Rank the Banks,

Other Lenders and Debt Collectors

This report sets out the findings of a 2023 survey of financial counsellors about the hardship practices of the big four banks, the non-major banks, other credit providers (finance companies, second-tier lenders) and debt collection companies.

DECEMBER
2023

About Financial Counsellors

Financial counsellors provide advice, support and advocacy to people experiencing financial hardship. Financial counsellors work in community organisations and their services are free, confidential and independent.

Financial counselling associations involved in this report

(SAFCA members include financial counsellors in the NT)

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- Financial Counsellors ACT
- Financial Counsellors Association of New South Wales
- Financial Counsellors Association of Queensland
- South Australian Financial Counsellors' Association (includes NT members)
- Financial Counsellors Association of Tasmania
- Financial Counselling Victoria
- Financial Counsellors Association of Western Australia

Thank you to all the financial counsellors who completed the survey.

Disclosure

Financial Counselling Australia and all the state/territory associations receive financial contributions from time to time from all of the major banks, some of the non-major banks, some of the other creditors, and some of the debt collectors included in this survey. These financial contributions are used to defray the costs of annual financial counselling conferences or to help build the capacity of the sector, for example, to cover the costs of training.

Disclaimer

This report is based on a survey of financial counsellors. The report does not represent the attitudes or opinions of other third parties, including funding bodies.

Contents

Executive Summary

This survey collates the views of financial counsellors about how banks, other lenders and debt collectors respond to customers in financial hardship. Similar surveys have been conducted in 2013, 2015, 2017 and 2019 allowing comparisons over time.

While many of the questions in the 2023 survey are the same as in past years, there were also some new questions about:

- the acceptance by creditors of financial counselling third party authorities
- for the major banks, the extent to which they provided adequate support to people experiencing family and domestic violence, homelessness, incarceration, or people who have been victims of scams.

The survey was undertaken in late September and October of 2023. 431 financial counsellors from every Australian state and territory started the survey, a response rate of 42 per cent. Of those that responded, 47 per cent saw the majority of their clients in capital cities, 34 per cent in regional cities and 19 per cent in rural and remote areas. 14 per cent of respondents described most of their clients as Aboriginal or Torres Strait Islander people, 37 per cent as multicultural people and 49 per cent as neither.

The major banks

Financial counsellors ranked the hardship policies and practices of each of the four major banks on a scale of one to 10, where one was the lowest ranking and 10 the highest ranking.

The ratings for all the big four banks in 2023 were similar (with the 2019 results in brackets): NAB with 6.7 (7.3); ANZ with 6.9 (7.1); CBA with 7.0 (5.9); and Westpac with 7.0 (7.0).

The 2023 survey delved more deeply into particular aspects.

- *Locational differences of clients* – The overall ratings for each of the four major banks were lowest for financial counsellors with clients in rural / remote areas, compared to those with clients in capital cities or regional cities. It is not clear why this is the case.
- *Cultural backgrounds of clients* - Ratings for the four major banks were slightly higher from financial counsellors who do not have Aboriginal and Torres Strait Islander people, or multicultural people as the majority of their clients. It is not clear why this is the case.
- *Consistency* (*whether clients in similar circumstances are treated in much the same way)* - The results for CBA increased from 53 per cent in 2019 to 69 per cent in 2023. In contrast, the results for NAB fell from 78 per cent to 62 per cent.

- *Client outcomes* - The overall results show that financial counsellors find that arrangements offered by the four major banks result in fair, reasonable and appropriate outcomes for clients.
- *Support for specific client groups* – financial counsellors generally rated support from the banks for victims/survivors of family violence very highly, with only a small number saying support was "poor". The banks are generally providing appropriate levels of support for people who have unrecoverable debt and people experiencing homelessness. There are gaps however when it comes to supporting people in prison and people who are victims of scams, with about a third of financial counsellors rating responses as "poor" for both groups.
- *Telephone support lines for Aboriginal and Torres Strait Islander customers* - the support line at Westpac received the highest rating (6.2). The other ratings were: ANZ (5.6), CBA (5.8) and NAB (5.3). These results show there is room for improvement as we would expect the overall ratings to be at least 7.[1]

The non-major banks

The hardship practices of the non-major banks were rated on a scale of one to 10, where one was the lowest and 10 the highest rating. The highest rating non-major banks were Bank of SA (6.2) and St George Bank (6.1). The lowest rating were Citibank (4.2), ING (4.4), RAMS (4.5), Aussie Home Loans (4.6) and Heritage Bank (4.6).

The ratings for the non-major banks are much lower than for the big four banks. Lower scores for the non-major sector has been a consistent, and disappointing, finding for many years. These findings suggest that the non-major banks are not investing enough resources into their hardship teams and that their customers are not receiving appropriate hardship support.

We also note that some of the non-major banks are subsidiaries of the major banks. There is a role for the major banks to become more involved with subsidiary banks to ensure that their hardship responses improve.

Other lenders

The 2023 survey included ratings on the hardship practices of several non-bank lenders, such as finance companies and second-tier lenders (some of which are high-cost lenders and some of which have been subject to enforcement action by ASIC).

These lenders also scored poorly. The highest ratings were for Cash Converters (5.0), Wallet Wizard (5.0) and Liberty (4.9). The lowest rating lenders were Swoosh (2.8), Bluestone (2.9) and Cigno (3.0). Latitude was the only company that was also included in previous surveys. Its 2023 result was 4.8, compared to 5.0 in 2019 and 4.3 in 2017, indicating there has been no improvement.

1 Noting that the sample sizes were relatively small ranging from 41 responses to 51 responses.

These very low results are cause for deep concern and we draw the same conclusion as that in relation to the non-major banks: their customers are not receiving appropriate hardship support.

Debt collectors

Debt collectors have been included in the survey since 2017. Credit Corp was again the highest rated company with a score of 8.1 (the highest rating for any creditor in the survey as a whole), followed by Panthera (6.5). The remaining companies received ratings between 4.1 and 5.3, indicating they need to do more to assist their customers experiencing financial hardship.

Third party authorisations

The rejection of third party authorities by creditors is a perennial issue for financial counsellors and means the financial counsellor cannot represent their client.

The survey found that the major banks generally have appropriate processes. The survey shows that the problem lies with the non-major banks and other lenders. The companies that were most frequently named as rejecting a financial counsellor's third party authority were: Bendigo and Adelaide Bank, Citibank, Bankwest, Cigno, Toyota Finance and Latitude.

Summary and conclusions

The way firms respond to people in financial hardship is critical, especially given the current cost of living pressures. This survey shows large numbers of creditors are failing.

- The ratings for the major banks are around seven out of 10. For the purposes of this report, this seems a reasonable benchmark against which other creditors can be assessed.
- The results for the non-major banks averaged 5.0. The results for the other lenders (finance companies, second-tier lenders) averaged 4.0. The results for debt collectors (excluding Credit Corp) averaged 5.0. These figures are a long way short of the 7.0 benchmark.
- All up, the results are disappointing. It is even more disappointing when looking at the results across the survey years as they indicate very little has changed.

Financial counsellors are experts in financial difficulty and understand how the "system" works. Many creditors, including the large banks, have also set up dedicated contact points for financial counsellors, sometimes with dedicated and trained staff. People who are self-advocating are unlikely to have this knowledge and will certainly not have special access.

If expert financial counsellors rate many of the lenders and debt collectors in this survey so poorly, we can only despair as to how people who are not represented are treated.

How then can this be fixed?

In August 2023, ASIC wrote an open letter to 30 lenders calling on them to “appropriately support customers experiencing financial hardship” and is collecting data from them about how they are responding to hardship applications.[2] ASIC expects to publish its findings in mid-2024.[3]

The open letter and the data collection exercise by ASIC is very welcome. We would urge ASIC to take appropriate enforcement action if deficiencies are found.

Ultimately however how a company treats its customers is a decision for them. We urge companies with low ratings to review their policies and processes and to talk to financial counsellors about best practice.

As we did in the 2019 survey, we call on this issue to be elevated to Board and CEO level. Appropriate, ongoing measurement and monitoring of the hardship function is needed, including asking for feedback from customers.

2 https://asic.gov.au/about-asic/news-centre/find-a-media-release/2023-releases/23-235mr-as-cost-of-living-pressures-persist-asic-calls-on-lenders-to-support-customers-in-financial-hardship/

3 Ibid.

1 BACKGROUND

1.1 About this survey

This survey collates the views of financial counsellors about how banks, other lenders and debt collectors respond to customers in financial hardship. Similar surveys have been conducted in 2013, 2015, 2017 and 2019-20. We did not conduct a survey in 2021 due to the pandemic.

1.2 Methodology

Data for the report was gathered through an online survey of financial counsellors. The survey ran from 25 September to 13 October 2023. The survey was substantially similar to those administered in the past and asked financial counsellors about their experiences in interacting with the four major banks, the non-major banks, other lenders and debt collectors. However, the 2023 survey included some new questions about:

- the use of third-party authorities[4]
- support for Aboriginal and Torres Strait Islander people and people from multi-cultural backgrounds
- support for people experiencing family and domestic violence, homelessness, incarceration, or people who have been victims of scams.

The new questions reflected feedback from financial counsellors about issues they were experiencing in their casework. The rejection of the standard financial counselling sector third party authority is an ongoing irritant and we wanted to get some hard data about which creditors were the most problematic. Financial counsellors often work with people who are in vulnerable circumstances and inclusion of questions about these groups would shine on a light on whether they were being treated fairly.

The survey also allowed differentiation of ratings between financial counsellors who:

- had the majority of their clients in capital cities, regional cities or rural and remote areas
- worked predominantly with people with people from specific cultural identities: Aboriginal and Torres Strait Islander people, multicultural people or neither.

This differentiation allowed us to assess if financial counsellors working with different client groups reported different experiences.

4 When a financial counsellor represents or acts for a client, they need their authority to do so. FCA has developed a standard third party authorisation form to facilitate this process.

The survey instructions asked financial counsellors to think about their interactions with a particular institution over the previous six months, rather than concentrate on their most recent contact or their historical experiences. This instruction was designed to encourage respondents to think broadly and to reduce bias.

Data analysis is a mix of statistical and thematic analysis. Not all questions were mandatory. The percentages in this report relate to the percentage of respondents that answered a specific question, not the percentage of total survey respondents.

We have not included the results for companies where less than 20 financial counsellors provided a rating, because the sample size is too low to draw strong conclusions. Quotes throughout this report are from the qualitative responses. In some instances, they have been adjusted to correct grammar or spelling.

Qualitative comments relevant to each industry will be shared with the relevant peak body (where one exists). The peak body can then distribute comments to individual creditors.

1.3 Response rate

This survey was started by 431 financial counsellors. Some of the questions were optional and so were not answered by some respondents. The response rate is therefore higher for some questions than for others. The survey was sent to 1,028 financial counsellors who are members of their state or territory financial counselling association, therefore the overall response rate was 42 per cent.

Of those that responded, 47 per cent of financial counsellors said the majority of their clients were in capital cities, 34 per cent in regional cities and 19 per cent in rural and remote areas. 14 per cent of financial counsellors described most of their clients as coming from Aboriginal or Torres Strait Islander cultural backgrounds, 37 per cent said most of their clients came from multicultural background and 49 per cent of financial counsellors said neither.

2 THE FOUR MAJOR BANKS

2.1 Headline results

Financial counsellors were asked to provide an overall score out of ten for each of the big four banks in terms of their hardship policies and practices (one being the lowest rating and 10 the highest rating). Previous surveys in 2013, 2015, 2017 and 2019 asked the same question, so it is valid to compare the results for each survey. The results are shown in Figure 1 below.

The 2023 survey shows that all of the major banks had similar ratings at around 7 out of 10. This is a good result and reinforces the continued focus in recent years by the major banks to improve the way they treat customers experiencing financial hardship.

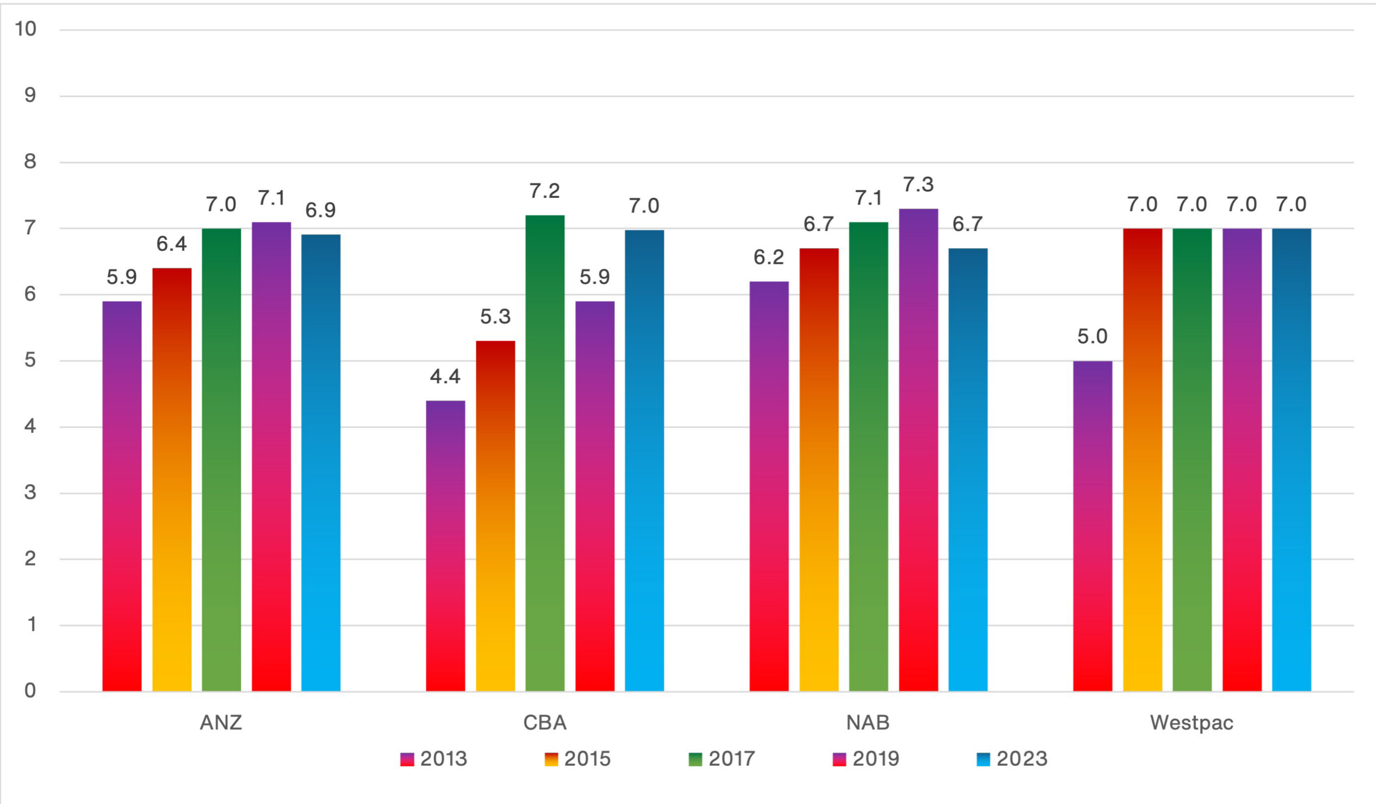

Figure 1: Overall score of the hardship policies and practices of the four major banks by financial counsellors in 2013, 2015, 2017, 2019 and 2023 (using a scale of 1-10, where 1 is the lowest rating)

As noted in previous surveys, the overall ratings mask some of the variability in responses. This variability is shown in Figure 2.

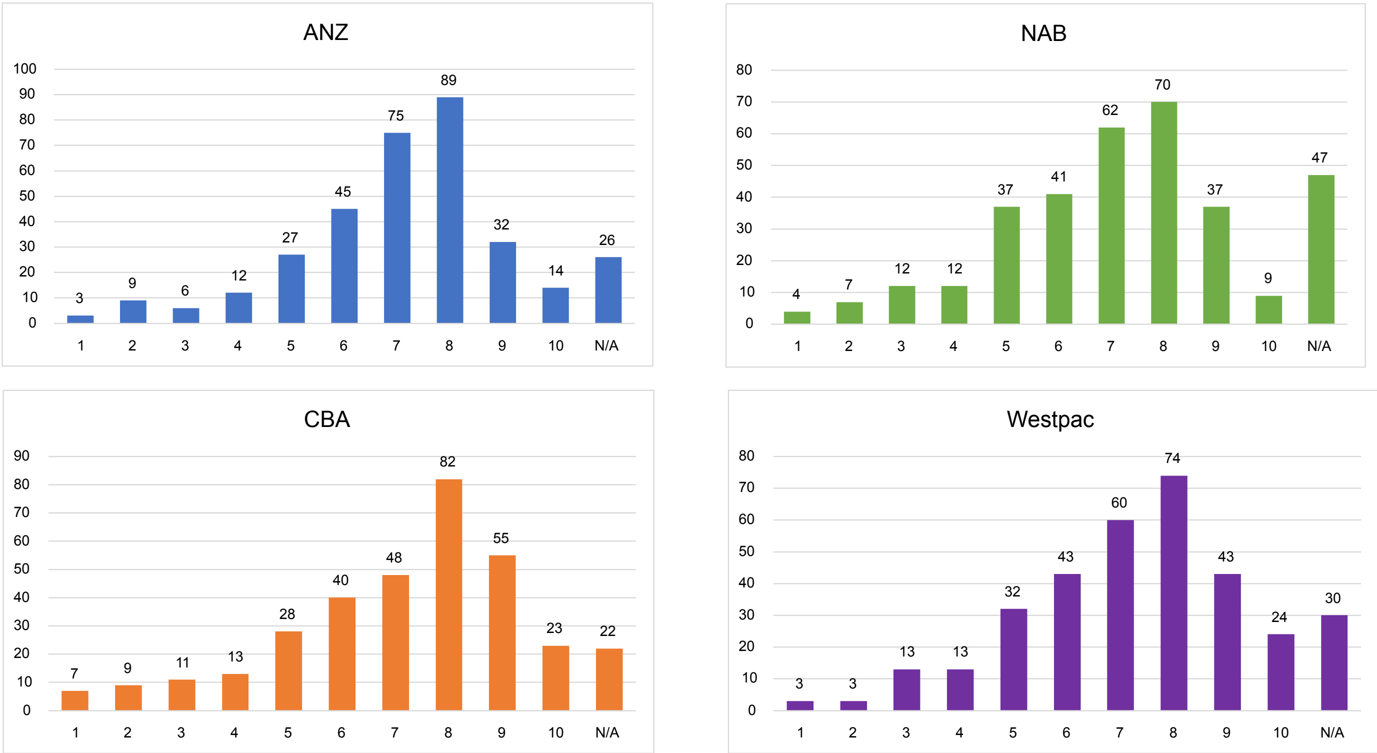

Figure 2 Overall rating of the hardship policies and practices of the four major banks by financial counsellors in 2023 (using a scale of 1-10, where 1 is the lowest rating). Number of responses shown.

For financial counsellors whose clients are in capital cities, regional cities or in rural and remote areas, the 2023 overall ratings for each of the four major banks were lowest in rural / remote areas as depicted in Figure 3 below. While the sample size for financial counsellors working in rural / remote areas was relatively small, it is not clear why there should be a difference.

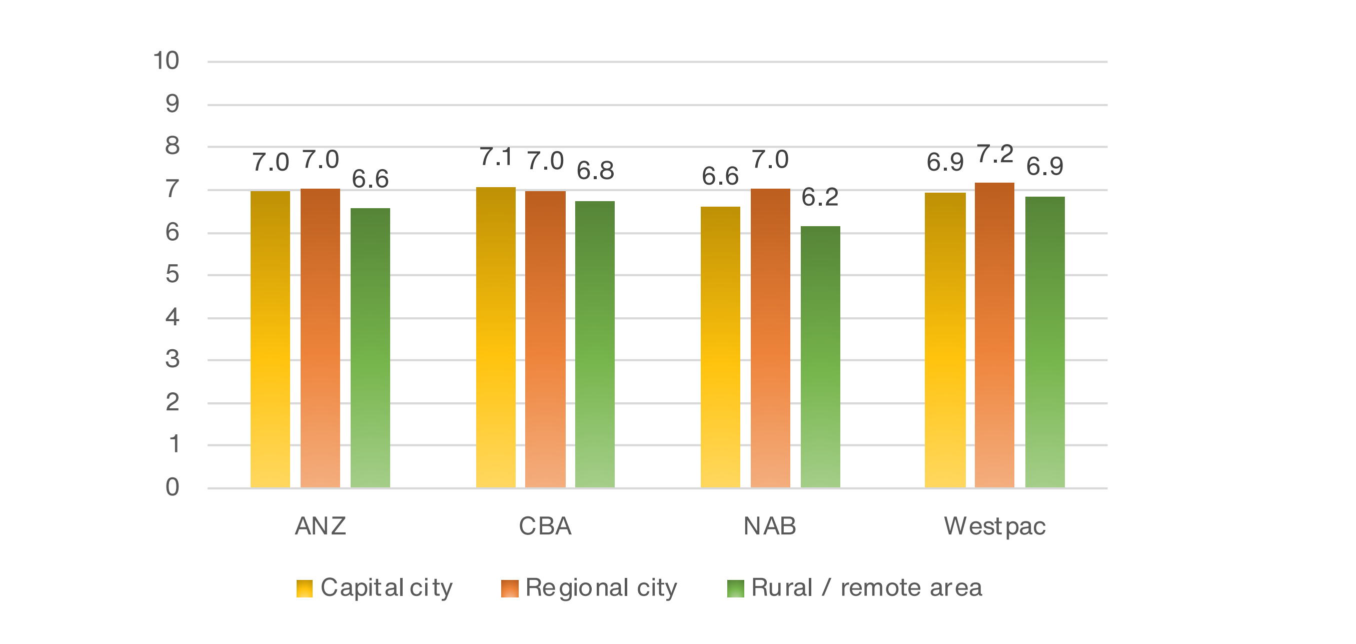

Figure 3: Overall score of the hardship policies and practices of the four major banks in 2023 based on where the clients of financial counsellors were located – capital cities, regional cities, rural and remote areas in 2023 (using a scale of 1-10, where 1 is the lowest rating) (The average sample sizes for each category were: capital city – 138 responses, regional city – 115 responses, rural/remote – 54 responses).

For the first time, we asked financial counsellors to indicate the cultural identities of most of their clients. This data is shown in Figure 4 below. The scale is from one, as the lowest rating and 10 as the highest.

Ratings for the four major banks were slightly higher from financial counsellors who did not work mainly with either Aboriginal and Torres Strait Islander clients or clients from multicultural backgrounds. It is not clear as to why there should be differences in the results, depending on the client group and we would encourage the banks to investigate further.

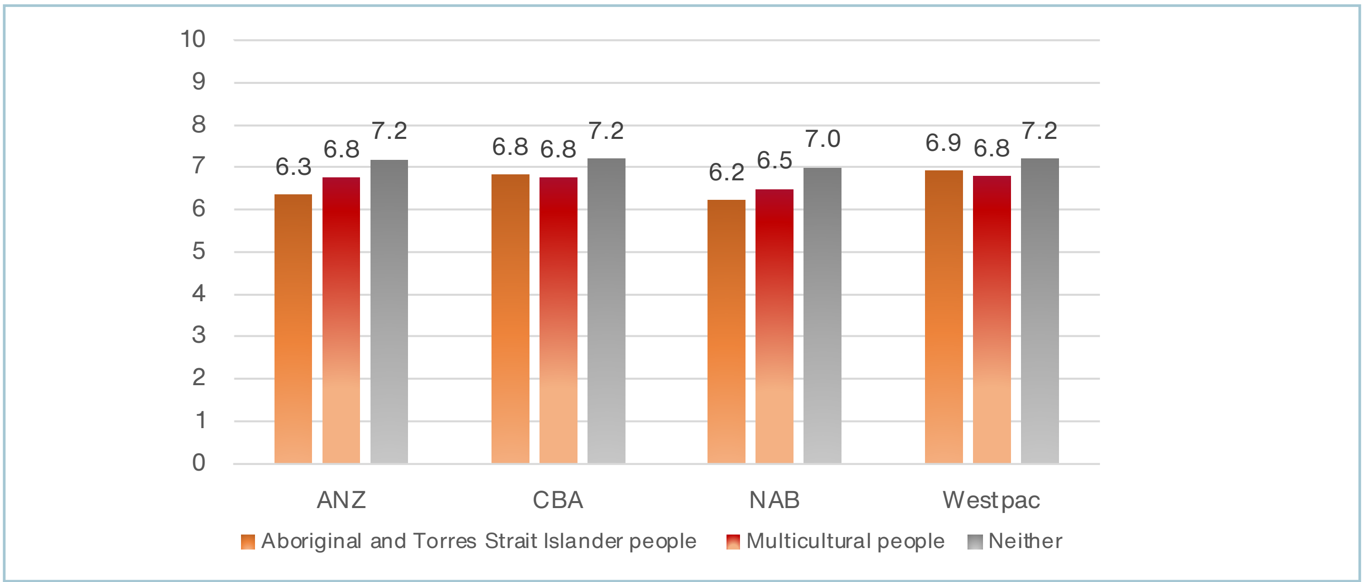

Figure 4: Overall score of the four major banks in 2023 based on the cultural identities of most of a financial counsellor's clients – Aboriginal and Torres Strait Islander people, multicultural people or neither (using a scale of 1-10, where 1 is the lowest rating) (The average sample sizes for each category were: Aboriginal and Torres Strait Islander – 42 responses, multicultural – 111 responses, neither – 154 responses).

2.2 Ratings for specific factors

The survey asked financial counsellors several specific questions about how each of the four major banks interacted with customers in hardship. These questions covered consistency of service, client outcomes and whether counsellors were experiencing issues with the acceptance of third party authorities. We also asked financial counsellors to rate the four major banks on how they support scam victims, victim/survivors of family and domestic violence, people experiencing homelessness, people in prison and people with unrecoverable debt.

2.2.1 Consistency

The survey asked financial counsellors how often their clients in similar hardship circumstances are provided with substantially consistent arrangements – "never", "sometimes", "often" or "always". Figure 5 shows the percentage results for "often" and "always". The results for CBA increased from 53 per cent in 2019 to 69 per cent in 2023. In contrast, the results for NAB fell from 78 per cent to 62 per cent.[5]

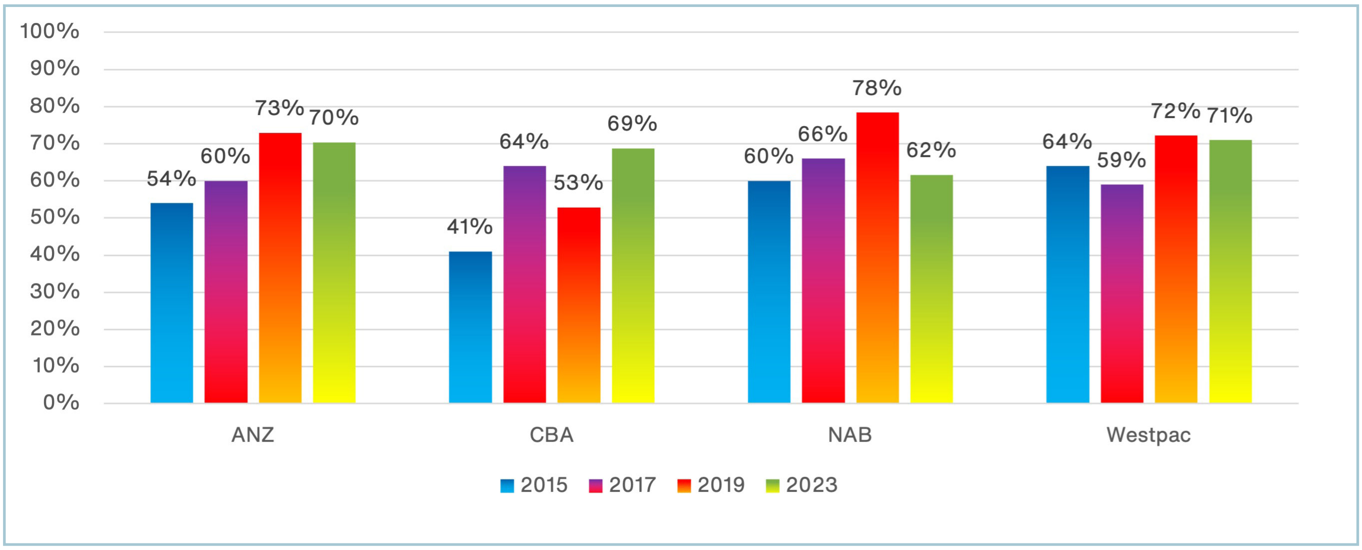

Figure 5 Percentage of financial counsellors who said clients in similar hardship arrangements are provided with substantially consistent arrangements "often" or "always".[6]

5 The figures in the equivalent graph in the 2019 report have been re-calculated in Figure 5 above. The 2019 report incorrectly calculated the percentages by including the "unsure/unable to say" responses. This did not affect the trend however.

6 This question changed slightly in 2023 from previous years so that it used the same Likert scale as other questions in the survey: "never", "sometimes", "often" and "always". In 2015, 2017 and 2019 the response options were "none of the time", "some of the time", "most of the time" and "all of the time". We are comfortable that the data is comparable.

2.2.2 Client outcomes

Financial counsellors were asked how often the hardship arrangements offered by the four major banks resulted in fair, reasonable and appropriate outcomes for clients. This data is shown in Figure 6 below.

The overall results show that financial counsellors find that arrangements offered by the four major banks result in fair, reasonable and appropriate outcomes for clients. Adding the results for "often" and "always" together, 74 per cent of financial counsellors said this was the case for ANZ, 72 per cent for CBA, 68 per cent for NAB and 70 per cent for Westpac. While not shown in the graph, the results for this question in the 2019 survey are similar indicating there has been no change.

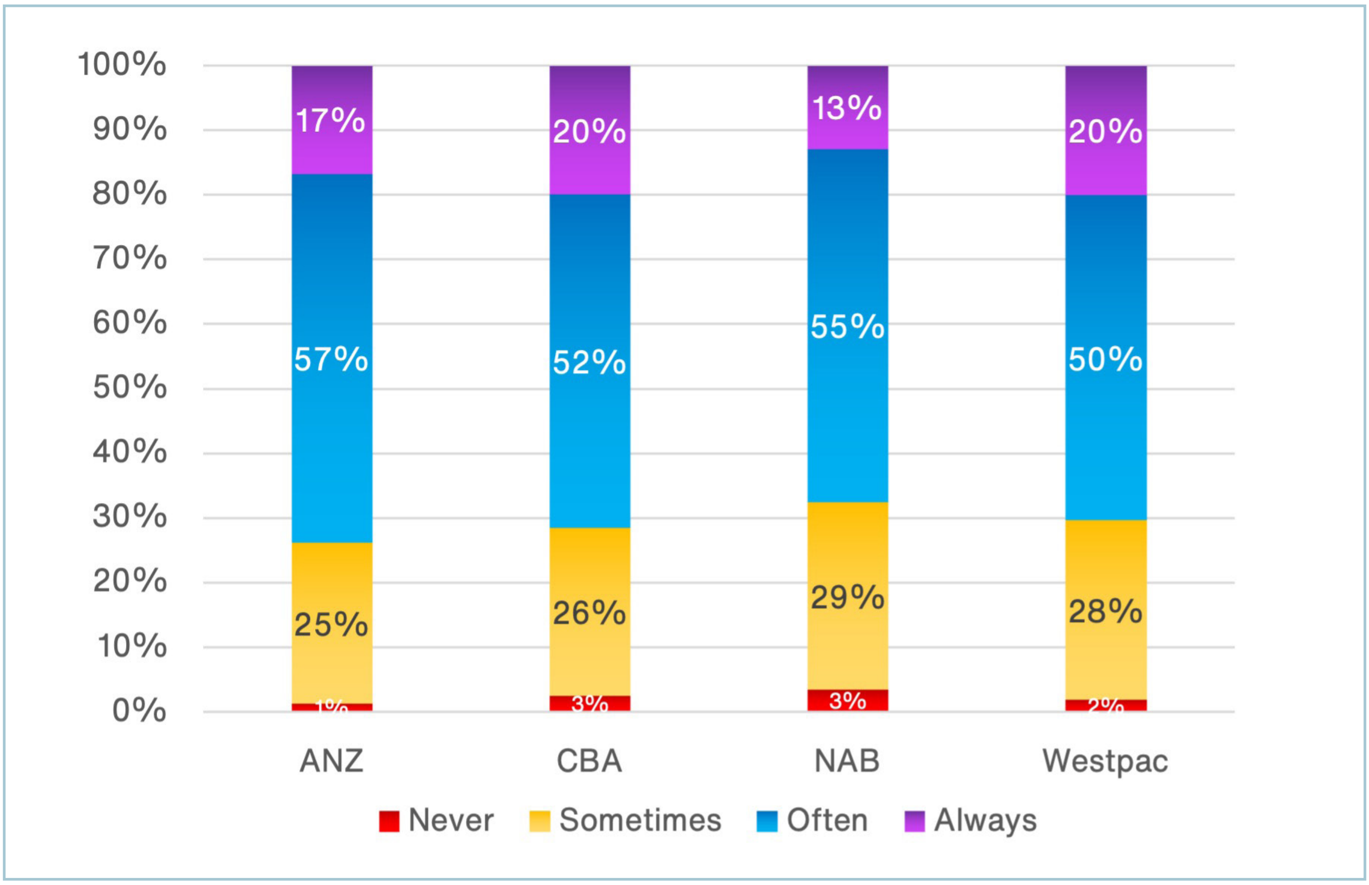

Figure 6 On balance, how often do the hardship arrangements offered by the four major banks result in fair, reasonable and appropriate outcomes for your clients? (percentage of respondents) (Figures for "unable to say/not sure" have been excluded)

2.2.3 Third party authorisation

Financial counsellors were asked how often they have problems with the four major banks accepting their third party authorisation form. Figure 7 shows that the majority of financial counsellors (72 per cent to 76 per cent) "never" experience problems with acceptance of the form.

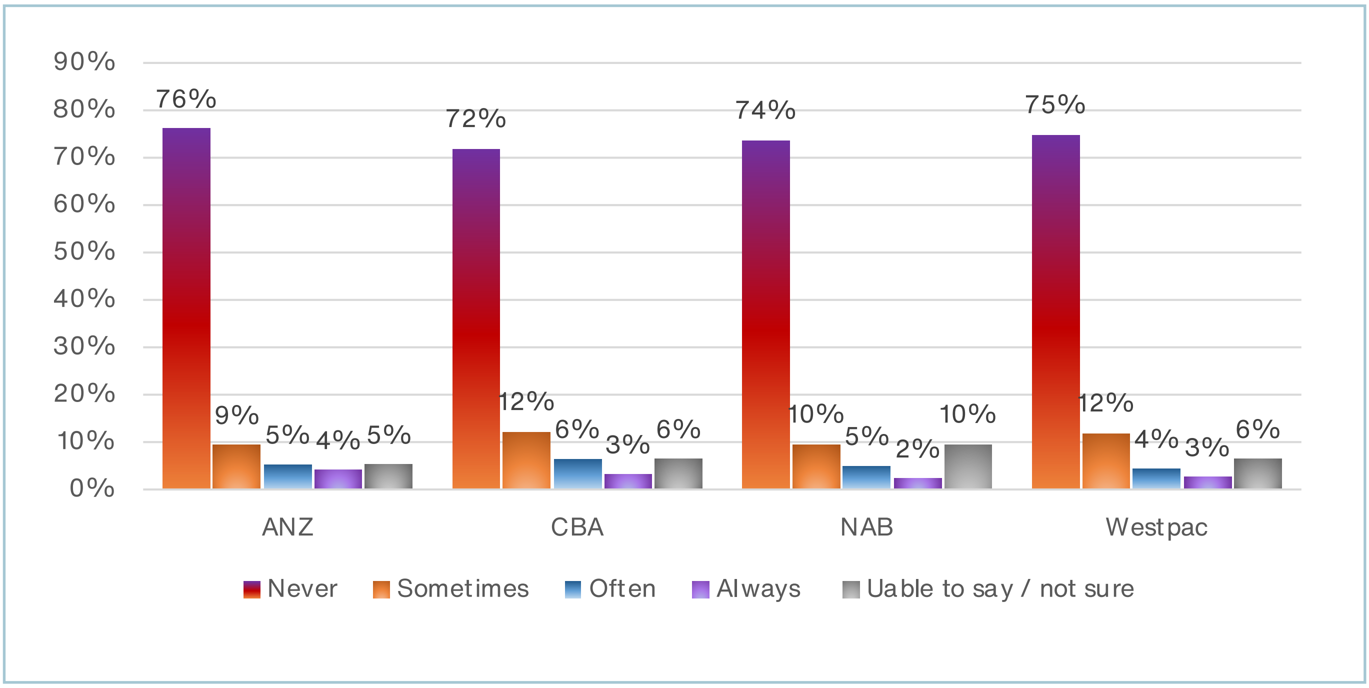

Figure 7 Percentage of financial counsellors who said that they have problems with a bank accepting their third party authorisation form.

2.2.4 Support for particular groups of people

Financial counsellors were asked to rank each of the four major banks on how well they support scam victims, victim/survivors of family and domestic violence, people experiencing homelessness, people in prison, and people with unrecoverable debt. Apart from the question about unrecoverable debt, which has been in all previous surveys, this was the first time that a focus on assistance for people from different groups had been included.

The results are shown in Figure 8. Many financial counsellors answered " unable to say/not sure" and for that reason this data has been removed from the information presented. The number of overall responses for each question also varied.[7] The themes in relation to support for the various groups are:

- *people in prison* – about a third of financial counsellors said that support was "poor" (with the rating for Westpac being the lowest at 40 per cent, noting however that the sample sizes were small ranging from 35 – 41 responses)
- *people who are victims of scams* – about a third of financial counsellors said that support was "poor". However the majority said that support for victims of scams was "acceptable", "good" or "very good"
- *people who are victims/survivors of domestic and family violence* – financial counsellors rated support for this group highly, with only a small number saying it was "poor" (between 5 per cent and 9 per cent). This was the strongest rating for all of these questions about specific groups
- *people who have unrecoverable debt* – financial counsellors rated support for this group highly, with only a small number saying it was "poor" (between 8 per cent and 14 per cent).
- *people who are experiencing homelessness* – financial counsellors rated support for this group highly, with only a small number saying it was "poor" (between 9 per cent and 16 per cent).

This data shows that the four major banks are generally providing appropriate support for people who are victims/survivors of family violence, people who have unrecoverable debt and people experiencing homelessness. There are gaps however when it comes to supporting people in prison and people who are victims of scams.

7 For the question about support for people in prison: there were 41 ratings for ANZ, 46 for CBA, 37 for NAB and 35 for Westpac. For the question about support for people who are victims of scams: there were 91 ratings for ANZ, 111 for CBA, 87 for NAB and 87 for Westpac. For the question about support for people who are victim/survivors of family violence: there were 205 ratings for ANZ, 245 for CBA, 190 for NAB and 204 for Westpac. For the question about support for people with unrecoverable debt: there were 228 ratings for ANZ, 232 for CBA, 210 for NAB and 227 for Westpac. For the question about support for people who are experiencing homelessness: there were 133 ratings for ANZ, 132 for CBA, 116 for NAB and 123 for Westpac.

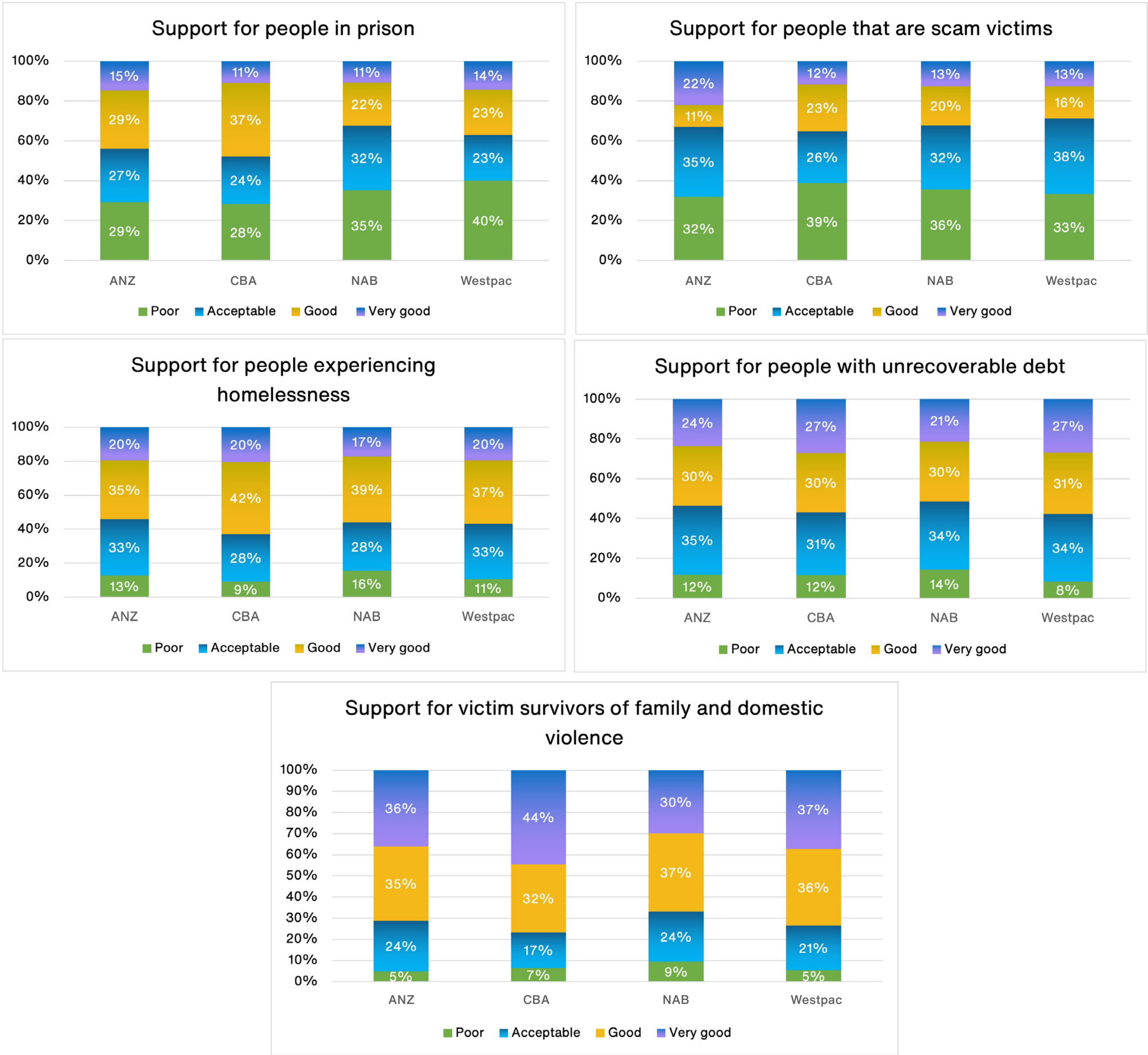

Figure 8: Percentage of financial counsellors who said that a bank provides “poor”, “acceptable”, “good”, or “very good” support for scam victims, victims/survivors of family and domestic violence, people experiencing homelessness, people in prison, and people with unrecoverable debt

2.2.5 Phone services for Aboriginal and Torres Strait Islander customers

The four major banks all have phone services specifically for Aboriginal and Torres Strait Islander customers. Financial counsellors were asked to rate the services out of 10 (with 1 being the lowest) if they had accessed these phone services. As shown in Figure 9, the support line at Westpac received the highest rating (6.2) and the line from NAB the lowest (5.3).[8] These results show that there is room for improvement as we would expect the overall ratings to be at least 7.

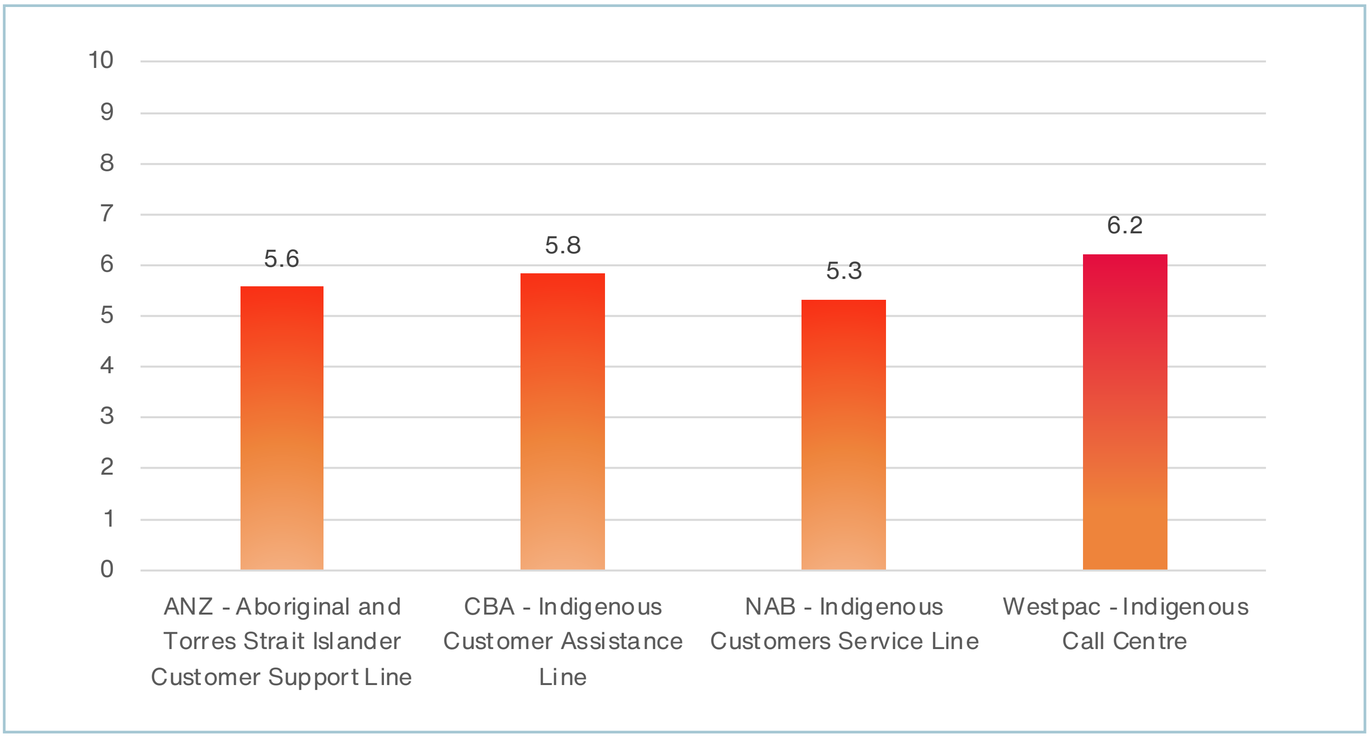

Figure 9 Percentage of financial counsellors who rated the banks' phone services specifically for Aboriginal and Torres Strait Islander customers. (The sample sizes for each category were: ANZ - 44, CBA - 49, NAB – 41, Westpac - 51).

2.3 Qualitative comments

Financial counsellors were also given the opportunity to make comments about the hardship practices of the four major banks, with 116 comments about specific banks and 91 overall comments received. Where a comment identifies a particular bank, this information will be shared with the particular bank. The comment themes are described below.

The big four banks have improved and are good to deal with compared to other lenders.

There has been a significant improvement in the practices of all of the big four banks in the last 5 years.

Overall I find banks much easier to deal with then other financial services providers.

8 The sample sizes for this question were: ANZ - 44, CBA - 49, NAB - 41 and Westpac - 51.

Generally, the Big 4 Banks have very well-developed hardship practices and well-trained staff who work well with financial counsellors.

Sometimes the big four banks request too much information from clients, don't treat people experiencing domestic violence appropriately and have slow response rates.

They all request too much information, despite saying they will make hardship applications easier and more streamlined. Also need to differentiate between hardship for financial reasons, and hardship under family violence.

I work a lot with clients experiencing family violence and at risk of losing their homes. The banks all need to improve understanding of clients in this area, particularly when clients are trying to access a property settlement.

Banks very slow with response times but then turn around and expect information and responses from financial counsellors within two days.

Inconsistency was also identified as an issue.

Staff knowledge and training can be inconsistent in regard to hardship policies. This is an issue if clients/customers contact the banks directly for assistance.

Big four generally OK with personal matters but vary greatly with business options even if already assisting same client on a personal matter.

Consistency of hardship assistance would be beneficial.

3 THE NON-MAJOR BANKS

3.1 Approach to hardship

Financial counsellors were asked to rate the non-major banks (including customer-owned banks and bank subsidiaries) on their approach to hardship (on a scale of one to 10, where one is the lowest rating). They were asked to only provide a rating if they had some interaction with the lender in the past six months. The same question was asked in previous surveys (although more banks were included than in previous surveys).

The following non-major banks were included in the survey, but the sample sizes were too small to report (less than 20 responses): Bank of Sydney, Greater Bank, IMB Bank, MyState, Newcastle Permanent, Queensland Country Bank, Teacher Mutual Bank, Traditional Credit Union, UBank.

Table 1 sets out the ratings for the past five surveys, together with the sample sizes for the 2023 results. The number of respondents varied from 21 (for Bank Australia) to 180 (for Citibank) and these differing sample sizes should be kept in mind when interpreting the data.

The key points from Table 1 are:

- The highest rating non-major banks were Bank of SA (6.2) and St George Bank (6.1). The lowest rating were Citibank (4.2), ING (4.4), RAMS (4.5), Aussie Home Loans (4.6) and Heritage Bank (4.6).[9]
- The ratings for the non-major banks are all lower than for the big four banks. The major banks record scores of about 7 out of 10, but the highest score for a non-major bank is 6.2. Lower scores for the non-major sector has been a consistent, and disappointing, finding for many years.
- These findings suggest that the non-major banks are not investing enough resources into their hardship teams and that their customers are not receiving appropriate hardship support.

9 RAMS is owned by Westpac, Aussie Home Loans is owned by Lendi Group (the main shareholders are big banks), Bankwest is owned by Westpac, Citibank is owned by NAB.

Non-major bank	2013	2015	2017	2019	2023	Number of respondents in 2023
AMP Bank	3.7	5.0	3.8	3.9	4.6	24
Aussie Home Loans					4.6	33
Bank Australia					5.0	21
Bank of Melbourne					5.8	62
Bank of Queensland	3.9	5.1	4.6	5.4	5.4	63
Bank of SA					6.2	38
Bankwest	4.1	4.5	3.9	4.5	5.6	141
Bendigo and Adelaide	4.3	5.4	5.7	5.3	4.8	125
Beyond Bank Australia				4.7	5.1	28
Citibank	3.5	5.4	4.9	4.9	4.2	180
Great Southern Bank					5.0	46
Heritage Bank					4.6	23
HSBC	4.0	4.7	4.6	5.3	5.3	82
ING	3.6	4.4	5.0	4.6	4.4	72
Macquarie	3.1	3.8	3.8	4.7	4.9	101
ME Bank	4.5	4.3	3.7	4.9	5.2	55
P&N Bank					5.3	24
People’s Choice					5.2	33
RAMS					4.5	49
St. George Bank					6.1	174
Suncorp	3.9	4.9	4.8	5.4	5.6	71

Table 1: Overall rating by financial counsellors of the non-major banks in 2013, 2015, 2017, 2019 and 2023. The number of respondents is shown for 2023. Companies with less than 20 responses in 2023 not shown.

Figure 10 compares the results in 2019 and 2023 for the non-major banks included in both surveys. The ratings for the majority of non-major banks either stayed the same or increased. The largest positive jump was for Bankwest which increased its rating from 4.5 to 5.6 between 2019 and 2023.

There were negative movements for Bendigo and Adelaide Bank (from 5.3 to 4.8), Citibank (4.9 to 4.2) and ING Direct (4.4 to 4.2) between the 2019 and 2023 surveys.

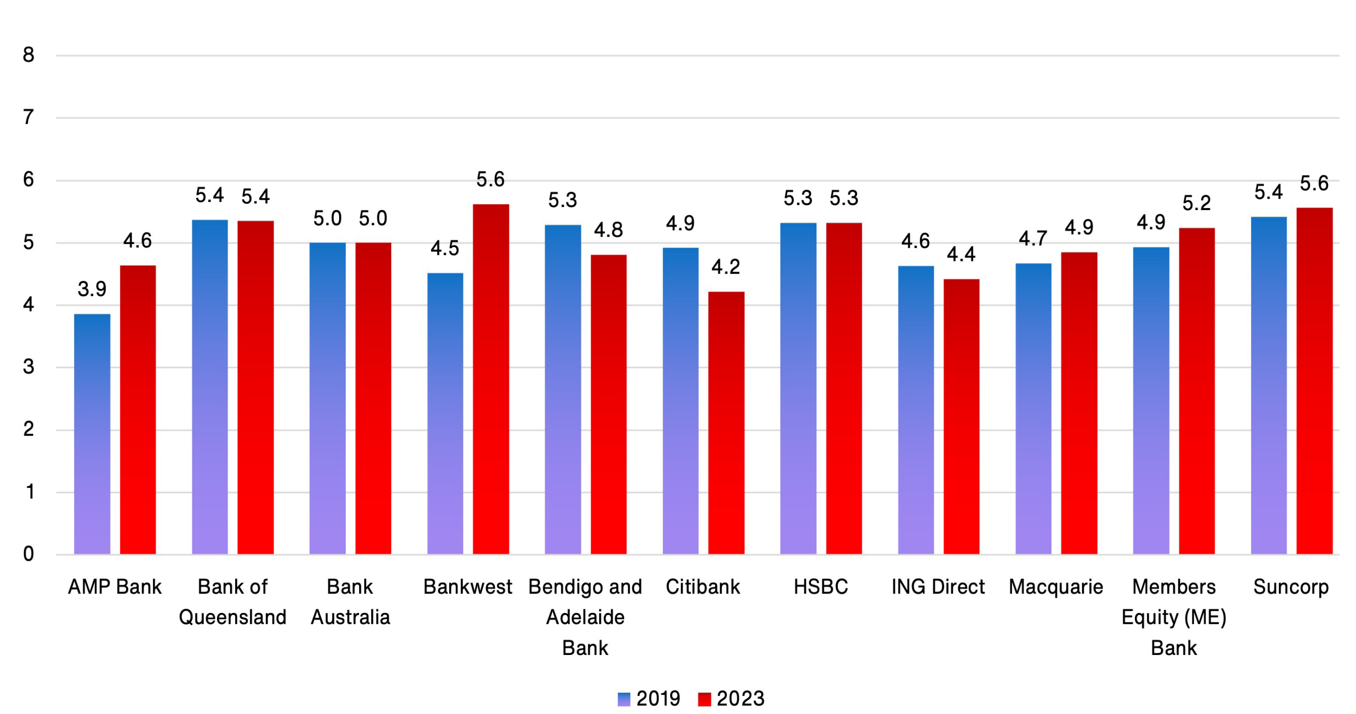

Figure 10: Overall rating by financial counsellors of the non-major banks in 2023 and in 2019 where applicable (using a scale of 1-10, where 1 is the lowest rating).

3.2 Third party authorisation

This year we also asked financial counsellors to identify any non-major banks where they had experienced problems with the bank accepting the financial counsellor's third party authority over the previous six months.

Figure 11 shows those non-major banks where more than five financial counsellors reported they had experienced problems of this nature. In our view, even one instance of a problem with acceptance of the third party authority is one too many.[10] Bendigo and Adelaide was the non-major bank that was most difficult in this regard (27 financial counsellors reported problems).

10 The figures not shown in the graph for the number of financial counsellors reporting at least one problem with this lender and the third party authority were: ME Bank (4), Suncorp (4), Bank of Melbourne (3), Bank of SA (2), Greater Bank (2), Traditional Credit Union (2), UBank (2), Bank Australia (1), Beyond Bank Australia (1), Heritage Bank (1), P&N Bank (1).

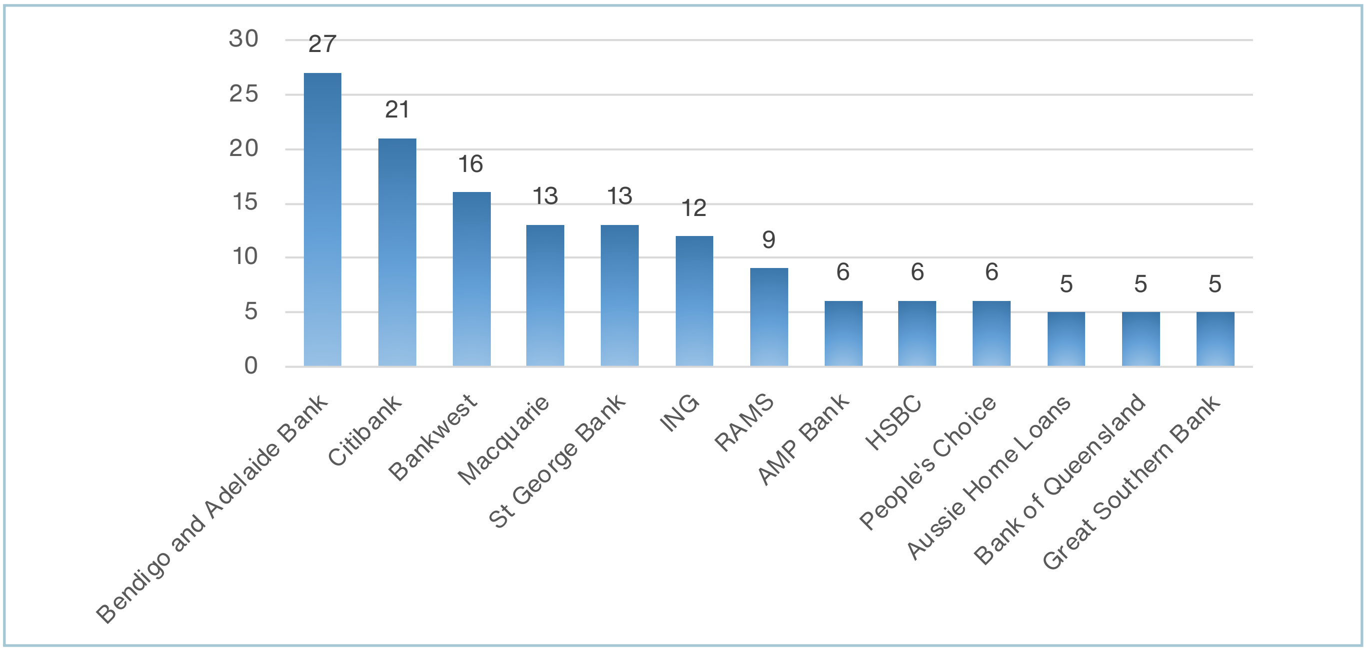

Figure 11: Number of financial counsellors that had problems with a non-major bank accepting their third party authorisation in the past six months. Companies with less than 5 responses not shown.

3.3 Qualitative comments

Financial counsellors were also given the opportunity to make comments about the hardship practices of the non-major banks, with 119 comments received about specific non-major banks and 48 overall comments. Where a comment identifies a particular non-major bank, this information will be shared with the particular bank.

Hardship practices of the non-major banks are not up to scratch

Non major banks are generally more difficult to deal with and don't offer great hardship and [family violence] assistance.

Speak to the major big banks and consider their hardship programs

Some of the non-major banks do not understand clients in hardship and are difficult to deal with.

I find that non-major banks are difficult to communicate with and usually aren't working at the best interest of the client.

[non-major bank] are dreadful in their practices, rude, pushy, unhelpful. They do not provide hardship services that are in the best interests of clients.

Dealing with the hardship teams of non-major banks requires lots of time, effort and patience. Staff call without having read the requests and [financial counsellor] to tell them about the client's situation (documented in the request)! Some conversations appear to be with AI, repetitive and without human comprehension.

Sometimes non-banks don’t understand the needs of people experiencing domestic violence.

> *Again long-term hardship needs to be provided in settlement cases and stronger [domestic violence] policies around financial abuse and waiving of debts for clients forced into these situations*
>
> *[Non-major bank] are quite difficult to deal with, insist on providing bank statements and very little understanding of [family violence].*

4 OTHER LENDERS

4.1 Approach to hardship

The 2023 survey asked financial counsellors to rate other lenders on their approach to hardship (on a scale of one to 10, where one is the lowest rating). The other lenders category included finance companies and second-tier lenders. Financial counsellors were asked to only provide a rating if they had some interaction with the company in the past six months.

Figure 12 presents the 2023 results for those lenders with 20 or more responses,[11] with 22 lenders included. None of the other lenders were rated above 5. Some of these lenders are providers of high cost credit products targeted to people on low or precarious incomes. Some of them have also been the subject of recent ASIC or court enforcement action.[12]

The lenders with the highest ratings were Cash Converters (5.0), Wallet Wizard (5.0) and Liberty (4.9). The lowest rating lenders were Swoosh (2.8), Bluestone (2.9) and Cigno (3.0). These very low results are cause for deep concern.

Latitude was the only company that was also rated in previous surveys. Its 2023 result was 4.8, compared to 5.0 in 2019 and 4.3 in 2017. These results indicate that the company has not improved its response to customers experiencing financial hardship.

11 The number of responses were: Bluestone – 33, BMW Financial Services – 22, Cash Converters – 206, CashnGo – 94, Cash Stop – 107, Cigno – 193, Finance One – 60, Jacaranda Finance – 63, Latitude – 236, La Trobe Financial – 21, Liberty – 45, Lombard Finance – 24, Money3 – 192, MoneyMe – 110, Nimble – 56, Nissan – 57, Pepper Money – 127, Sunshine Loans – 116, Swoosh – 106, Toyota Finance – 116, Wallet Wizard – 151.

12 Cigno – see https://asic.gov.au/about-asic/news-centre/find-a-media-release/2023-releases/23-266mr-asic-sues-cigno-australia-bsf-solutions-and-their-directors-alleging-unlicensed-credit-activity/, Money3 – see https://asic.gov.au/about-asic/news-centre/find-a-media-release/2023-releases/23-126mr-asic-sues-money3-loans-for-responsible-lending-breaches/

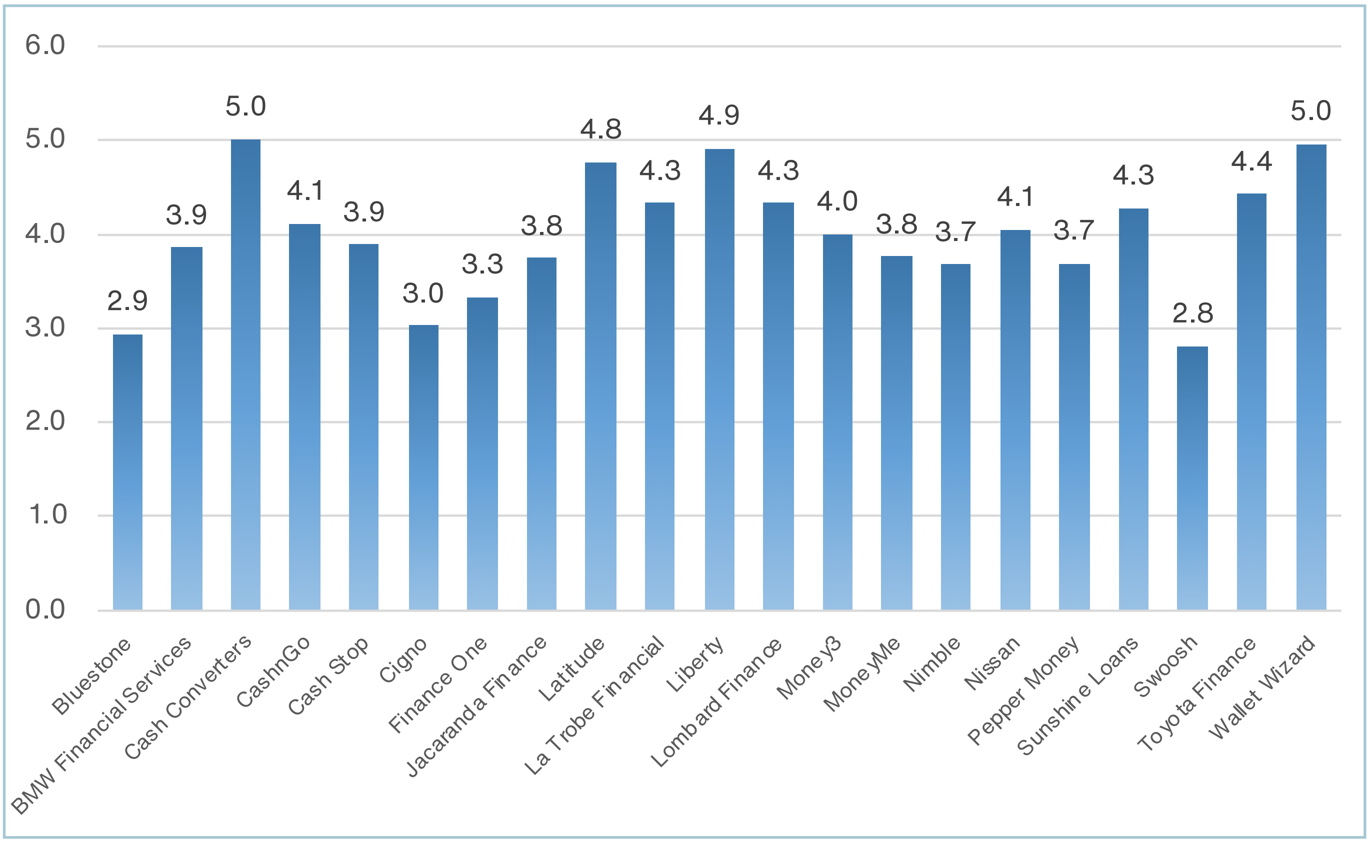

Figure 12: Overall rating by financial counsellors of other lenders in 2023 (using a scale of 1-10, where 1 is the lowest rating). Companies with less than 20 responses not shown. Number of responses varied from 21 to 236.

4.2 Third party authorisation

We also asked financial counsellors to identify other lenders where they had experienced problems with accepting third party authorities over the last six months. Similarly to the non-major banks, financial counsellors reported problems with other lenders accepting their authorities to act. Figure 13 shows those other lenders where five or more financial counsellors said they had experienced problems with accepting third party authorities.

The lenders where issues with acceptance of a third party authority were most commonly reported were Cigno (issues reported by 23 financial counsellors), followed by Toyota Finance (reported by 22 financial counsellors) and Latitude (reported by 19 financial counsellors).[13]

13 Reports of issues with acceptance of third party authorities for lenders not shown in the graph were: MoneyMe (4), Liberty (3), Nimble (3), BMW Financial (2), Finance One (2) and La Trobe Financial (1).

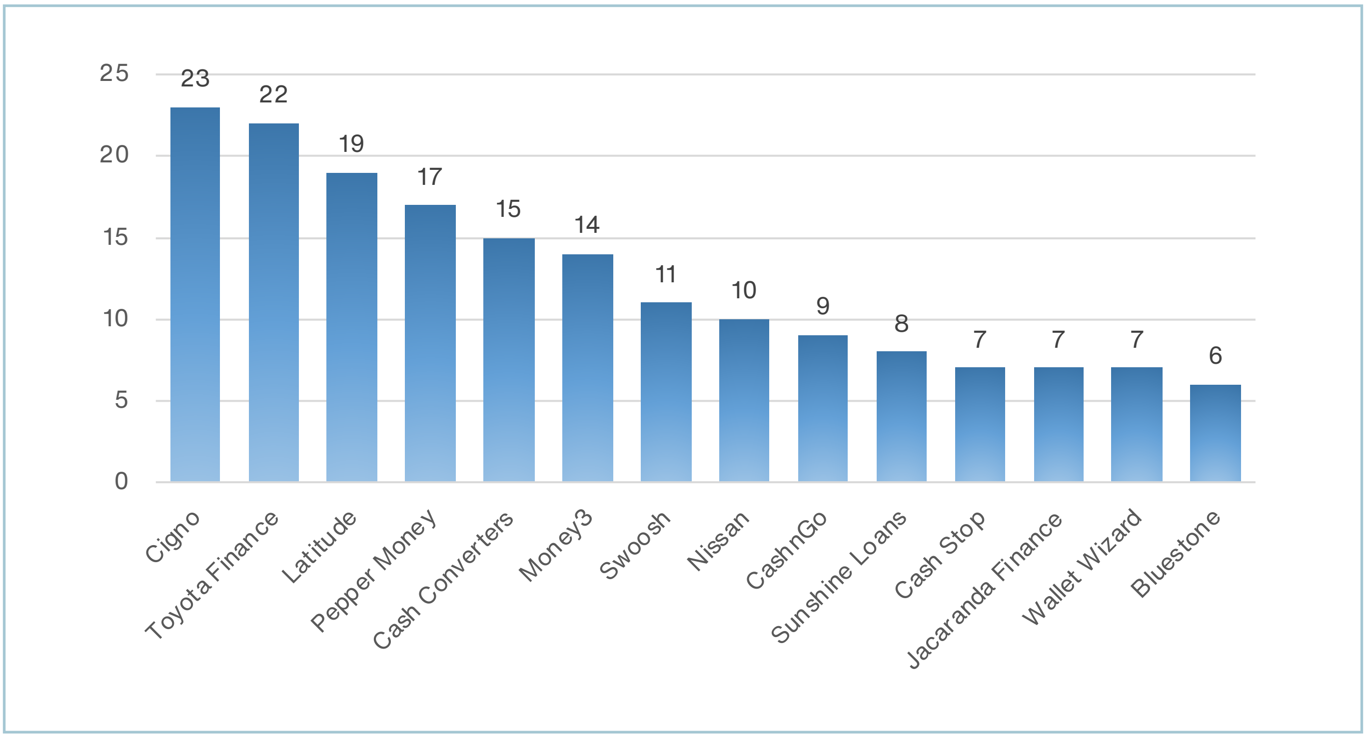

Figure 13: Number of financial counsellors that had problems with other lenders accepting their Third Party Authorisation in the past six months. Companies with less than 5 responses not shown.

4.3 Qualitative comments

Financial counsellors were also given the opportunity to make comments about the hardship practices of other lenders. There were 123 comments about particular lenders and 25 general comments. Where a comment identifies a particular lender, this information will be shared with the particular firm.

The highest number of comments were received about Latitude (42), Cigno (40) and Swoosh (34). Themes in order of decreasing frequency are described below.

Lenders are providing loans to people that cannot afford them in the first place.

I am seeing too many car loans given to people of Centrelink benefits where, if you include the cost of having a car (insurance, repairs, petrol etc) they are most definitely not affordable.

[Other lender] gave client on minimum wage $30k personal loan online.

...a percentage of low-income Aboriginal community members can only access fringe lending loans and services. Therefore the practices of fringe lenders can significantly impact their customers if they are not address[ing] genuine hardship experienced by borrowers or their lending assessments are not based on borrowers capacity to repay.

Some lenders are open to providing options for their clients.

When quoted with the legislation, most lenders are open to partial waivers and interest-free payment plans.

The marginal lenders are more likely to place debts on hold and hold fees and charges. Possibly because they spread the loss over all customers. Few of the major lenders are prepared to sacrifice their bottom line.

Getting moratoriums is easy generally with no fees and interest. After that best outcome is generally paying back the principal only.

5 DEBT COLLECTORS

5.1 Approach to hardship

The 2023 survey asked financial counsellors to rate debt collectors on their approach to hardship (on a scale of one to 10, where one is the lowest rating). They were asked to only provide a rating if they had some interaction with the company in the past six months. We included 16 debt collector firms in the survey, however three companies received less than 20 responses and are therefore not reported.[14] The overall number of responses for the remaining 13 firms ranged from 33 to 250 - the sample size needs to be kept in mind in interpreting the data.[15]

Figure 14 presents the 2023 results for those lenders with more than 20 responses.[16] The company with the highest rating was Credit Corp (8.1) followed by Panthera (6.5). The remaining companies received ratings between 4.1 and 5.3, indicating that in the view of financial counsellors, they need to do more to assist their customers experiencing hardship.

There is however an upwards trend for the industry overall over the past three surveys, albeit off a low base.

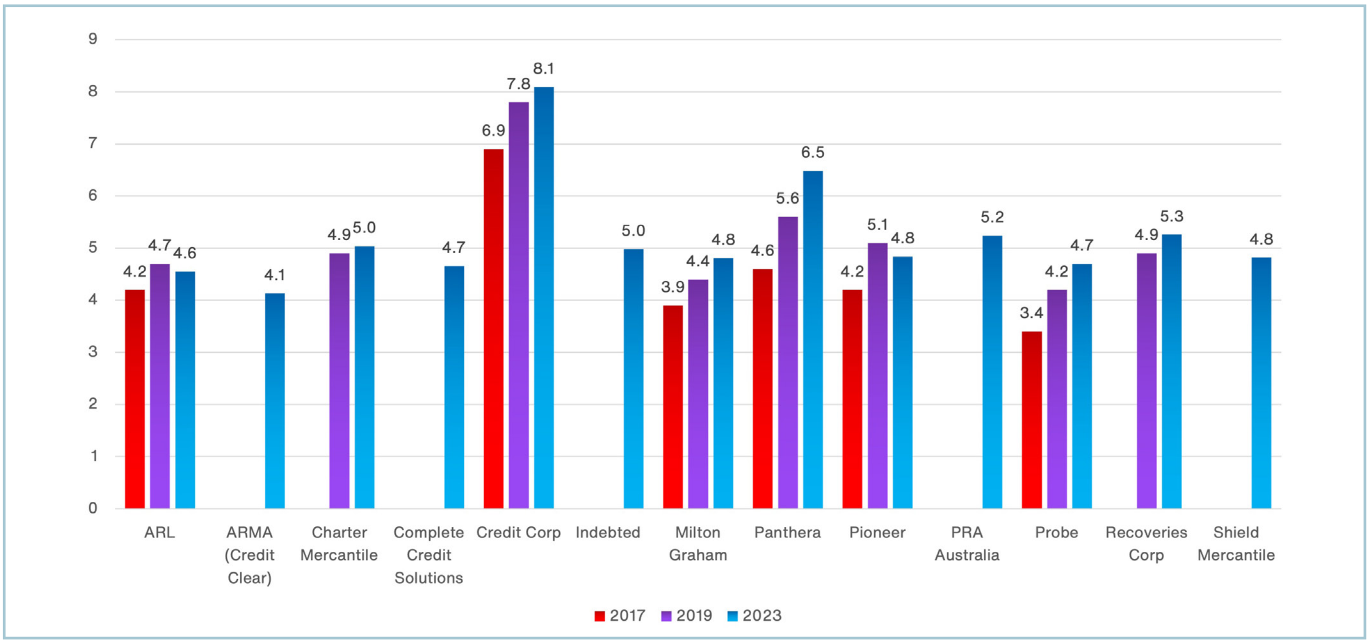

Figure 14 Overall rating by financial counsellors of debt collectors in 2023 (using a scale of 1-10, where 1 is the lowest rating). Companies with less than 20 responses not shown. Number of responses from 34 to 250.

14 These were: Axess Recoveries (8 responses), CFMG (7 responses) and Prushka (18 responses).

15 The sample sizes were: ARL – 86, ARMA (Credit Clear) – 112, Charter Mercantile (93), Complete Credit Solutions (99), Credit Corp (250), Indebted (85), Milton Graham (151), Panthera (201), Pioneer (158), PRA Australia (34), Probe (64), Recoveries Corp (168) and Shield Mercantile.

16 In previous surveys we have had feedback from parts of the debt collection industry that because some of the debt collection companies have similar names, that some financial counsellors may be mixing them up when providing ratings. It is difficult to know whether this is happening, but it is possible. However, the overall trend/ratings tell their own story.

5.2 Third party authorisation

We also asked financial counsellors to identify the debt collection firms that they had experienced problems with accepting third party authorities over the last six months. The response rate for this question was low and accordingly no results are presented in this report.

5.3 Qualitative comments

Financial counsellors were also given the opportunity to make comments about the hardship practices of the debt collectors with 110 comments received about specific companies and 22 overall comments. Where a comment identifies a particular debt collector, this information will be shared with the particular firm.

The highest number of comments (65) related to Credit Corp, followed by Pioneer (32) and Panthera (31). Most comments about Credit Corp were positive.

Themes in order of decreasing frequency are described below.

Practices are improving and there are some good examples

> *They all need to be trained by Credit Corp, who are always willing to work with clients in a compassionate way. (names of staff members) always go above and beyond in my experience.*
>
> *Overall improving their status / standing in the financial recovery space.*
>
> *It is still easier to deal with debt collection companies now than some years back - but more could be done to improve the interactions with financial counsellors.*
>
> *Thank you for providing a team that is aware of hardship issues and gets the client's needs.*
>
> *... very good understanding of social vulnerability.*
>
> *Very adamant to help clients even if they are not working because of medical reasons.*
>
> *Hardship team clearly understand their role. Helpful, understanding and often compassionate outcomes.*

Some companies have poor hardship policies.

> *They have an appalling hardship policy, not at all customer focussed. Even if the client does not have the capacity to pay they expect them to make arrangements.*
>
> *More consistent hardship policy and requirements would be helpful.*

Difficulties with communication including slow response times.

They need to acknowledge receipt of correspondence sent to them by a (financial counsellor) and also read the correspondence sent to them.

Never respond. Been waiting over 15 months for an answer about a client and I call them monthly with no response. Another client they have not responded to my email enquiries for months. I follow up but they say they are awaiting a response from their customer and each month it's the same answer.

All communication seems to come from overseas, emails at 3am. Seem to be poor at internal communication.

6 CONCLUSIONS

6.1 Key findings

- The major banks provide better hardship responses than the non-major banks, finance companies and second-tier lenders.
- The ratings for the major banks are around seven out of 10. For the purposes of this report, this seems a reasonable benchmark against which other creditors can be assessed.
- The results for the non-major banks ranged from 4.2 to 6.2, with an average of 5.0.
- The results for the other lenders (finance companies, second-tier lenders) ranged from 2.8 to 5.0, with an average of 4.0.
- Debt collector Credit Corp received the highest ranking at 8.1. This was also the highest ranking across the whole survey. (What is incongruous is that Credit Corp owns short term lender Wallet Wizard, which was ranked by financial counsellors at just 5.0.)
- The results for the other debt collectors ranged from 4.1 to 6.5, with an average of 5.0.

The results overall highlight serious deficiencies in the hardship responses of all industry sectors, apart from the major banks. Too many customers are not receiving appropriate hardship support.

What is even more concerning is that the low ratings for many of these companies have been evident since this survey was first undertaken in 2013. Creditors have obligations to provide appropriate hardship support, but the survey indicates that too many are not meeting those obligations.

Commissioner Hayne in the 2019 Financial Services Royal Commission noted the power imbalance between consumers and financial service providers and these ratings can also be considered in that light. Financial counsellors as experts in financial difficulty, help to address the power imbalances that Commissioner Hayne described: they will be better placed to navigate the "system" than clients on their own. Many creditors, including the large banks, have also set up dedicated contact points for financial counsellors, sometimes with dedicated and trained staff. People who are self-advocating are unlikely to have this knowledge and will certainly not have special access.

If expert financial counsellors rate many of the lenders and debt collectors in this survey so poorly, we can only despair as to how people who are not represented are treated.

6.2 Comments about the major banks

Overall

While the major banks provide better hardship responses than the other lenders in this survey, there is still room for improvement. We encourage the major banks to continue to engage with the financial counselling sector to do this. We also note that:

- ASIC is taking action against Westpac in the Federal Court for failing to respond to hardship notices in the required timeframe.[17] The impact on the people affected was to increase their hardship and stress. At least 29 people became bankrupt or entered a debt agreement, six had vehicles and property seized and Westpac commenced legal action against others[18]
- some of the major banks have subsidiaries which performed poorly in the survey.[19]

Responses to specific customer groups by the major banks

The survey delved more deeply into the support provided by the major banks for specific client groups.

- *Locational differences of clients* - The overall ratings for each of the four major banks were lowest for financial counsellors with clients in rural / remote areas, compared to those with clients in capital cities or regional cities. It is not clear why this is the case.
- *Cultural backgrounds of clients* - Ratings for the four major banks were slightly higher from financial counsellors who do not have Aboriginal and Torres Strait Islander people, or multicultural people as the majority of their clients. It is not clear why this is the case.
- *Support for clients in specific circumstances* – financial counsellors generally rated support from the banks for victims/survivors of family violence very highly, with only a small number saying it was "poor". The banks are generally providing appropriate levels of support for people who have unrecoverable debt and people experiencing homelessness. There are gaps however when it comes to supporting people in prison and people who are victims of scams, with about a third of financial counsellors rating responses as "poor" for both groups.

We know from other data that people in rural and remote areas have lower incomes and may experience more social disadvantage than others. We also know that Aboriginal and Torres Strait islander clients are generally in vulnerable circumstances. It is concerning therefore that the survey results suggest that hardship responses for these groups are of a lower standard.

17 See: https://asic.gov.au/about-asic/news-centre/find-a-media-release/2023-releases/23-242mr-asic-sues-westpac-for-failing-to-respond-to-hardship-notices/

18 See the ASIC Amended Concise Statement, at 25-29, https://download.asic.gov.au/media/5idbwsxa/23-242mr-asic-v-westpac-vid695_2023-amended-concise-statement-stamped-27-oct-2023.pdf

19 Westpac subsidiaries include: St George, BankSA, Bank of Melbourne; Comm Bank subsidiaries include Bankwest, NAB now owns Citibank.

Major banks and telephone support lines for Aboriginal and Torres Strait Islander customers

The four major banks all offer dedicated telephone support services for their Aboriginal and Torres Strait Islander customers. The ratings from the financial counsellors who had accessed them ranged from 5.3 to 6.2. Noting that the sample sizes are small, the results indicate that there is room for improvement across the board.

6.3 Third party authorities

Before a financial counsellor can interact with a creditor on behalf of their client, they need to obtain the client's consent. This is commonly done by the client signing a third party authority form, which the financial counsellor then sends to the creditor. If the form is rejected by a creditor, it creates enormous difficulties as the financial counsellor is unable to act on behalf of their client.[20]

The rejection of financial counselling third party authorities is not an issue with the major banks or debt collectors. It is an issue for all other creditors.

The financial counselling sector is incredibly frustrated that this problem continues and we call on individual companies to do better. We will also continue to work with industry peak bodies asking for their assistance in working with their members to explain their obligations to work with authorised representatives.

6.4 Relevance to ASIC

In August 2023, ASIC wrote an open letter to lenders calling on them to "appropriately support customers experiencing financial hardship".[21] ASIC also announced that it would be collecting data from 30 lenders, to assess how they are responding to hardship applications.[22] The findings of this assessment are expected to be published in mid-2024.

The majority of the lenders that ASIC are contacting were included in the Rank the Banks, Other Lenders and Debt Collectors survey. The open letter and the data collection exercise by ASIC is therefore very welcome. We urge ASIC to take appropriate enforcement action if deficiencies are found.

In the future, ASIC could also consider expanding its focus to the hardship responses of those lenders offering short-term credit contracts and medium-term credit contracts (these lenders were included in this survey under the category of "second-tier lenders").

20 The ASIC/ACCC Debt Collection Guideline notes that "a debtor has a right to have an authorised representative (such as a financial counsellor ...) represent them or advocate on their behalf" (at 9(a)). The guideline also notes that "any form of authority consistent with the requirements of the Privacy Act should be regarded as acceptable" (at 9(c)). Appendix D to the guideline includes the standard FCA third party authority as an example. See https://www.accc.gov.au/system/files/Debt%20collection%20guideline%20for%20collectors%20and%20creditors%20-%20April%202021.pdf

21 https://asic.gov.au/about-asic/news-centre/find-a-media-release/2023-releases/23-235mr-as-cost-of-living-pressures-persist-asic-calls-on-lenders-to-support-customers-in-financial-hardship/

22 Ibid.

6.5 Call to action

Financial counsellors are at the coal face and well placed to assess how well creditors are responding to customers experiencing financial hardship. The overall results from this survey show that too many lenders and debt collectors are not supporting customers who are doing it tough. In the midst of a cost-of-living crisis, it is imperative that this situation improves.

We urge companies with low ratings to review their policies and processes about supporting customers in financial hardship and to talk to financial counsellors about best practice.

As we did in the 2019 survey, we call on this issue to be elevated to Board and CEO level. Appropriate, ongoing measurement and monitoring of the hardship function is needed, including asking for direct feedback from customers.

financial counselling australia

DECEMBER
2023