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FEATURE ARTICLE

How Small Loans Are Pulling Fijians into Deep Debt and Long-Term Hardship

As Fiji approaches the festive season, families across the country begin planning for gatherings, birthdays, weddings, church programs, social events, and personal celebrations. These occasions bring joy, but they also come with financial pressure. In moments of urgency, many consumers turn to what appears to be the easiest solution: borrowing from a friend, a neighbour, a colleague, or an unregulated micro-lender operating discreetly in the community.

At first glance, this seems harmless, no paperwork, no long queues, no questions asked, but beneath the surface lies a growing problem, **informal borrowing**, a practice that is quietly trapping many households in unnecessary debt, emotional distress, and long-term financial hardship. The Consumer Council of Fiji continues to receive complaints showing that the most damaging borrowing is no longer from formal institutions, it is happening between people, in homes, workplaces, and communities.

This feature article explains why informal borrowing is becoming a serious consumer protection concern and why avoiding unnecessary loans is increasingly critical for financial well-being.

What Is Informal Borrowing?

Informal borrowing refers to financial arrangements made outside of regulated systems. This includes borrowing from people you know or from individuals who are lending money privately without proper licensing.

Why Consumers Are Falling into Informal Borrowing

The Council's complaints reveal that people are increasingly borrowing not only for emergencies, but also for event-driven and lifestyle-driven expenses.

Through our engagements, we have seen consumers borrowing money for:

- Personal shopping;
- Social functions/events; and
- Small personal indulgences.

Head Office

Level 5 Vanua House
Victoria Parade GPO, Suva
Phone: 3300792/3310183
CEO: 3305864
Fax: 3300115
Email: complaints@consumersfiji.org

Lautoka/West

Suite 4 Popular Building
Vidilo Street
P.O. Box 5396, Lautoka
Phone: 6664987
Email: consumerlwk@connect.com.fj

Labasa/North

Shop 2, Mudaliar Investment
Sangam Avenue Street
P.O. Box 64, Labasa
Phone: 8812559
Email: colbs@connect.com.fj



These are not essential expenses, yet they are placing people into cycles of repayment that last months, or even years.

In many cases, these loans are taken simply because:

- It is easy;
- It is quick;
- No questions are asked;
- The borrower wants to avoid embarrassment; and
- There is social pressure to host or participate in an event.

What begins as a small “just borrow for tonight” decision often becomes a long-term burden that affects an entire household. A one-night celebration can translate into years of repayment, depending on how the loan was taken and what interest the lender demands.

The Debt Cycle: Borrowing From One Person to Pay Another

A major concern identified by the Council is the growing pattern of consumers repeatedly borrowing to cover the gaps left by previous loans. What often begins as a single request for financial help can quickly escalate into a cycle of dependency. A person may borrow from one lender, only to take out another loan when repayment of the first is due. When the second lender seeks repayment, they borrow yet again, and so the cycle continues.

This ongoing loop of debt places consumers under immense strain. Salaries are depleted almost as soon as they are earned, leaving little room for daily living expenses. Family relationships may become tense as financial pressures mount, and the emotional burden of constant debt can lead to significant stress. Over time, individuals caught in this pattern lose their sense of financial independence and control.

Many consumers fall into this cycle unknowingly, believing each loan will provide temporary relief. In reality, the problem often grows quietly in the background, and by the time they seek help, the situation has already spiralled beyond their control.

Case Studies: When Easy Borrowing Leads to Heavy Consequences

The following real cases handled by the Consumer Council show how dangerous informal borrowing can become.

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Case Study 1: A \$1,200 Borrowing That Escalated Into Public Shame

A young office worker borrowed **\$1,200** from a coworker to buy new furniture after moving into a rental apartment. The agreement was casual, just a promise to repay within a month. Two weeks later, the coworker unexpectedly demanded full repayment plus an extra amount as interest.

Unable to produce the money, the borrower took a second loan from a neighbouring moneylender to settle the coworker. Word spread quickly around the workplace, and he was confronted in front of colleagues for being “unreliable with money.” By the time he approached the Council, he owed **over \$2,000** across 2 informal lenders, all because of an initial loan taken for a non-essential purchase.

Case Study 2: A Celebration Loan That Doubled Within Months

To host a lavish birthday party, a couple borrowed **\$900** from an informal lender to cover catering, drinks, and venue decorations. They believed they would be able to repay once their year-end bonuses arrived. However, when the bonuses were delayed, repayment became difficult.

The lender then imposed weekly interest charges of **\$45**, pushing the loan from **\$900 to nearly \$1,700** in just a few months. Trying to stay afloat, the couple took out another informal loan to cover school uniforms and transport costs, unknowingly trapping themselves in a borrowing cycle.

Why Informal Borrowing Is Dangerous

Informal loans often appear simple and convenient, especially when they come from friends, neighbours, or colleagues. But beneath the surface, these arrangements carry risks that can quickly spiral out of control. Many borrowers end up facing harassment at home or in the workplace, repeated demands for payment, and even public confrontations meant to shame them into compliance. Without clear agreements or protections, borrowers may also lose their privacy as lenders involve others in the community to pressure repayment. The emotional distress can be severe, damaging relationships and eroding a person’s sense of independence. In the most serious cases, consumers become trapped in long-term debt because of a single loan that was never truly necessary in the first place.

The Council has witnessed numerous situations where people borrow for something as simple as furniture, clothing, or a one-day celebration, only to find themselves months later still

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struggling under mounting charges and repeated borrowing. As seen in the case studies, what starts as a small, informal loan can turn into a cycle of public embarrassment, strained relationships, and escalating financial demands. Without formal repayment terms or legal safeguards, borrowers have little control once the debt begins to grow.

How Consumers Can Protect Themselves

The first step toward avoiding harmful borrowing is pausing to ask whether the loan is necessary. Many informal loans are taken for non-essential reasons, upgrading a home, attending an event, or maintaining a certain social image. Asking yourself whether the purchase is truly urgent or whether it can wait until the next pay cycle can prevent months of unnecessary stress. Often, simply delaying a desire rather than acting on impulse is enough to avoid the debt trap entirely.

Understanding the real cost of informal borrowing is also crucial. Unlike regulated credit, informal loans rarely come with written terms. Interest rates may be unclear, penalties may be added without warning, and repayment expectations can shift overnight. What seems manageable at first can quickly double in cost or expand through added “fees,” creating pressure to borrow again just to keep up.

Social pressure is another major driver of risky borrowing. People often feel compelled to spend on weddings, birthdays, festive events, or community gatherings even when they cannot afford to. Instead of turning to unregulated lenders, consumers should consider scaling back, planning early, or being honest about their financial limitations. No celebration or obligation is worth long-term financial strain.

For those who find themselves borrowing frequently, seeking safer financial alternatives is essential. Community-based savings groups, regulated microfinance institutions, or formal lending services offer clearer terms and more protection. Friends and relatives can also help by encouraging responsible financial planning rather than enabling repeated informal borrowing.

Finally, open and respectful communication is key. Many emotional conflicts arise not from the borrowing itself but from unclear expectations. Setting boundaries, explaining repayment timelines honestly, and avoiding emotionally charged exchanges can protect relationships and prevent misunderstandings that escalate into larger conflict.

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Consumer Council of Fiji



www.consumersfiji.org



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Informal borrowing may feel like an easy shortcut, but it often leads to emotional tension, financial hardship, and lasting stress, especially when taken for things that are not essential. By thinking carefully before taking a loan, staying within your means, and choosing regulated financial services, consumers can protect their households from unnecessary burdens. A single celebration or purchase should never lead to years of difficulty. Protect your finances. Protect your peace. Avoid the debt trap.

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