Financial Counselling in 2006
Riding the roller coaster

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The task set this morning is a tough one. My understanding is that I am speaking after the Chairperson of the NSW Financial Counselling Trust Fund and before the NSW Fair Trading Minister. In other words, there is *only* one person in the pre-morning tea session who cannot deliver more money to support your critically important services. Sorry – that would be me.

Instead my modest offering is as follows:
- a brief overview of the national financial counselling landscape,
- a description of some of the pressures and challenges we are facing as a sector and
- observations about the priorities in the months and years ahead.

It is a potted summary of a period of activity that, as the title suggests, has not been unlike a roller coaster ride. Painstaking build up, followed by a frantic plummet where the rider can hold on, scream, shut their eyes – just about anything but control absolutely what happens next.

An increased national awareness of the value of financial counselling services:
At last year's AFCCRA conference in Melbourne, Sharon Barker presented the results of research she had conducted into the structure and resourcing of financial counselling in Australia[1]. There was a variety of interesting information in the research, in particular evidence of the dramatic differences in resourcing models and levels depending on where you are in Australia.

Overall however, the thing that stood out for me was how small the national financial counselling sector actually is. Sharon Barker estimated the total number of community based, fee free financial counsellors practising in Australia at around 450[2]. That estimate included full and part time employees and volunteers. I suspect the number presented might have been conservative, but even if the number were say 500, that is still very small on a national basis.

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[1] Sharon Barker, *An overview of the financial counselling landscape in Australia,* A presentation for the AFCCRA Conference, Melbourne 17 June 2005 (available on the AFCCRA web-site www.afccra.org).
[2] Ibid, page 3.

In contrast then to its overall size and make-up, the work that financial counsellors do has attracted a considerable amount of attention in recent years. Indeed even within the sector, my sense is that financial counsellors themselves are becoming more aware of the structural significance of the roles that they play. It would not be overstating the development to suggest it is moving financial counselling from a broad feel good term into a recognised form of specialist service delivery. As much as it irks me that various commercial interests have sought to trade on the language of not-for profit financial counselling, in an odd way that confirms the growing significance of the service approach and the increasing credibility it commands.

Some very tangible examples of the development of financial counselling include:

- The relief from licensing requirements under the Financial Services Reform Act provided to financial counsellors by the Australian Securities and Investments Commission[3];
- The continued development of a nationally recognised and portable qualification through the Diploma of Community Service (Financial Counselling),
- Specific references to financial counselling in the latest adult financial literacy research conducted by AC Neilsen and the ANZ Bank[4]; and
- Recognition of the value of client focused financial counselling and of the need for its continued development in the Victorian Consumer Credit Review Report[5].

Developments like those just referred to confirm a growing sophistication in service capacity. Personally however, I think they also reflect long overdue recognition of the financial counselling sector's greatest asset; an abiding, even single-minded focus on the needs of its clients.

Our challenging work environment:

Progress in the development of financial counselling has not been easy. It has taken a great deal of hard work and has occurred against a backdrop of enormous political and economic change. At the national No Interest Loan Forum held in Sydney on 11 May 2006, I presented a paper that noted the increasing tendency of governments at all levels to vacate their traditional roles of supporting the vulnerable[6]. That has acted to increase the numbers of people requiring crisis intervention and long term assistance. Community service providers, seeking to keep pace with the new demands made on them, have sometimes stretched the reasonable boundaries of appropriate resourcing – placing the faith that communities have vested in them at risk in the process. I will explore this point a little more later.

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[3] ASIC Class Order CO03/1063, *Licensing relief for Financial Counselling Agencies,* Issued 8 December 2003, Gazetted 16 December 2003, ASIC Gazette 50/03 page 1.

[4] AC Nielsen, *Understanding Personal Debt and Financial Difficulty in Australia,* Australia and New Zealand Banking Group Limited, Melbourne November 2005 (see in particular page 70).

[5] Consumer Affairs Victoria, *The Report of the Consumer Credit Review,* Melbourne, March 2006 (in particular pages 239 and 240).

[6] David Tennant, *What's in a name? – Lots actually,* Speech presented at the National No Interest Loan Scheme Forum, 11 March 2006 (available on Care's web-site: www.carefcs.org).

Financial counsellors have similarly surfed demand waves over which they and the clients of their services have no control. We are constantly told by any amount of research that Australians are doing very well financially. At an aggregated level it is hard to disagree. So why do the clients keep coming to financial counselling services in ever increasing numbers? And why is it that the problems those people are facing are increasingly complicated, multi-layered and often insoluble?

Consumer advocates are sometimes accused of being "unthinking protectionists" when they argue that the benefits of competition are not being shared fairly or sometimes at all[7]. The majority of clients presenting to financial counselling agencies do not receive enough money to cover the basics in their lives. When they can access products and services at all they frequently pay more for them. These are the consumers least able to exercise choice. When the economic boom arrived they missed out and they are still missing out.

It is not just traditional financial counselling clients however that present service design and delivery challenges. Let me give you an example of a new type of issue presenting at financial counselling agencies today. It is a non-identifying amalgam of several matters of which I have been aware in recent months:

> *A major national investment company has gone into receivership. Many investors from all around the country have lost money. The regulator is investigating what is clearly a highly complex web of corporations and financial arrangements. That process is likely to take years to unfold.*
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> *An elderly couple seek assistance from a financial counselling agency. They both receive the age pension. They previously had a small sum of cash for investment purposes to supplement their pensions and had sought financial advice from an apparently reputable and licensed financial planner. The planner had recommended that they invest all of their cash in the now failed investment company. The planner also recommended that they borrow a modest sum against the home that they owned outright to make the investment more sustainable and give them a better quality of life. A bank readily agreed to the loan.*
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> *The investment is apparently gone, the planner denies any responsibility and claims he was duped too, the couple cannot pay their loan and the bank has commenced proceedings to take their home.*

I am not going to say anything more about the nature of the options that might exist in sorting out the conundrum the example presents. The thing that makes it all the more terrifying is that the clients involved might not previously have ever needed financial counselling.

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[7] These issues are explored in detail in: Chris Field, *Consumer Advocacy in Victoria*, Consumer Affairs Victoria Research Paper No 7, March 2006.

Have governments and policy makers lost interest in tackling disadvantage?
One of the central reasons I was attracted to consumer advocacy was the potential for individual service delivery to inform solutions to the market failures and poor treatment low income consumers are often forced to endure. There have been some moments of breakthrough where systemic advocacy has achieved significant improvements. Those who were involved in the campaign to curb the practices of AVCO Financial Services in the mid to late 1990s will know what I mean. More recently, policy activity regarding the behaviour of finance brokers, amendments to the law to make it possible to proactively tackle unfair contracts terms[8] and whittling away at the foolish practice of sending unsolicited, pre-approved credit card offers continue to contribute to a safer and fairer financial services market.[9]

Pushing against those improvements are policy approaches that insist on making the vulnerable and disadvantaged responsible for solving their own problems. After 1 July 2006 when the Welfare to Work reforms take effect, it is entirely predictable that the more punitive elements of the package will take already marginalised people and make their immediate financial situations worse. Suspension of benefits to encourage engagement in people who are already disengaged, marginalised, even embittered does not sound like a recipe for increased social inclusion. At a time when a major campaign is about to be launched encouraging Australians to take greater interest in their finances, there is considerable irony in the fact that some of those on the lowest incomes may have even their limited ability to self-determine taken away.

That leads to the very tricky discussion of Centrelink's Financial Case Management scheme[10] – a plan that will see selected suspended benefit recipients referred to community providers paid to recommend the payment of selected essential accounts up to the amount of the suspended benefit. Were it not a confirmed policy approach it might have been lifted straight from the pages of Catch 22 by Joseph Heller[11].

Financial counsellors have been unable to form a unified position on whether to register to participate as referral points under the Financial Case Management Scheme[12]. There are strong views in favour, driven by the likely plight of the suspended benefit recipients and the need for specialist understanding of financial issues. Equally there are strong views against, seeing the Financial Case Management model as anathema to the financial counselling focus on client empowerment. Even though these views are directly opposed, they are passionately held and motivated by what is in the best interests of the clients likely to be impacted. Unfortunately what

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[8] For example the issue has been taken up in Victoria through the insertion of Part 2B (Unfair Terms in Consumer Contracts) in the Fair Trading Act 1999. A process for considering a national approach to unfair contract terms has been underway for some time.
[9] The ACT has already regulated to prevent pre-approved credit card offers, amending its Fair Trading Act 1992 to require credit providers to assess a consumer's capacity to repay the credit being offered before a new facility is advanced or a pre-existing limit increased (section 28A).
[10] Details of how the Scheme will operate and the requirements to register as a Financial Case Management provider are available on the Centrelink web-site (www.centrelink.gov.au/internet/internet.nsf/tenders/case_management.htm).
[11] Joseph Heller, *Catch-22*, New York, Simon and Schuster Inc 1961.
[12] Many in the community sector have been extremely critical of the approach and rejected absolutely any involvement. See for example the comments of Dr John Falzon, national research and advocacy officer for St Vincent de Paul (www.abc.net.au/rn/talks/8.30/relrpt/stories/s1608018.htm).

would benefit those people the most – that is not suspending their already meagre payments, is beyond our capacity to deliver.

There is a genuine issue about whether financial counsellors could act as Financial Case Managers and remain compliant with the licensing relief under the Financial Services Reform Act. AFCCRA has written to ASIC asking it for guidance and when a response is received it will be circulated.

Designing appropriate responses

Increasing pressures and decreasing options for low income consumers and decreasing resources in real terms for the delivery of financial counselling services, presents another significant challenge. How to establish and maintain appropriate balance in service design and delivery has become increasingly problematic. Australian financial counsellors (let me be clear again I mean fee free, community based financial counsellors) have roundly rejected overseas models where service delivery is closely connected to the collection of debts – even funded as a proportion of debts collected[13]. Being clear and robust in that rejection has been the most significant development I have witnessed since joining the sector in 1995.

There is however less clarity in whether mixed service models are appropriate, in particular those that are reliant to a greater or lessor degree on corporate sponsorship. This is not a criticism of corporate involvement per se, particularly a number of major banks that have made significant contributions to expanding the understanding of financial exclusion and disadvantage in Australia. Those contributions have been backed up by considerable energy and in some cases very large sums of money, testing alternative finance products, rather than simply funding talk-fests or marketing opportunities for those corporations. The consumer movement has been calling on corporate Australia to make commitments of this type for years. It would be stupid and wrong to dismiss those undertakings or to refuse to learn from what they produce – good or bad.

There are however two very real challenges and as good as the improvements in corporate social responsibility have been, financial counsellors cannot ignore them:

- Firstly, if corporate dollars are a direct replacement in spaces that have been vacated by or should receive response from governments, the structural problems our clients are seeking relief from may get worse in the long term. Corporations do not have to run for re-election every few years and still have an overriding responsibility to their shareholders to stay strong and profitable.
- Second and perhaps more immediately important, industry/community partnerships require careful planning if they are to ensure service credibility and not sacrifice the clients' perceptions that the service provider acts in the clients' interests alone[14].

[13] Significantly those differences have received acknowledgement in various government documents, for example the Report of the Victorian Consumer Credit Review, page 239.
[14] Further observations regarding appropriate service design and conflicts that undermine client confidence are contained in the NILS conference paper, *What's in a name? – Lots actually*, available on Care's web-site www.carefcs.org .

In relation to the second of these points may I offer congratulations and support for the approach the Financial Counselling Association of NSW brings to its consideration of industry resourcing. It is robust and straightforward and was of great assistance to AFCCRA when it recently updated its Industry Funding Policy[15].

Partnerships are clearly the favoured model of the moment. Thoughtful policies and commitments to strong values and ethics will prevent poor decisions sacrificing client confidence as the roller coaster picks up speed.

The glue that keeps the financial counselling sector together

I have only really known peak bodies in the consumer sector as cash-strapped and utterly reliant on the gallant efforts of hardworking volunteers. Joining the sector in 1995, there was just time to witness federal funding being withdrawn from both the Consumers' Federation of Australia and AFCCRA – and I have been "lucky" enough to have been Chairperson of both organisations in their years in the funding wilderness.

In spite of the difficulties I am unreservedly of the view that peak bodies are vital. At the same time, it is important for people to understand just how fundamental the challenges are. In short, AFCCRA's capacity is stretched well beyond what is sustainable. It is called on more regularly for engagement and involvement than at any other time in the decade since the closure of its national secretariat in 1996 and there are just not enough hours in the day for the national Council to meet those demands.

State and Territory peaks and networks face similar challenges. In a very large jurisdiction like NSW, with a mix of paid and volunteer workers sometimes operating in effective isolation, the need for a coordinating resource is fundamental. That the basic resources needed to operate such a facility are not forthcoming holds the entire sector back and leaves many workers dangerously unsupported. My understanding is that you will be voting in a new FCAN Committee this afternoon. It hardly needs saying but departing President David Bell and his Committee and the incoming office holders deserve the thanks and support of all of us. They need something a little more than that from those who do have access to the cheque books that resource financial counselling in NSW…

To give you an example of just how fundamental the challenges are, let me recount a recent experience the AFCCRA Council has been dealing with. We received a letter from the compliance division of ASIC and in preparing response became aware that the Association had failed to file any of the required Australian Registered Business Number returns since 1996. In recent weeks we have worked hard to rectify what is an embarrassing and unacceptable failure. The forms required have been completed and forwarded to the Commission and we await its confirmation that all is now in order.

It does not excuse the oversight, but it is more than coincidence that the failures relate precisely to the years that AFCCRA has not had effective administrative and secretariat support. The effect however can have a significance beyond the potential

[15] The updated Industry Funding Policy will soon be available on AFCCRA's web-site www.afccra.org

consequences of not filing required documents. For a peak that spends a lot of time and energy reminding industry to meet its legal and moral obligations, there is a danger that the effectiveness of those messages will be undermined by our own failures.

Which leads me to the real point of the story – sometimes it is better to say no, to withdraw from processes or to close facilities, than it is to battle on and in the process fail in meeting obligations or end up breaking promises. I would characterise the message as an extension of the requirement to be honest and straightforward in all communications

Staying true to the basics
I have only been on a real roller coaster once. I did not much like the experience. In fact I think for most of the way I had my eyes shut tight, gripped the rail in the carriage we were travelling in and just held on, waiting for it to be over. At the risk of overplaying the metaphor the roller coaster departed from and returned to where it was meant to be, because it had a design to withstand the journey.

As financial counsellors respond to the pressures that are placed on their clients and the sector, the foundation and basic strength of the service model has never been more important. The underlying philosophy is not only sound, it is vital. If we exist for the clients and undertake our work with the clients' needs as paramount, we should stay on the rails, no matter how complicated the journey might become.
