

**BANKING | ENERGY | WATER | TELCOS**

# what works

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## Context

In 2012, ACCAN gave us a grant.

## Purpose

What works? What can be shared?

## Today

- Share the findings
- Tap into your expertise - share and compare
- Help shape the final report
- Caveat:
  - qualitative research, overlaps and gaps

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## Methodology

- 3 telco consumer focus groups – consumers with telco debts:
  - New arrivals
  - Low-income
  - Knowledgeable consumers i.e. some understanding of consumer rights
- Face-to-face semi-structured interviews:
  - 13 experienced financial counsellors (Qld, Tas, NSW and Vic, including regional but no Indigenous)

- Australian Energy Regulator, EWON, EWOV
- NAB, ANZ, Sydney Water, Optus, Telstra, GE
- CALC, CUAC, ACCAN
- Phone: Yarra Valley Water
- Environmental Scan
  - Regulatory environment , industry developments
- Still to do ...
  - This workshop – testing our thinking
  - Survey of financial counsellors

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## Focus Groups

### “Please help us”

- Stressful and exhausting trying to sort out problems
- Variable experiences in negotiating hardship arrangements
  - “I did run up a huge bill (and needed) to make arrangements. They would accept that and then you would get a disconnection

letter. She would forget to put it on the computer”

- “Then I got one lady and she was good. She sort of solved my problems.”
- “I said ‘am I able to talk to someone in the hardship team?’ She said ‘no’.” I said ‘I want to’. She said ‘You’ll talk to me.’”
- Loyalty to organisations that assist/understand
  - “I’ve dealt with (water company) and immediately the stress lifts off and then you feel committed to paying it. You make a commitment and you’re happy to follow through with it.”
- Overseas call centres problematic
- Having an affordable payment plan is a great sense of relief
- The experiences for the new arrivals groups are tougher

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## Low awareness about EDR

- Majority of telco focus groups consumers did not know there was an Ombudsman scheme

- Company roadblocks:
  - Consumer to company: 'Not happy. Can I have the ombudsman's phone number?'
  - Company: 'Look it up yourself – we can't provide it.'

## Industry Overview

### Variation is the Standard



Purpose wasn't to rank .... But to identify good performers and what/how they did it. But heard ...

- They used to be good, but not anymore
- No 'star' industry where everyone is doing well
  - But water seems more progressive
  - Smaller companies generally less interested
  - "I want to be transferred to the hardship department. Oh, I'll put you through to the debt collector."
- Financial counsellors
  - Identified very few stand out performers but individual banks, debt collectors and water companies were singled out by some
  - No one said a telco was the easiest to deal with

- Variability in sizes of hardship teams
  - Big Four Banks – 60 to 105 staff
  - Telcos – up to 14 staff

### Some debt collectors got bouquets



- Financial counsellors say that it is easier to get better outcomes with some debt collectors/buyers than the original company
  - Affordable payment arrangements
  - Longer term
  - Better relationships – they now listen to the what the clients are saying
  - More flexibility and more dignity

### Getting the money and the love

"I discretely inquire who the creditor will sell the debt to. If it is (x debt collector) I love it. They accept whatever payments the consumer can afford. Consumers get the same outcome whether or not they're with a financial counsellor.

When a client says 'I'm out of work and have no money' (x debt collector) says 'ok we'll contact you in three months'.

They end up with the money the others didn't get. They get everyone to pay."

*Financial Counsellor*

## Industry Vision



- Industry bodies can make a difference
  - ABA reputation project driven by the Bank CEOs
  - Led to the Industry Hardship Guideline
  - Doing it Tough website - tells people that banks can help. Gives all the bank hardship team numbers.
- Minimum standards
  - Tick a box to comply and the job is done ... but is it?

### Making it stick – why good work is lost?



- Sustaining change is hard.
  - "Co X used to be good, not anymore"
- Many companies proactively keep their stakeholders in the loop
  - Asking for feedback, running ideas past advisory groups

# Hardship Practices

## If they don't know, they can't contact you



People generally don't know that they can ask for hardship assistance (*focus groups, ABA research*)

- New doors and no wrong doors
  - Banks have all put a link about financial difficulty on their home pages. (Concerns about floodgates don't appear to be realised)
  - Some banks trialling online hardship applications (fast, anonymous, easy) - "We launched at 7 pm on a Saturday night and had our first application by 8 pm"
  - 'No wrong door' to hardship department e.g. approach from a water company
- Financial counsellors say that clients need easy access to the direct numbers of the hardship teams.

## Early Identification Can Work

- We know that the longer people leave addressing financial problems, the harder they are to fix.



Some companies in the water and banking sectors have trialled early identification strategies

- Water
  - Need the right language and right format (SMS, letter, call)
  - Need the right IT systems to pick up the triggers
  - Train broadly in early identification – call centres (and even plumbers)
  - One company is serious: so \$ penalties if hardship cases go to debt collectors – written into agency debt collection agreements/KPIs.
- Banking
  - Mixed results

## Do people want to pay? Yes they do



- In essence (and deliberately simplified) there are two competing value judgments:
  - People want to pay
- vs
- People are out to avoid their obligations (or they're paying everyone else but us)
- The response to customers in hardship is framed by this fundamental judgment
- Some companies and financial counsellors are saying things like:
  - Mutual respect has to be the basis of the discussion
  - People want to pay
  - We need to listen to our

customers. Ask: what would assist you?

- The reason for hardship doesn't matter

## Payment arrangements – "give me the dignity to be able to pay"



- An affordable arrangement is hard to get
- Why is the person agreeing?
  - To terminate the call?
  - Sometimes people can be too optimistic about what they can afford.
- "What is happening is that hardship plans are just bill smoothing ... That is not hardship. Not taking into account capacity to pay."
- Short term arrangements work for short term problems.

"These people [x water company] were nice and they were understanding and they had a plan that they could follow. You think 'oh ok, well they're accommodating you so you can pay it."

But if they're [the telco] not giving you an option, you immediately think well I can't pay it. I'm going to cancel my plan and I don't care if it goes to the debt collector.

I've dealt with (x water company) too and immediately the stress lifts off and then you feel committed to paying it. You make a commitment and you're happy to follow through with it."

*Consumer, Telco Focus Group*

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## You need the right people, trained right



- Agreement between all those interviewed:
  - the calibre and training of staff in hardship departments, EDR schemes is critical
- Induction
- Listen in and monitor
- Must be ongoing
- Monitor individual team members – variation in whether they refer and how they work
- Staff – difficult to really understand someone else's problems without appropriate training
  - An EDR scheme – brainstorms tricky cases, challenges staff (do you have a budget? So you think they should quit smoking?)
- Look after your staff – using professionals. Suicide training, debriefing, counselling etc. It can be a tough job.

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## Other Elements

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### Concessions CAN count – but are poorly implemented



- Make a difference (it all counts) – it is ongoing money so important
- But many are missing out on concessions – cumbersome, inefficient process
  - There are potential gains to be made with IT/cloud solutions
- What about those not on pensions? Good question.

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### Government grants and activity in utilities ... quiet in telcos

- Quite a lot of government financial support in utilities
  - grants, concessions, proactive programs eg Home Energy Saver Scheme, but not as much in telcos and banking
- Vouchers help some not all
  - Not all financial counsellors can access – given to ER
  - Some financial counsellors don't want to give handouts (ER role)
  - Value eroded over time
  - Have to mail, hand in ... barrier, slow, embarrassing
  - Can't monitor
- A financial counsellor's solution is often
  - a 'hodge podge' of funding sources including private

funds, concessions, grants, waivers, agency funds ... wherever they can grab a few dollars.

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### Incentive payments – a hand up not a hand down – 'a fantastic idea'

"My client had a speech impediment, four children, health issues and on a DSP ... a \$1300 electricity account (The energy provider) gave him a 2:1 incentive offer matching his two payments with their one. He was ecstatic as he could see his bill coming down then it went to 3:1. He slowly repaid. With the financial counsellor he had learned to negotiate on his insurance and find other savings.

It is not always in the best interest of clients to write the debt off. They don't want to be considered hardship cases.

The psychological impact that he could see he was getting somewhere, and he was being assisted - given a hand up not being put down. He was being rewarded for working hard to get the bill down."

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### Worth exploring ... some interesting ideas

- Access to a pool of private funds can help
  - Industry, philanthropic, community funds
- Find 'free money'
  - Sydney Water
  - Centrelink, concessions, grants, community \$ funds
- 21st century access
  - Online vouchers
  - Online concession finder tools (national)

- Case conferences
  - One client, many creditors – bring them together to jointly work out a solution
- Accepting what a financial counsellor says at face value

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### And a few other things ...

- “Hardship is a misunderstood term”.
  - Customers don’t use the word and it can be off-putting.
- Good IT and back office systems are critical
  - Allow a customer-centric view
  - Can really help early identification and ‘whole of company’ seeing the same picture
- Collections and hardship departments are worlds apart ... but hardship starts in collections (or earlier)
  - Totally different approaches
  - Collections – when can you pay?
  - Simplified: blinkered vs more flexible
- A growing consensus in the banking and debt collection industry that “bulk debt” clients are a special group

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### The Bottom Line



- Some industry participants had analysed the business case
  - Disputes to FOS reduced
  - More people sticking with payment arrangements, higher returns
  - Staff retention
  - But needs to be renewed as conditions change
- Looking for the win/win for the business and customers
- Some examples of irrational company behaviour
  - Reject an offer from a consumer to pay, sell to a debt buyer for a lesser amount

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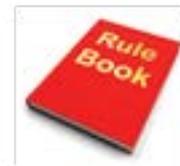
### Inflexibility costs – case study. Who would sell a debt for less than the customer offer to pay?

A woman was forced to move due to domestic violence. She notified her energy provider that she was leaving and moved into a refuge. The company wouldn’t enter into a payment arrangement, because it was a final bill and she was no longer their customer. She wanted to pay it off within 6 weeks - they were inflexible.

They sold the debt to a debt collector. The debt collector entered into a payment arrangement and stated that it wouldn’t list her.

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### Do the Rules Rule?



Quite different regulatory regimes across sectors and this drives industry responses

- Banking: eg Section 72 Credit Code, maladministration
- Energy/water
  - Wrongful disconnection payments in energy
  - GSP – inappropriate referrals to debt collectors
  - Minimum disconnection amounts
- Telco – the TCP code
- Bank regulatory environment
  - Companies very conscious of ASIC as the regulator (more so than of the equivalent regulators in the utilities or the telco spaces)
  - This has an impact
- Financial counsellor variability in using codes, laws etc to assist their clients
  - Opportunities missed