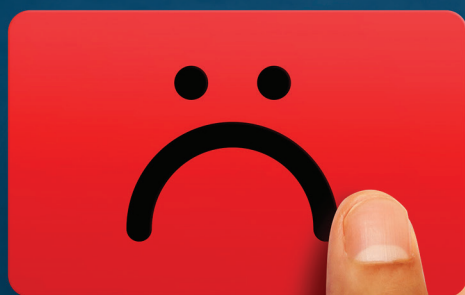


A SURVEY

the unmet need for financial counselling



This survey shows that for every five people who seek financial counselling, three people receive a service but two are turned away.

About Financial Counselling



Financial counsellors provide advice to people with money and debt issues. Working in community organisations, their services are free, confidential and independent.

Financial counsellors need an in-depth knowledge of credit law, bankruptcy law, debt collection law and practices, industry hardship processes and government concession frameworks. Financial counselling agencies are exempt from holding either a Credit Licence or an Australian Financial Services Licence as long as they meet certain criteria, including that their services are free and staff are adequately trained.

There are approximately 800 financial counsellors in Australia, and we estimate this translates into around 500 full time positions.

People can access financial counselling through either face-to-face services or by ringing the phone financial counselling service, the National Debt Helpline on 1800 007 007. We estimate that face to face financial counsellors assist around 125,000 people each year. In 2017, the National Debt Helpline received almost 170,000 calls, an increase of 12% on the previous year.

About Financial Counselling Australia (FCA)

Financial Counselling Australia is the peak body for financial counsellors in Australia. FCA provides support and resources for the financial counselling profession and advocates for a fairer marketplace. FCA's members are the State and Territory financial counselling associations.

Our Vision

An Australia with fewer people in financial hardship

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Introduction

1.1 Why we conducted this survey

Financial counsellors and financial counselling agencies have always reported high levels of demand, but we have never had national data about the size of this problem. This was the reason for the survey.

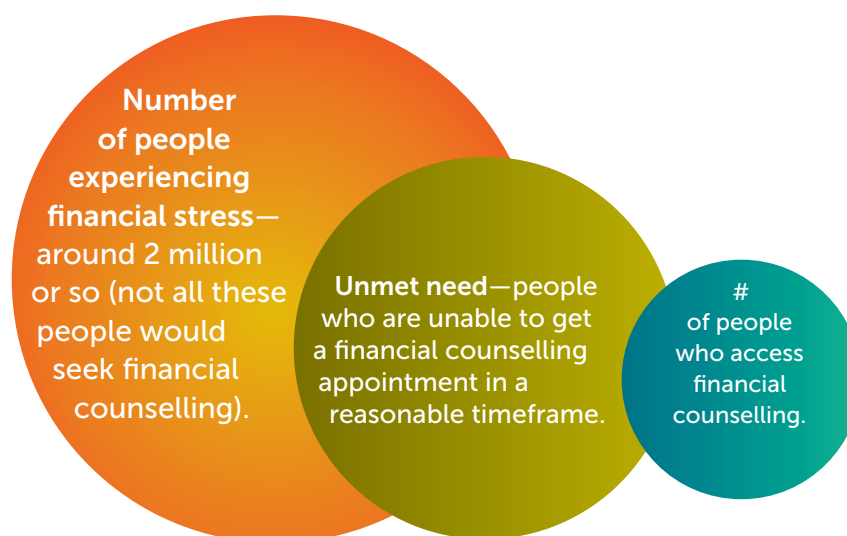
The plan is to conduct this snapshot survey on an annual basis. We will be able to refine the survey in future years based on feedback to this first one.

1.2 About the survey

The survey was conducted in the week beginning Monday 12th November 2018. We sent the survey to 256 agency managers and received 117 responses, a response rate of 46%.

1.3 Framing comments

We will never completely solve the problem that demand for financial counselling exceeds supply — financial counselling is a free service and there are large numbers of people who need assistance. But having said that, long waiting lists and ongoing demand has always been a concerning element of our operating environment. Far too few people access financial counselling, either because they don't know about it or because of capacity constraints in the sector. The diagram below, which is a representation and not to scale, is one way of looking at this. One element we were keen to measure in the survey therefore was unmet need (the middle box in the diagram).



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Survey Results

2.1 Overview

The survey measured a number of factors:

- unmet need, which was measured by turn-away rates
- the sector's ability to assist people with urgent matters (such as where an asset was at risk or utilities were being disconnected)
- the sector's ability to assist people with less urgent matters
- use of waiting lists and average length.

2.2 Turn away rates

One of the measures of unmet need used in the survey was turn-away rates: how many people sought a financial counselling appointment but the agency was unable to help them? We asked agencies to provide this information for the week beginning Monday 29th October 2018¹ and we then compared it to the number of new clients who actually had an appointment in that same week.

Not all agencies collected data on the number of people they were unable to assist, but 58 agencies did provide this information. This showed that agencies saw 1,092 new clients, but 823 people were unable to be assisted. This means that roughly 60% of people seeking assistance were able to be accommodated and 40% were not. **Another way of putting this is that for every five who seek financial counselling, three people are able to access it and two are turned away (see diagram).** It is important to note that they may be "turned away" to another service or to the National Debt Helpline phone service and we are unable to track this in this survey.

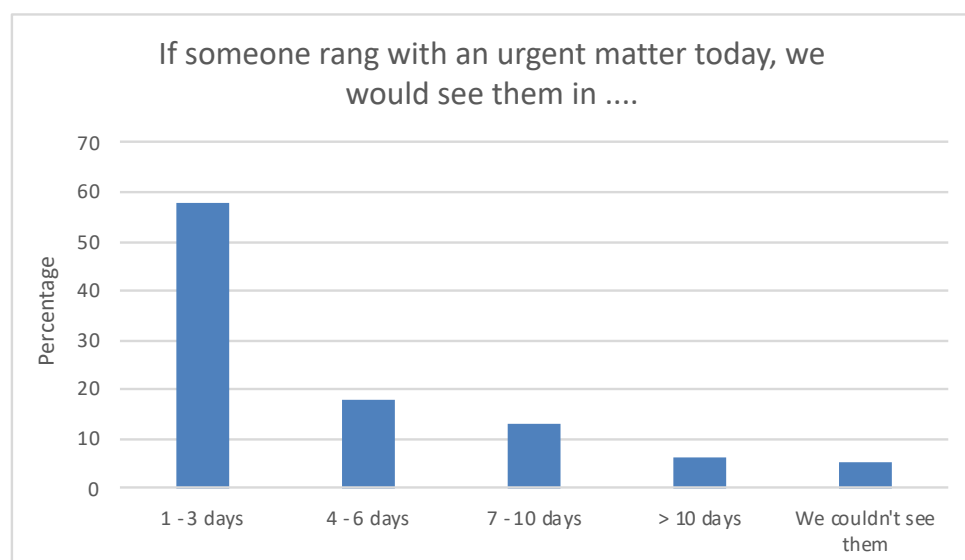
There are not enough financial counsellors to meet demand.



FCA's unmet needs survey showed that for every five people who seek financial counselling, three people are assisted and two are turned away.

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Some WA agencies used the week beginning Monday 5th November instead of the week beginning Monday 29th October, as many of their financial counselling staff were attending the WA conference in the week chosen.



2.3 Managing requests for support from clients with urgent matters

The survey asked how agencies managed matters that were urgent. Agencies used slightly different definitions of urgency, but generally an urgent matter is one where a person is at risk of disconnection of utilities, imminent loss of an asset such as their home or where legal action has commenced.

As a whole, the sector is doing a reasonable job assisting clients with urgent matters as shown in the graph above. The survey asked how many days a person would need to wait to see a financial counsellor if they rang that day with an urgent matter. 86% of agencies said they would see them within 10 business days.² Only a third (31%) would see them within one business day.

Agencies manage demand in various ways, even within the same service, as described below by one agency manager:

"This varies because we will fit in an emergency in a couple of spaces we keep, for example, a person came in at 3.30pm and was being evicted for rent arrears the next day. They had to be seen and a full [income and expenditure statement] done & negotiation with other creditors. We also have walk ins at [another location] on a Thursday so they book on that actual day".

² Ten business days may be too long in some cases. However, this length of time is generally how long banks believe it is reasonable to wait.

2.4 Managing non-urgent matters

When services triage, 57% of respondents said that people with non-urgent needs have to wait 10 days or more for an appointment.

The problem with having people wait because of “non-urgent” matters of course is that the matter can become urgent purely because of the delay. For example, a debt may be sold to a debt collector and legal action may commence.

Even if a matter is not urgent as far as losing assets, it can still be extremely stressful and take a toll on health and relationships while waiting for an appointment.

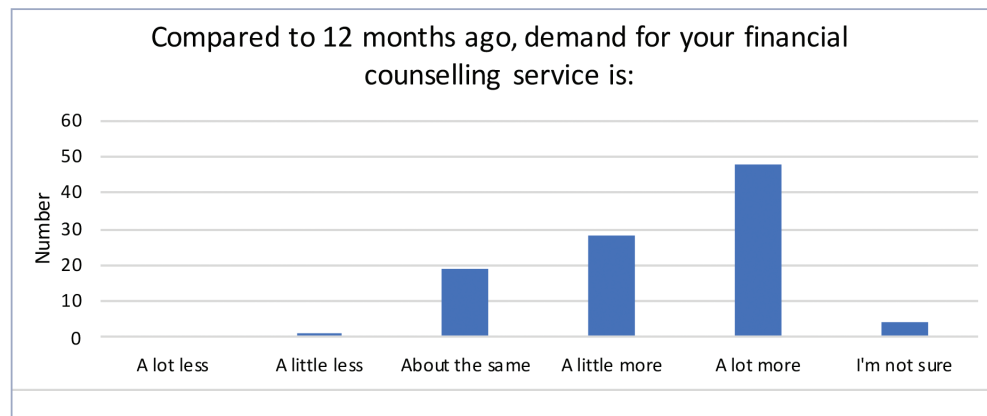
2.5 Wait lists

Wait lists are used by about half of the agencies who responded to the survey as a way of managing demand. There are varying practices about how they are used:

- For agencies that don't close their wait list to new appointments but simply keep adding people to them, wait times ranged from one week to more than six weeks (please note, the survey didn't allow for wait times longer than this). The average wait list time was between two and four weeks (74% of respondents);
- For agencies that closed their wait lists after a certain timeframe, the most common wait list time was four weeks or more (64% of respondents) (please note, the survey didn't allow for a longer wait list than more than four weeks). These agencies appeared to regularly close their wait lists to new clients, with the most common answer being five times or more in the previous year.

2.6 Trends over time

Almost half (48%) of the respondents said that demand was a lot higher than 12 months ago. Only one agency said that demand was “a lot less” or “a little less”. Reasons for increases in demand included rising costs of living, unemployment increases (especially in WA), mortgage and credit card stress, increased awareness of financial counselling services, increase in the number of people presenting with domestic violence and mental health issues and drought.



2.7 What does this all mean?

Financial counselling agencies have always struggled to meet demand. Anecdotal reports from the sector and this survey show that there are real problems. While it is pleasing that many people with urgent matters are being assisted, this does not happen all the time. And relatively large numbers of people are consistently turned away.

Heavy workloads are also negatively impacting on staff, as illustrated below:

"We are currently considering how to manage workloads as we are seeing signs of serious stress in our staff. Self-help cards for people who might be able to use them and manage their own issues, together with referral to the National Debt Helpline or other relevant external agencies. Then we use our list of priorities, and finally make appointments for up to one month ahead. Nonetheless, we still struggle to manage demand".

Agency manager, survey respondent

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An industry levy is a better way to fund financial counselling

3.1 A better funding model would be to replicate the UK where they have an industry levy

In order to more adequately meet demand, we need to find new sources of funding for financial counselling.

We are advocating for the model used in the United Kingdom, where an industry levy funds both the corporate regulator and community based financial counselling (called debt advice). We have part of this model in Australia with our corporate regulator ASIC now funded through an industry levy. It would be relatively straightforward to adapt this model to source funding for financial counselling services.

An industry levy would include all of the financial services entities regulated by ASIC such as payday lenders, debt collectors and insurers, as well as the major banks. All of these businesses interact with financial counsellors.

The ASIC industry funding levy will raise about \$250 million in the 2018 – 2019 financial year. ASIC has divided the entities it regulates into 48 subsectors. The ASIC website explains that:³

Some entities will pay a flat levy, with the cost of regulating a subsector shared equally among the entities operating in that subsector. Other entities will pay a graduated levy, with the entity's size or level of business activity determining their share of costs.

For government, the major advantage of an industry levy is that the funding of financial counselling would be one less item of expenditure.

For financial counselling agencies, an industry levy would provide certainty of funding, lock in adequate funding and allow forward planning.

3

<https://asic.gov.au/about-asic/what-we-do/how-we-operate/asic-industry-funding/#how>, accessed 19th September 2018.

3.2 Why an industry levy is good policy

There are two main reasons why an industry levy is an appropriate policy response to the current inadequate funding levels for financial counselling.

First, financial services businesses are a major cause of many of the problems facing people in debt. The box below has some relevant quotes from the Royal Commission. Irresponsible lending is a particular problem and a common component in financial counselling casework. This occurs across the board, including from some of the businesses that are the subject of this Senate Inquiry.

Financial services businesses profit from irresponsible lending, but rarely pick up subsequent costs. These costs can be substantial and include increased demand on charities for food or vouchers to pay electricity or telco bills or emergency housing. There are detrimental flow on effects to health and relationships and these are borne by individuals, government and tax payers.

Second, banks in particular refer their customers to financial counsellors for help, but only provide minimal contributions to the sector. It is only fair that they pick up the costs of doing this.

ROYAL COMMISSION INTO MISCONDUCT IN THE BANKING, SUPERANNUATION AND FINANCIAL SERVICES INDUSTRY

"Much if not all of the conduct identified in the first round of hearings can be traced to entities preferring pursuit of profit to pursuit of any other purpose."⁴

"The evidence showed that a credit limit increase would be offered to a credit card holder, and granted, if the bank judged that the card holder was unlikely to default in meeting the minimum repayment ... But that is not what the responsible lending provisions required. Contrary to those provisions, the banks made no inquiry about the customer's circumstances, requirements or objectives."⁵

"When financial problems become acute, consumers can and do seek financial counselling."⁶

3.3 An additional 225,000 people would receive financial counselling

If funding for financial counselling services was doubled:

- an additional 125,000 people would receive face to face financial counselling
- an additional 100,000 people would receive information and advice through the National Debt Helpline

At least 500,000 unique visitors could be expected to the website giving them access to self-help resources (increase of 400,000).

4 Interim Report, volume 1, p 54.

5 Interim Report, volume 1, p 65.

6 Interim Report, volume 1, p 52.