



financial
counsellors'
association of
queensland inc.

secretary@fcaq.com.au

PO Box 271 Fortitude Valley Q 4006

Submission to National Commission of Audit on behalf of the Financial Counsellors' Association of Queensland Inc. (FCAQ)

Introduction

The Financial Counsellors' Association of Queensland Inc. is lodging this submission to the Commission of Audit, in an effort to ensure the continuation of Commonwealth funding to the vital services delivered by Financial Counsellors across Australia and particularly Queensland, which receives no State Government funding. Queensland has a population of approximately 4.6 million Australians and receives approximately \$3 million in funding from the Commonwealth Department of Social Services to assist the community when they experience financial hardship. This hardship may arise as a consequence of natural disasters such as droughts, floods, bushfires or cyclones or through some life event such as injury, unemployment, relationship breakdown etc.

Financial Counsellors require extensive training in order to deliver quality services to the community and have demonstrated that they are responsive to the call for assistance at times when natural disasters strike. There is a need to retain qualified professionals in this sector and unless the support of the Commonwealth Government continues, financial counselling services in Queensland will cease. The Commonwealth Government has funded financial counselling services in Queensland for over 20 years.

Background

The Financial Counsellors' Association of Queensland (FCAQ) is the representative body for Financial Counsellors in Queensland. It is an unfunded body which is managed by volunteers drawn from the Association. The Association currently has 80 members, many of whom are working part time.

The objects of the Association are to:

- (A) identify the financial issues of consumers in the community and develop strategies for assistance;

- (B) establish Financial Counselling as a skilled occupation by:
 - (i) establishing, setting standards of service and training and monitoring accreditation levels of Financial Counsellors;
 - (ii) promoting the study, training and on-going professional development of Financial Counsellors;
 - (iii) promoting financial counseling generally with the community, including establish standards of training and expertise for Financial Counsellors;
- (C) lobby for the provision of adequately and autonomously funded financial counselling services;
- (D) facilitate, liaise and coordinate between various organisations involved in providing Financial Counselling Services to ensure consistency of service standards between various organisations;
- (E) develop and maintain standards of service which are consistent with the policies as laid down by the Association;
- (F) provide guidance to Members and representation of the Association with regards to professional standards, ethical obligations and minimum service standards;
- (G) provide a focus and stimulus for change in areas of consumer law, policy and education;
- (H) encourage a philosophy of financial counseling practice by:
 - (i) enabling clients to gain social and economic control over their lives;
 - (ii) providing information and advice which is independent of any economic consideration of the agency or worker; and
 - (iii) developing consumer advocacy as an integral component of case management.

A Financial Counsellor is a trained professional who, in Queensland, must hold or be studying to obtain, the Diploma of Community Services (Financial Counselling) as a minimum qualification to deliver financial counselling to the community. The Financial Counsellor is also required to maintain minimum standards of continuing professional development together with supervision to attain and maintain accreditation with the Association.

Financial Counsellors assist people from a broad cross section of the community. They provide free, confidential, independent and non-judgemental assistance including information, advice and advocacy to people experiencing financial difficulties as a consequence of a change in their circumstances. These changes may be as a result of, but not limited to, relationship breakdown, unemployment or underemployment, death of a family member, illness, lack of insurance or accident.

A Financial Counsellor will assist a person with:

- Understanding their rights and responsibilities of debtors to creditors in accordance with legislation regulating creditors under Commonwealth

jurisdiction including but not limited to the *National Consumer Credit Protection Act 2009 (NCCPA)*, *Competition and Consumer Act 2010* and *Bankruptcy Act 1966* and subsequent amendments;

- Understanding debts and their legal rights in relation to those debts;
- Knowledge of debt recovery processes;
- Advocacy with creditors where an individual is unable to advocate on their own behalf;
- Assistance with budgeting and money management; and
- Insolvency options and alternatives.

In 2003 ASIC issued a Class Order [CO3/1063] that provided relief for Financial Counselling agencies from holding an Australian Financial Services Licence under the *Financial Services Reform Act 2001 (FSRA)*. The *National Consumer Credit Protection Regulations 2010* provided an exemption for Financial Counselling Services from holding a Credit Licence. These exemptions recognise and require that financial counselling services must be provided free of charge to clients and that the scope of the work undertaken by financial counselling services remains outside of the provision of credit activity.

The use of the term 'Financial Counsellor/Financial Counselling' has been regulated by the *National Consumer Credit Protection Regulations* and requires that appropriate qualifications be held by an individual/organisation delivering services and that those services are independent and free of charge.

The independence of Financial Counsellors from creditors is of paramount importance to ensure transparency to both clients and creditors in the activities undertaken to assist clients. Financial Counsellors do not give financial advice to clients regarding investments or superannuation. Financial Counsellors are free from conflict of interest as there is no direct link to any financial institution.

Referrals to financial counselling services are made by:

- Creditors including the major banks and credit unions;
- Finance companies;
- Debt purchasers;
- Australian Financial Securities Authority;
- ASIC and the Money Smart website;
- Various Ombudsman schemes;
- Department of Human Services including Centrelink and the Child Support Agency;
- Legal Aid Commissions and private legal practitioners;

- Medical practitioners and hospital professionals;
- Community based organisations including those providing Emergency Relief funds.

Current landscape

The FCAQ currently has a membership of 80 Financial Counsellors who work across Queensland in Brisbane and regional centres delivering services to urban and rural and remote communities.

The demand for assistance is extremely high and the introduction of a Financial First Aid hotline in 2008 and the federally funded Australia-wide 1800 007 007 helpline in 2009 as a response to the Global Financial Crisis, has enabled many people to obtain initial assistance and be directed to agencies where face to face assistance may be accessed. Many Financial Counsellors are working part time due to the shortage of funding for this sector and find it impossible to meet the demand from the community for the assistance that people need.

The shop front for financial counselling is of paramount importance in that the role of the Financial Counsellor is essentially a paralegal role with the additional benefit to offer support to clients in emotional need. As financial counselling relies on documentation including contracts, legal and court documents and correspondence from creditors it is essential that these documents are obtained and examined so that the best options for clients may be explored and considered.

Many clients presenting for assistance from Financial Counsellors experience multiple barriers in dealing with their credit and debt issues including but not limited to low literacy, English as a second or third language, mental health issues, disability impacting on employment and therefore income, and lack of sophistication in the complex financial market.

The FCAQ supports a diversity of service delivery providers and it is essential that there is more than one provider in any Centre where possible to overcome the matter of conflicts of interest when dealing with clients presenting post separation. Community based organisations are in harmony with their communities and work across broad networks to ensure that the best outcome for clients is obtained.

Historically the assistance of Financial Counsellors to the community has been sought by governments at times of crisis such as bushfires, drought, floods and cyclones. Financial Counsellors were also responsive to particular government measures such as the Sugar Industry Reform Program and the

Restructuring of the Great Barrier Reef Marine Park, where they worked closely with colleagues from the Department of Agriculture Fisheries and Forestry. It should be noted that the work engaged in by Financial Counsellors with people who have experienced natural disasters continues for up to 3 years post the actual event.

Financial Counsellors also assist families experiencing housing stress. There has been a significant increase in the number of people presenting with issues relating to the loss of the family home due to changes in their circumstances or the increased costs associated with home ownership, including significant increases in building insurance since the floods and Cyclone Yasi.

Financial Counsellors also act to alert organisations such as ASIC and the ACCC to systemic issues which arise from their casework with consumers. Financial Counsellors actively engage in identifying breaches of consumer protection matters which may arise in specific communities. Queensland has been the birthplace of a number of new operations to test the Australian market such as payday lending and the early unregulated operations of Debt Agreement Administrators. Financial Counsellors identified issues as they arose and actively engaged in seeking law reform and regulation to assist in community well being.

The following organisations currently employ qualified Financial Counsellors in Queensland:

Youth and Family Services, Logan
Prisoners Legal Service, Brisbane with outreach to all Correctional Centres
Bundaberg Regional Housing
Citizens Advice Bureau, Gold Coast
Palm Beach Neighbourhood Centre
Central Queensland Financial Counselling Service, Rockhampton
Bribie Island Neighbourhood Centre
George Street Neighbourhood Centre, Mackay
Townsville Community Legal Service
Homestay Mackay
Lifeline Darling Downs
Indigenous Consumer Assistance Network Ltd, Cairns, Torres Strait & Palm Island
Salvation Army
Uniting Care Community.

It is noteworthy that the Commonwealth Government engaged with two independent organisations, Youth and Family Services Logan and Central Queensland Financial Counselling Service to assist in the pilot program for

Place Based Income Management in areas of social disadvantage.

Terms of Reference

Scope of Government

1. The work undertaken by Financial Counsellors primarily is regulated under Commonwealth Legislation. People seeking the assistance of Financial Counsellors come from all walks of life including Centrelink recipients, primary producers, small business operators, working families and retirees.

The Queensland Government does not provide any funding for financial counselling in this State. The Commonwealth Government currently provides around \$3 million per annum to provide services to a population of approximately 4.6 million Australians.

2. In order to maintain the independence of financial counselling and the benefit derived by both the community and the financial services sector from the intervention of Financial Counsellors, the continued funding by the Federal Government is essential.

The FCAQ believe that there is a compelling case for the Commonwealth Government to consider introducing a levy on financial institutions and credit providers to fund financial counselling into the future. This funding would then be distributed to appropriate community based agencies to deliver services within the community. This could be undertaken either through ASIC or a charitable trust. There has been much research undertaken both in Australia and internationally into addressing the delivery of financial counselling and the various funding models.

Efficiency and effectiveness of government expenditure

The FCAQ would again stress that diversity in service delivery both in the use of technology and face to face service is essential. The paralegal nature of the work undertaken by Financial Counsellors implies that the transmission of documents electronically would form part of a broader system of assistance. It is broadly recognised in the financial counselling sector that many people seeking assistance do not have access to the internet, either due to lack of resources or low literacy or as a consequence of their financial hardship.

Financial Counsellors through their practice with the community have identified that at this time reliance on technology, be it telephony or the

internet, to provide assistance excludes the vast majority of clients currently receiving assistance through financial counselling agencies and certainly precludes those who are not literate in English or their language of origin. We do acknowledge that websites such as ASIC's *Money Smart* website provide invaluable information to the community relating to financial matters and literacy at least to those who have access to the internet and the skills to understand the information provided. Many people still require the assistance of a Financial Counsellor due to the complex nature of their financial situation.

Commonwealth funded financial counselling services report to the Department of Social Services Financial Management Branch on a six monthly basis. The objectives of the Financial Management Program are:

To improve the financial knowledge, skills, capabilities and financial resilience of vulnerable individuals and families to alleviate the immediate impact of financial stress, and to progress initiatives in relation to problem gambling.

Program component objectives:

Financial Management Information and Assistance

To improve the financial resilience of vulnerable individuals and families through financial counselling, information and education, crisis assistance and asset-building incentives such as matched savings and low-interest loans, and responding to the Productivity Commission's recommendations in its report on gambling.

Financial Counselling Agencies are prohibited from charging fees or co-payments to service users under the exemption provided under both the FSRA and NCCPA and realistically speaking people seeking assistance from a Financial Counsellor are generally not in a position to meet any costs. It should be noted that where the only option for a person is bankruptcy, the lodgement of a Debtor's Petition has no fee attached recognising that financial hardship is implicit in the decision.

Conclusion

FCAQ urges the Commission of Audit and the Federal Government to support the ongoing viability of financial counselling services to the Australian community living in Queensland. Further, we urge you to consider that a diversity of service providers ensures that the broadest base of the community can receive assistance and also to ensure that appropriate standards are maintained by those delivering the services to the Queensland community.

The Queensland State Government has a scant history of funding Financial Counselling with a brief foray into this area for three years from 2008 to 2011 when essentially the National Disaster Relief and Recovery Arrangements were put into place following the floods in South East Queensland and Cyclone Yasi. It is unacceptable that 4.6 million Australians are reliant on receiving assistance only after natural disasters occur. It also restricts the ability of a sector to meet demand when there is not a pool of appropriately trained and experienced people to draw from. It should be noted that all Commonwealth Financial Management Programs for Financial Counselling are due for renewal at 30 June 2014.

The FCAQ continues to lobby the Queensland government to provide funding for this community service, however, at this time the government has indicated that it will not be doing so.