

# **With Opportunity comes Responsibility for the Financial Counselling Sector**

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## **Not the speech I thought you were going to get...**

The basis of this presentation had been planned some time ago and at start of the month I was part way through its preparation. Then on the 2<sup>nd</sup> of March, the Minister for Consumer Affairs in Victoria, Marsha Thompson MP released the Consumer Credit Review Report<sup>2</sup>. It is a huge document – over 300 pages and divided into several parts. I will not pretend to have read it all as yet, although there are a few pages I have read very closely and amongst those, pages 235 to 240 to be precise, is an encapsulation of the key opportunities and challenges that currently face financial counsellors in Australia. On the strength of those six pages in the Victorian Consumer Credit Review Report the first presentation was thrown out - and I started again.

The pages in the Victorian report that focus on financial counselling end with two options, presented as draft recommendations for comment:

### *Option 12.1*

*Financial counselling services should include early intervention counselling as well as counselling for consumers in financial crisis.*

### *Option 12.2*

*Financial counsellors should meet benchmarked quality standards to ensure optimum outcomes for consumers are achieved.<sup>3</sup>*

I suspect if a poll was taken of the financial counsellors in this room, asking them for their dream recommendation to ensure the future of financial counselling service delivery in Australia, we would not see the wording of Options 12.1 or 12.2 reproduced as a result. Just because the options might not rate in a popular poll however is no reason for them to be dismissed. They are of enormous potential significance in recognising the importance of the services financial counsellors provide to their clients and to the manner in which those services might evolve in the future. In fact interpreting the options/recommendations in conceptual terms produces something closer to what some of us might think was ideal:

- a capacity to be proactive and not simply reactive and
- appropriate accreditation with ongoing training and professional development.

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<sup>1</sup> The written version of this speech was concluded after the presentation on 14 March 2006 and is based on the author's speaking notes for the Financial Counsellors' Association of Queensland Conference

<sup>2</sup> Consumer Affairs Victoria, *The Report of the Consumer Credit Review*, Melbourne March 2006

<sup>3</sup> *Consumer Credit Review Report*, Pages 239 and 240

## **Financial counselling is a valuable part of the landscape:**

*Despite the existence of well intentioned credit laws and efforts to educate people in relation to good lending and borrowing practices, it is inevitable that people will encounter financial difficulty through no fault of their own. In such circumstances, financial counselling intervention can be effective in assisting people to respond positively to their immediate financial problem and to help them positively plan and manage their financial affairs into the medium and longer term.<sup>4</sup>*

I started work at Care Inc Financial Counselling Service in Canberra nearly 11 years ago. Many of you here today have been working in agencies like Care for significantly longer than that – so I will spare you the “when I was a boy” stuff. There is a temptation though for those not as familiar with the sector, on reading recent material like the Victorian Consumer Credit Review Report, to think financial counselling is a great new idea. Great idea yes, new - not really, or at least not anymore.

Financial counselling as a model of service delivery in Australia is approaching middle age. It emerged in the early 1970s as a response to traditional welfare service delivery that perhaps prioritised the needs of service providers over service users.<sup>5</sup> I do not mean that in the entirely critical way it sounds – but the reality is well meaning middle class volunteers telling the poor how to get their affairs in order and handing over a food voucher after a lecture, was hardly a recipe for consumer empowerment. Nor did it seek to grapple with the broader issues of exclusion and structural disadvantage.

Financial counselling Australian style, with the clients’ needs as the central focus has developed as a result. It contrasts with other styles of service delivery more often seen in the northern hemisphere, where the counselling is tied to repayment of debts. Indeed, in the US and Canada, credit counsellors not only facilitate the construction of debt repayment agreements, but are resourced directly from the funds collected from consumer debtors. There has been a robust debate about the differences between what financial counselling is in Australia and the fee for service models. Having been directly involved in that debate my sense is that not only are the differences now well understood, the benefits of the Australian financial counselling focus on the needs of consumers are recognised in a more considered way.

Returning to the Victorian Consumer Credit Report:

*A free financial counselling service funded by government ... arguably ensures independence and more appropriate advice. Further, through funding arrangements, government can enhance and monitor the standard of service being provided.<sup>6</sup>*

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<sup>4</sup> *Consumer Credit Review Report*, page 235.

<sup>5</sup> For a discussion of this development see Judy Power, *Community Warriors – the first twenty years*, Care Inc Financial Counselling Service, Canberra, December 2003.

<sup>6</sup> *Consumer Credit Review Report*, page 239.

Recognition of the value of the Australian service model is becoming a feature of reports that cross-over the space in which financial counsellors operate. For example, the November 2005 ANZ publication “Understanding Personal Debt and Financial Difficulty in Australia” reported on a qualitative survey of consumers who had self-identified as being in financial hardship. The resulting report noted:

*For people who saw a financial counsellor, it was unanimously a positive empowering experience for them, albeit at a negative point in their life. In addition, the majority stated it had changed the way they viewed their finances and changed their financial behaviours.<sup>7</sup>*

At a structural level, the Australian Securities and Investments Commission’s decision to provide class relief from the licensing requirements of the Financial Services Reform Act was also a break-through moment. The licensing relief not only allowed financial counsellors to continue to work with a client group in desperate need of assistance with no or few market alternatives, it provided critically important support for the notion of non-conflicted service provision.

Recognition and support for the robust nature of Australian financial counselling is not all to be found within this country. When the Republic of South Africa was considering how it might tackle financial exclusion and unsafe and unfair market practices targeting families already caught in a cycle of intergenerational poverty, it sought advice and assistance from Australian financial counsellors. Just recently AFCCRA has been in contact with a newly established body in the United Kingdom, the Resolution Foundation, set up to investigate more effective models for delivering financial information and support services to ordinary consumers. That contact also confirms that the Australian financial counselling model is considered a world leading approach. When much of the progressive thinking on consumer protection policy and regulation is being done elsewhere, the affirmation of the integrity and value of Australian financial counselling is heartening.

As options 12.1 and 12.2 in the Victorian Consumer Credit Report suggest, nothing is ever perfect. There is much that Australian financial counsellors could do to improve their services and their service delivery skill and capacity. I will make some observations about what those improvements might be and how they might be achieved in a moment. Improvements can be made however with the confidence that the basics are in order. Service focused on the clients, designed with their needs in mind is the right approach. In recent years there has been a tendency and perhaps even a necessity to continually seek to justify the focus on client needs. On occasions market economics and the dominance of competition policy have been variously twisted to require the financial counselling community to justify what should be a foundation commitment in a safe, fair and inclusive society. The responsibility to provide support and assistance to the vulnerable and disadvantaged does come at a cost. The cost of not providing the support and assistance where it is needed comes at a much higher cost however – and not simply one recorded in dollar terms.

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<sup>7</sup> AC Neilsen, *Understanding Personal Debt & Financial Difficulty in Australia*, Australia and New Zealand Banking Group Limited, Melbourne, November 2005, page 70.

## **Taking financial counselling forward – the sector’s responsibilities to work better and “smarter” (sorry I could not help using that reference at a Queensland conference):**

How do financial counsellors in Australia build on the solid base of their service delivery model? Here are some suggestions, all of which will require the involvement and engagement of the broader financial counselling community:

### **a) Accreditation, training and professional development:**

AFCCRA adopts a federated system for its membership base. Each state and territory is represented on the AFCCRA National Council. All of the states, with the exception of Tasmania have incorporated financial counselling peak bodies. The two territories and Tasmania operate informal financial counselling networks. Currently only one jurisdiction in Australia requires practising financial counsellors to be “accredited” – New South Wales<sup>8</sup>. The Financial Counselling Association of NSW (FCAN) oversees that accreditation process.

Training and professional development, both on entry to financial counselling and as an ongoing workplace commitment are recognised as key issues all around the country. The practical delivery and access to such activities is however fragmented and wildly divergent. There is work afoot, particularly around accessing the Diploma of Community Services (Financial Counselling), but we have a considerable distance to travel to ensure that all financial counsellors have reliable access to appropriate training and professional development.

### **b) Continually improving the quality of service provision:**

Continuous quality improvement is not a new phrase and most community agencies aim to maintain and enhance the quality of the services they provide to their clients. Financial counselling is no exception. But committing to the concept is not necessarily the same as delivering on the commitment. Inside agencies, between providers and in communications with colleagues within and across state and territory borders, financial counsellors should be exploring ways to turn genuine intentions in real measurable action.

Establishing systems for quality control does not have to be complicated or expensive. For example there is a terrific model for cross-checking safe and appropriate file maintenance that has been employed by community legal centres (CLCs) for many years. The cross-checks, which have been a key part of accessing and maintaining membership of the group professional indemnity scheme for CLCs, support good practice through a simple, collegiate quality audit conducted annually. CLCs in particular cities or geographic areas, rotate selected staff members around colleague agencies to conduct the tests. A number of client files from each client worker in the agency being reviewed are selected at random and tested against a check-list to ensure key information is recorded. A report is produced on a standard form, highlighting

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<sup>8</sup> This reference was drawn from a paper by Sharon Barker, *An overview of the financial counselling landscape in Australia*, A presentation for the AFCCRA Conference, Melbourne, 17 June 2005, page 3. Since the paper was presented the retiring President of the Financial Counsellors’ Association of Queensland, Gregory Mowle has confirmed that there is also an accreditation process in Queensland.

any areas where the information recorded was found to be deficient, or where practices might be improved.

The cross-check system serves the CLC sector and its clients well. With appropriate design considerations to ensure the confidentiality of client information, there is no reason why a similar approach could not be adopted within or between financial counselling agencies as part of an evolving system to ensure the services clients receive meet reliable and consistent standards.

**c) Not being afraid of what *professionalism* might bring:**

The term professionalism has sometimes been viewed with a mixture of scepticism and fear. That is perhaps unsurprising in a sector that has relied in considerable measure on the activities of hard working volunteers to provide or support the delivery of services. In my view the scepticism and fear are misplaced. Financial counselling can and should be able to build a reputation for professional service delivery without that being interpreted as a criticism, dismissal or diminution of the important roles volunteers have and no doubt will continue to play. To come at the proposition in another way however, a culture that allows errors or unacceptable levels of service to be explained or excused because the activity is community based, or delivered by people who are either not being paid at all or sufficiently for the level of skill required, is flawed. In that sense professional might also mean reliable and accountable.

**d) Better data to support service design and delivery and to tackle structural disadvantage:**

Sadly conversations about data tend to be met with glazed eyes. For those at the front line the need to collect data is understood and tolerated, but not exactly loved. So when someone like me, mostly occupied in management and policy roles these days says “we need better data” to a group of practising financial counsellors I am not expecting a cheer. *Better* data does not necessarily mean *more* data collection is just means more useful data that is then used in more thoughtful and productive ways.

The people who use financial counselling services on the whole have pretty dreadful experiences in their day to day lives, in their interactions with markets, with governments, with the health system and so the lists goes on. A key responsibility the financial counselling community shoulders in responding to its client base is to ensure the experiences those people report are recorded and appropriately considered in service design and policy, social action and law reform activities. Sadly, the otherwise rich data pool that the 450 odd financial counsellors working around Australia have access to, is also fragmented. Representatives from the Commonwealth Financial Counselling Program are here today. I congratulate them on evolving efforts to collect and produce more useful data. The conversation around data collection and usage does require greater engagement with and of the financial counselling community and all of the various funding sources around the country.

**e) Maintaining clarity and commitment in describing client needs:**

The importance of focusing on client needs has already been noted as a core strength of the Australian financial counselling model. Maintaining the clarity and commitment to articulating client needs beyond individual casework is also vital and, if delivered can produce important structural improvements. There is a large section

in the Victorian Consumer Credit Review Report that deals with options for making the credit card market safer and fairer<sup>9</sup>. This is a topic that is way too big to tackle today, but suffice to say financial counsellors will not only take great heart in the direction those options seem to be heading, but can rightly feel they have contributed to getting the issue on the agenda.

Another current example is the evolving national discussion and debate about financial literacy – a dominant policy issue in recent years. Financial counsellors have been clear, consistent and robust in their observations that education and disclosure will not alone provide answers to market exclusion and unfair practices. It may have needed repeating for the message to be heard, but heard it has been. The discussion of financial literacy issues has broadened and, as many of you will be aware, AFCCRA is hosting a Financial Literacy and Inclusion Forum in Melbourne in June that will continue to expand the consideration of issues of importance to low income consumers. Significantly, the hosting of the June Forum is being supported by both the Commonwealth Financial Literacy Foundation and the Australian Bankers' Association. Recognition that the needs of financial counselling clients must be heard and better understood is a prerequisite for ensuring that financial literacy developments expand inclusion, rather than further accentuate exclusion.

### **The “R” word – government and industry representatives should resist the temptation to cover their ears...**

When speaking at events of this type, it is important to resist the temptation to focus too heavily on resources. Sometimes one gets the impression that government and industry groups believe that all community service providers ever want to talk about is getting more resources for the services they deliver. Of course it is not, but where demand outstrips capacity, resource limitations must be acknowledged. So too must any discussion about planning for the future of a sector, such as that invited in the Victorian Consumer Credit review, involve consideration of the level of investment required to achieve the identified objectives. In fact, if you think about what financial counselling is, to avoid talking about money at all would be bizarre. It is precisely the sort of fear or trepidation the sector is often working to overcome with its clients.

The financial counselling sector is small. It struggles to meet the demands made on it and, in the case of networking and coordination activities such as those provided by local and national peaks, without volunteer assistance those activities would cease. So let me bold – if there is no investment in the financial counselling sector there will be no capacity building of the type anticipated in the Victorian Review's options 12.1 and 12.2. Investment is not just about financial resources. A commitment of attention and energy is both necessary and welcome and Consumer Affairs Victoria has taken an important first step.

I do not want to embarrass our hosts but as we are meeting in Queensland it is worth noting that the resource challenges for the financial counselling sector are perhaps at their most extreme in this state. In a paper delivered at an AFCCRA conference in Melbourne last year, Sharon Barker provided some detail on just how tenuous the

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<sup>9</sup> *Consumer Credit Review Report*, in particular chapter 6, from page 132.

funding position is for Queensland financial counselling. Sharon Barker's research noted that Queensland had 57 practising financial counsellors (including 10 volunteers and 16 farm financial counsellors). That equated to 1 financial counsellor per 80,782 head of population – the worst ratio in Australia<sup>10</sup>. It was also noted that whilst Queensland government funds the 16 farm financial counsellors it provided funds for only one generalist financial counsellor and that to an equivalent of 32 hours per week.

The Queensland resourcing situation is an odd one indeed. Queensland is the host state and custodian of the national consumer credit regulatory regime. It is also the home base of some of the worst financial scams and unscrupulous market conduct in the country. Many of these scams spread south and west much faster than the cane toad has so far been able. And yet with that as background Queensland is amongst the worst resourced jurisdictions in respect of financial counselling services and community legal back up. It also has no simple, cheap accessible court or tribunal system for dealing with problems that are an inevitable and constant reality. In the so-called “smarter” state this is an area of reform screaming for attention.

## **Conclusion:**

AFCCRA will be responding to the Victorian Consumer Credit Review Report and not just in relation to options 12.1 and 12.2. I would urge others to do so if they have the capacity. If not, using local networks and contacts to discuss the continued evolution of financial counselling in Australia – maybe considering issues of the type raised in this paper – is also important.

Reports come and go and the Victorian Consumer Credit Review Report will as well. I for one hope it marks another significant step in the process of ensuring fee-free, client focused, community based financial counselling continues to develop in Australia. Whether that is the case or not, the increasing recognition of the role financial counselling plays, its potential significance to low income and vulnerable consumers and of the need to invest in and plan for the future, provides yet another reason to feel hopeful.

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<sup>10</sup> Sharon Barker, *An overview of the financial counselling landscape in Australia*, A presentation for the AFCCRA Conference, Melbourne 17 June 2005, page 4. A copy of this paper can be found on AFCCRA's web-site at [www.afccra.org](http://www.afccra.org).