders Act 1938 is clear: the maximum legal interest rate is 12% per annum. This law is intended to protect consumers from predatory lending and ensure that borrowing remains a tool for empowerment, not exploitation.

However, the reality on the ground tells a different story. According to the Consumer Council of Fiji (CCoF) complaints statistics, complaints about money lenders have been steadily increasing in recent years—an alarming trend that points to deeper issues within the informal lending sector. From 2020 to June 2025, the Council registered 54 formal complaints, with the total monetary value of these disputes exceeding \$33,205.60. The breakdown reveals a

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worrying rise: 6 complaints in 2020 (\$2,717), 7 in 2021 (\$4,398), 11 in 2022 (\$7,538), 9 in 2023 (\$5,714), 14 in 2024 (\$10,212), and already 7 complaints in just the first half of 2025 (\$2,626.60). This data likely represents only the tip of the iceberg, as many consumers may be reluctant or unable to report their grievances.

The Council's records reveal a troubling pattern: lenders routinely charge interest rates of 20% or more, often compounding interest weekly or fortnightly. Borrowers are rarely given written agreements or receipts, making it nearly impossible to track payments or contest overcharges. In some cases, lenders even retain borrowers' bank cards, directly withdrawing funds and adding new charges as they see fit.

### **The Price of Desperation: Real Stories from the Complaint Files**

Behind every statistic is a personal struggle:

- In 2020, a borrower in Lautoka was charged more than 12% interest. After Council mediation, the excess was refunded and the lender agreed to comply with the law.
- In 2021, a consumer in Labasa faced 10% interest on outstanding balances, with no proper documentation and her bank card held by the lender. The Council intervened, waiving extra interest and arranging a manageable repayment plan.
- In 2022, a borrower was shocked to discover a lender charging 20% interest fortnightly, with no receipts or agreement. Despite paying thousands, a large balance remained. The Council's review found the lender was not even legally registered, and a fair settlement was reached.
- In 2023, a consumer who borrowed \$800 ended up owing over \$3,000 after losing his job and having his ATM card held by the lender, who continued to charge interest. With Council assistance, a fair repayment plan was established, and the card was returned.

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- In 2024, a borrower took a loan with a 20% interest rate that doubled every two weeks. Only after CCF intervention did the lender agree to recalculate the debt at the legal rate, but not before the borrower paid dearly in both money and stress.
- Another 2024 case involved a borrower being charged interest weekly, not annually, inflating the debt far beyond the original loan. The Council stepped in, and the lender finally adjusted the account correctly.
- Early in 2025, a consumer reported that the lender kept increasing the interest. After Council action, the excess amount—over \$2,300—was refunded.

### **The Fine Print: Documentation and Coercion**

A common thread in these cases is the absence of proper documentation. Borrowers are often left in the dark, unsure of how much they owe or have paid. This lack of transparency allows lenders to manipulate balances and add arbitrary fees, making it nearly impossible for consumers to escape the debt spiral.

Some lenders go even further, holding onto borrowers' bank cards and making direct withdrawals—sometimes even after the debt should have been cleared. These practices not only violate consumer rights but also expose borrowers to ongoing financial abuse and harassment.

### **The Council's Role and Common Complaints**

The Consumer Council of Fiji continues to fight for greater transparency and accountability in the money lending sector. Their interventions have led to refunds, recalculated debts, and—most importantly—greater awareness among consumers. Yet, the Council's work is far from over. Common complaints include:

- Charging interest rates above the legal maximum of 12% per annum.

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- Compounding interest weekly or fortnightly, rather than annually.
- Failing to provide written agreements or receipts.
- Retaining bank cards and making unauthorized withdrawals.
- Aggressive and intimidating collection tactics, including visits to workplaces and homes.

### What Consumers Can Do

The Council's message is simple: borrow smart. A few extra minutes spent understanding your rights and asking the right questions can save you thousands—and protect your peace of mind. Here's how:

- **Always request and keep receipts:** This is your proof of payment and your best defence in any dispute.
- **Demand a written agreement:** Never accept a loan without a clear contract outlining the interest rate, repayment schedule, and total amount owed.
- **Know your rights:** The legal maximum interest rate is 12% per annum. Anything higher is illegal.
- **Never surrender your bank card:** This exposes you to unauthorized withdrawals and ongoing charges.
- **Report issues:** If you suspect overcharging, lack of documentation, or aggressive tactics, contact the Consumer Council with your complaint and supporting evidence.
- **Compare options:** If possible, check terms from several lenders before committing.

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## A Call for Reform and Consumer Vigilance

Money lending plays a crucial role in Fiji's economy, offering a safety net for those who might otherwise have nowhere to turn. But this safety net must not become a trap. Enforcement of existing laws is critical, but so too is consumer awareness.

The Consumer Council of Fiji stands ready to assist any borrower in need. But lasting change will require both regulatory vigilance and a proactive, informed public. With greater awareness and assertiveness, Fijian consumers can help ensure that money lending remains a service of support—not a source of exploitation.

In the words of the Council: **“Borrow smart, ask questions, and know your rights.** Together, we can build a lending environment where fairness and transparency are the true currency.”

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