



APRIL 2024

GIVE FINANCIAL COUNSELLING IN QUEENSLAND A FAIR GO

Financial Counselling Funding Support 2024 - 2029

FCAQ is seeking a fair go for financially vulnerable Queenslanders through an investment in the financial counselling sector. FCAQ requires an ongoing and sustainable financial commitment from the Queensland Government and its Departments who depend heavily on financial counselling services to support their community programs.

FOREWORD

FINANCIAL COUNSELLING
FUNDING SUPPORT
2024 - 2029

The Premier's Office
The Honourable Steven Miles MP
dpc@premiers.qld.gov.au

Dear Premier

I hope this letter finds you well. I am writing to request a meeting with you to discuss an important matter regarding the financial well-being of Queensland households, particularly considering the ongoing cost-of-living crisis.

As you are aware, the cost-of-living has been steadily increasing, putting significant strain on families across Queensland. Many households are struggling to make ends meet, facing challenges in managing their finances and navigating through economic uncertainties. In this regard, I firmly believe that increasing financial counselling funding can play a crucial role in supporting these households and mitigating the impact of the cost-of-living crisis.

Financial counselling services provide invaluable assistance to individuals and families facing financial difficulties. Financial counsellors are qualified professionals who provide information, advice, and advocacy to people in financial difficulty. By investing in financial counselling, you can empower Queenslanders to better manage their finances, alleviate financial stress, and build resilience against economic challenges.

However, to effectively address the growing need for financial counselling support, it is imperative to allocate adequate funding to these services. Queensland is the lowest state funded state delivering financial counselling services, with a meagre investment of \$0.50 per capita. A media release to highlight this pressing need will launch on 15 April 2024. I am eager to meet with you to discuss increasing financial counselling funding within Queensland State Government. I believe that by working together, we can develop strategies to ensure that Queensland households receive the support they desperately need during these challenging times.

I am available at your earliest convenience to discuss this matter further. Please let me know a date and time that would be suitable for you, and I will make myself available accordingly. Thank you for considering my request. I look forward to the opportunity to meet with you and collaborate on finding solutions to support Queensland households during this cost-of-living crisis.

Yours sincerely

Jon O'Mally

Executive Officer
Financial Counsellors' Association of Queensland

EXECUTIVE SUMMARY

FINANCIAL COUNSELLING
FUNDING SUPPORT
2024 - 2029

Financial counselling in Queensland is overseen by the Financial Counsellors' Association of Queensland Inc. (FCAQ), a not-for-profit organisation committed to supporting over 170 members in the state. FCAQ advocates for legislative and policy reforms, coordinates training and professional development, and facilitates a network of support for financial counsellors. Financial counsellors play a crucial role in assisting individuals with debt management, consumer rights, and navigating financial crises.

Demand for financial counselling services in Queensland is on the rise, evidenced by FCAQ's recent survey highlighting issues such as capacity constraints, triaging of cases, and impacts on professional well-being. Additionally, there is a pressing need for more specialised support, particularly in areas such as domestic and family violence, gambling harm and assistance for small business owners facing financial difficulties.

The escalation of mortgage stress among households further underscores the necessity for financial counselling services. Financial counsellors play a pivotal role in mitigating the impacts of mortgage stress, offering guidance and advocacy to help families navigate financial challenges.

FCAQ emphasises the need for increased investment in the financial counselling sector to address growing demands. This includes advocating for sustainable funding from government departments and providing specialised training to meet the diverse needs of clients. FCAQ is proposing a comprehensive investment plan aimed at enhancing service delivery, workforce capacity, and reporting mechanisms. The plan encompasses specialised training programs, integration of services, technological solutions, and transparent reporting to monitor effectiveness and ensure continuous improvement.

FCAQ is requesting \$15 million per annum from the Queensland Government over five years to support state-based financial counselling services. This funding would cover staffing, operational costs, professional development, and other essential expenses to sustain and expand the sector's capacity. FCAQ is calling for this sustained investment to support both financial counsellors and the communities they serve.

FCAQ ORGANISATION AND MANAGEMENT

Jon O'Mally
Executive Officer

Conrad Dwyer
Sector Development

Bella O'Mally
Administration

Rachael Taylor
Systems & Operations Manager

Jillian McKinlay
Sector Development

TABLE OF CONTENTS

Foreword

1

Executive Summary

2

Background

Financial Counselling in QLD

The Role of Financial Counsellors

4

Increasing Demand for Financial Counsellors in Queensland

Demand for Financial Counsellors

Demand for Financial Counsellors from People experiencing Gambling Related Harm

Demand for Financial Counsellors from Small Business Owners

Demand for Financial Counsellors from Victim Survivors of Domestic and Family Violence

5

Mortgage Stress Continues to Rise

9

FCAQ demonstrated need for increase support to Queensland Financial Counsellors

10

Investment Plan

12

Funding Expenditure

Estimated Costs in Queensland's Financial Counsellor Sector

Estimated Costs in FCAQ

13

References

16

Appendix

18

BACKGROUND

Financial Counselling in Queensland

Financial Counsellors' Association of Queensland Inc. (FCAQ) is the peak body and accrediting agency for financial counsellors in Queensland. The Association is a not-for-profit incorporated organisation which has been voluntarily governed by a committee of management for 30 years. FCAQ promotes excellence in service delivery through advocacy and support to over 170 members of Queensland's financial counselling sector. FCAQ aims to ensure consistency and excellence in the delivery of financial counselling services by facilitating a professional support network, setting, maintaining, and monitoring accreditation and providing and promoting training and professional development.

One of FCAQ's goals is to campaign for legislative and policy reform in financial and consumer markets. This reflects the long-standing commitment of financial counsellors to address systemic issues that are present in their casework. To achieve this FCAQ sets clear policy, advocacy, and campaign goals and works cooperatively with industry, regulators and government around issues affecting people who are on low incomes or vulnerable circumstances. FCAQ works across a range of policy areas including consumer and credit law, gambling, bankruptcy, and dispute resolution.

The Role of Financial Counsellors

Financial counsellors are professionals with an extensive knowledge of a range of areas of law and policy, including consumer credit law, debt enforcement practices, bankruptcy, industry hardship policies and eligibility for concessions. Financial counsellors play a vital role in supporting people with low to moderate incomes to manage the consequences of debt and the rising cost of living.

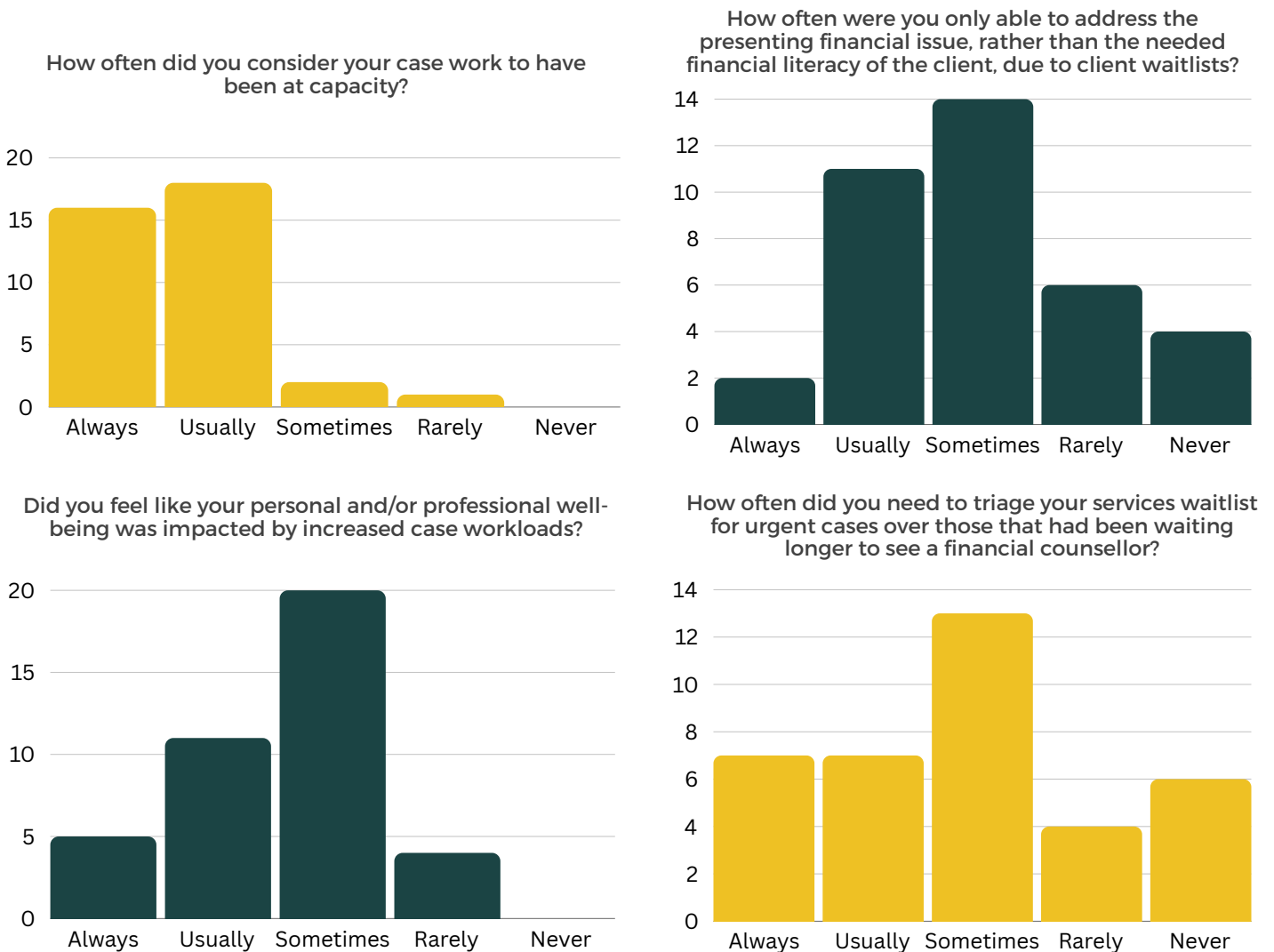
Financial counsellors assist people in financial difficulty by providing qualified, free, confidential, and impartial information, support, and advocacy to enable individuals to gain control of their financial situation. Working within government and community sector agencies, financial counsellors support clients through direct service and case management, community education programs and outreach.

Financial counselling services can provide support to consumers to navigate debt issues, deal with the impacts of problem gambling, connect consumers to hardship programs, empower consumers to self-advocate with creditors and utility complaint handling departments, respond to disasters and navigate insurance claims. Financial counsellors also provide advocacy support, and report cases to regulators about unconscionable behavior to ensure systemic issues are addressed.

INCREASING DEMAND FOR FINANCIAL COUNSELLORS IN QUEENSLAND

Demand for Financial Counsellors

In late 2023 FCAQ conducted a demand survey for our Queensland financial counselling members to show service demands over the last 6 months, identify case management issues, and gauge professional wellbeing. The below diagrams paint a bleak picture about the increasing demand on financial counsellors' ability to deliver quality financial support to the Queensland community under the current funding arrangement. Forty members participated in the survey.



“ICAN (Indigenous Consumer Assistance Network) is unable to meet the demand for new financial counselling clients in Far North Queensland. ICAN must regularly close our books for new clients, with wait times of more than 4 weeks. There are simply not enough financial counsellors in Far North Queensland to meet the increased demand.” - Jillian Williams, ICAN Operations Manager.

Demand for Financial Counsellors from People experiencing Gambling Related Harm

The recently released Minimising Gambling Harm report published by the Queensland Audit Office clearly states consumers and communities need greater access to preventative measures and resources to mitigate gambling's adverse effects. At present, only 11 full-time equivalent specialist gambling financial counsellor positions are funded to provide support in our state. These positions are solely funded by the Federal Government. Queensland State Government funding has been grossly inadequate with only 0.6% of gambling revenue attributed to gambling harm minimisation, lagging Victoria who spend 1.9%.⁸

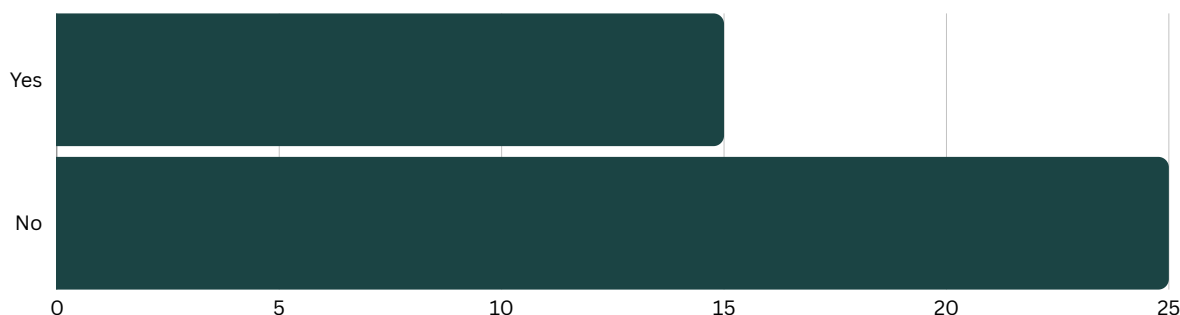
FCAQ is calling for the Queensland State Government to address this pressing social issue. Queensland financial counsellors require further professional development in the areas of gambling compliance and regulation and when to recommend criminal law advice to clients experiencing gambling harm. FCAQ's demand survey shows 90% of participating financial counsellors believe gambling related harm is an issue in the area they service and that they would like more training to address the complex nature of this work.

FCAQ has strong relationships with key stakeholders in the Gambling Help sector, including therapeutic counselling agencies, legal services and financial counselling agencies. FCAQ supports an integrated service delivery model and is well positioned to engage stakeholders in a plan to coordinate delivery of gambling harm prevention and minimisation programs in our state. FCAQ supports provision of a dedicated specialist gambling and criminal solicitor within Legal Aid Queensland to support those Queenslanders experiencing hazardous gambling and possible criminal law issues arising from their addiction.

Key findings from the survey include:

- 90% of financial counsellors would like training to assist clients that may present a gambling issue
- 90% of financial counsellors believe that gambling is an issue within their area
- 60% of financial counsellors believe they need more training to support gambling clients
- 25% of financial counsellors estimate that 30%+ of their client base has a gambling problem

Do you feel your current skillset is adequate to identify and work with a client presenting with a gambling issue?



Case Study: A PENSIONER IN CRISIS RETURNS TO GAMBLING



Jim, a 70-year-old part-time cleaner and age pensioner, faced a crisis when his 25-year relationship ended. This event triggered a relapse into gambling, leading him to frequent his local tavern to play the pokies. Previously, Jim and his partner co-owned a rural property and had three credit cards with one lender. After the breakup, Jim applied for two more credit cards from the same lender to fuel his gambling habit. Despite Jim's income, unemployment, relationship breakdown, and reckless gambling, the lender refused to acknowledge responsibility or implement safeguards. Jim's financial counsellor pursued debt waivers on all cards and sought compensation from the lender for irresponsible lending practices. Jim's financial counsellor referred him to a Gambling Help specialist to address his gambling behaviours.

Demand for Financial Counsellors from Small Business Owners

Financial counsellors are a valuable resource for the vast number of Queenslanders who own small businesses. The Small Business Commissioner released data on 30 June 2023 that showed 482,836 small businesses operate in Queensland, accounting for 19.2% of all Australian small businesses. Of these, 62.1% of small businesses are non-employing, 28.04% have 1-4 employees, and 9.86% have 5-19 employees.¹⁴ Cost-of-living pressures are affecting business owners and placing these individuals at significant risk if the business is to fail. Specialised small business financial counsellors can provide vital support to small business owners in these times.

Data released from the Small Business Debt Helpline (SBDH) in February 2024 has shown an increase of 26% on the preceding month alone and an increase of 82% on February 2023 numbers. Financial Counselling Australia (FCA) and the SBDH have cowritten a report in December 2023 that highlighted 18% of calls to the SBDH originate in Queensland and the primary reason for someone reaching out to the SBDH is to seek help with managing debts.⁵ Due to the nature of small business ownership, it is common for personal and business finances to be intertwined. Financial counsellors can provide impartial, non-judgemental advice and support to these individuals in working through their options.

Unfortunately, funding constraints limit the support that is currently available to business owners as the Small Business Debt Helpline is unable to meet the demand for callers requiring referral to specialised small business financial counsellors. The report highlights that of the small businesses that needed support through advocacy and place-based service provision, 48% could not be referred to a service because no service was available.⁵

Demand for Financial Counsellors from Victim Survivors of Domestic and Family Violence

Domestic and family violence (DFV) has been brought to the forefront of public policy in recent years. The implications of violence can include long-term social, health, psychological, financial, and economic damage.

KPMG estimates that the total cost of violence against women and their children was \$22 billion in 2015-16.⁶ Part of the solution to ensuring victim survivors are supported on their journey to independence requires addressing the fiscal impact these detrimental relationships have on individuals. Ensuring skilled financial counsellors are accessible is fundamental in meeting this need.

Queensland currently lags other states with no state government funding allocated for specialised DFV financial counsellors, in contrast, Victoria has twenty. Two exclusively DFV financial counsellors practise in Queensland, with both positions funded through federal sources. These professionals work with a trauma informed framework and give individuals an opportunity to take charge of their finances. They advocate fiercely to ensure fair outcomes are provided for victim survivors of financially abusive relationships. The impact for an individual and their dependents in accessing the services of these professionals, as part of a larger support system, can be life changing.

Case Study: SAVED FROM DOMESTIC VIOLENCE DEBT

Nancy, assisted by a DFV specialist financial counsellor, navigated a complex financial situation post-separation. The counsellor's advocacy led to the removal of Nancy's name from a vehicle loan and secured \$37,000 in waivers due to economic abuse, totalling \$93,805. Nancy, earning \$2,442 fortnightly with two children, faced challenges such as paying child maintenance to the perpetrator and struggling with medication costs. The financial counsellor engaged in extensive advocacy, including securing debt waivers from creditors. Legal insights highlighted potential unconscionable contract classification regarding the vehicle purchase, underscoring Nancy's financial strain and mental health impacts. The counsellor's efforts not only alleviated immediate financial burdens but also addressed safety concerns and contributed to a path toward financial stability for Nancy.



Case Study: YOUNG MUM IN SOCIAL HOUSING SOLD UNDRIVABLE CAR

A young mother Tiffany faced unjust conduct from a car dealer, leading to a mediation outcome with AFCA that waived her \$10,000 debt and required the dealer to collect the vehicle, removing all impacts on her credit file. The DFV financial counsellor raised the issue with the lender for a debt waiver based on compassionate grounds, escalated to AFCA due to irresponsible lending practices. Legal support was sought to address unconscionable conduct allegations. AFCA highlighted inadequate affordability assessments and lack of client objectives alignment. Tiffany's financial situation, including DFV impacts, public housing, and a cycle of debt, was not considered in the lender's assessment. Critical aspects like insurance, vehicle value, and contract terms were overlooked, leaving the client in a vulnerable financial position with an undriveable vehicle.



MORTGAGE STRESS CONTINUES TO RISE

Financial counsellors play a crucial role in supporting households grappling with mortgage stress, offering vital advice and implementing preventive strategies to safeguard families from the threat of home loss. Mortgage stress continues to rise with recent data from Roy Morgan revealing a concerning trend. In February 2024, a staggering 1,629,000 mortgage holders were deemed 'At Risk', marking an increase of 20,000 from January and a significant uptick of 139,000 since November, coinciding with the Reserve Bank's decision to elevate interest rates to a 12-year high of 4.35%.¹⁰ These figures highlight the pressing need for financial counsellors, who provide assistance and advocacy to households as they navigate through the complexities of financial turmoil towards a more promising economic horizon. Amidst the prevailing housing crisis, preserving families' ability to keep their homes appears as a paramount concern.

Financial counsellors work to empower their clients to ensure fair outcomes are achieved. The Australian Financial Complaints Authority (AFCA) released data in April 2024 that shows a 25 per cent increase in complaints received, a third of which related to home loans. The Australian Securities and Investment Commission (ASIC) is currently undertaking a review of the financial hardship practices of 30 large lenders. Appendix A provides further information on the concerns held by the regulator.¹ Given the increased level of complaints being made to AFCA about credit providers not meeting their obligations under the National Credit Code and the review being undertaken by the regulator, demand for financial counsellors will continue to rise. Financial counsellors have built strong relationships with financial hardship teams and can be fundamental in supporting a client gain a fair and reasonable outcome. Facilitating open communication channels with financial hardship teams not only fosters best practices but also enables tailored solutions to meet an individuals' needs while ensuring compliance with regulatory standards.

Key indicators of mortgage stress, such as credit impairment charges and rates of mortgage delinquencies reported by major financial institutions, further emphasise the urgent necessity for an increased investment in the financial counselling sector. Notably, Westpac's recent announcement of a \$189 million impairment charge for the first quarter of 2024, being a staggering 47% surge compared to the second-half average, coupled with a rise in ninety-day arrears, reaching 0.95% in the December quarter, underscores the gravity of the situation.³ FCAQ actively engages with industry stakeholders to ensure that financial hardship practices adhere to legislative requirements.

“Increasing mortgage and rental stress will always increase stress within the family unit and put further pressure on family budgets. In the 2022-2023 financial year, BDVS - Micah Projects supported 9,933 women with services and we received over 18,000+ calls for support. We know the needs for holistic support to victim survivors of DFV is crucial and financial counselling plays an integral role in recovery and allows for basic human rights to be achieved.” - Brisbane Domestic Violence Service (BDVS) – Micah Projects.



Case Study: A FLOOD VICTIM

A 74-year-old pensioner affected by the 2022 floods in Southeast Queensland sought financial counselling six months later. Mary faced mortgage arrears due to paying for temporary housing during home repairs. The financial counsellor discovered her lender's long-term overcharging on mortgage interest rates. Negotiations resulted in waived arrears and settlement of her mortgage six months early. Mary used the excess funds for rental accommodation. With insurance, her home was repaired within 18 months. Now debt-free, she owns her home outright, thanks to the financial counsellor's assistance.

FCAQ DEMONSTRATED NEED FOR INCREASED SUPPORT TO QUEENSLAND FINANCIAL COUNSELLORS

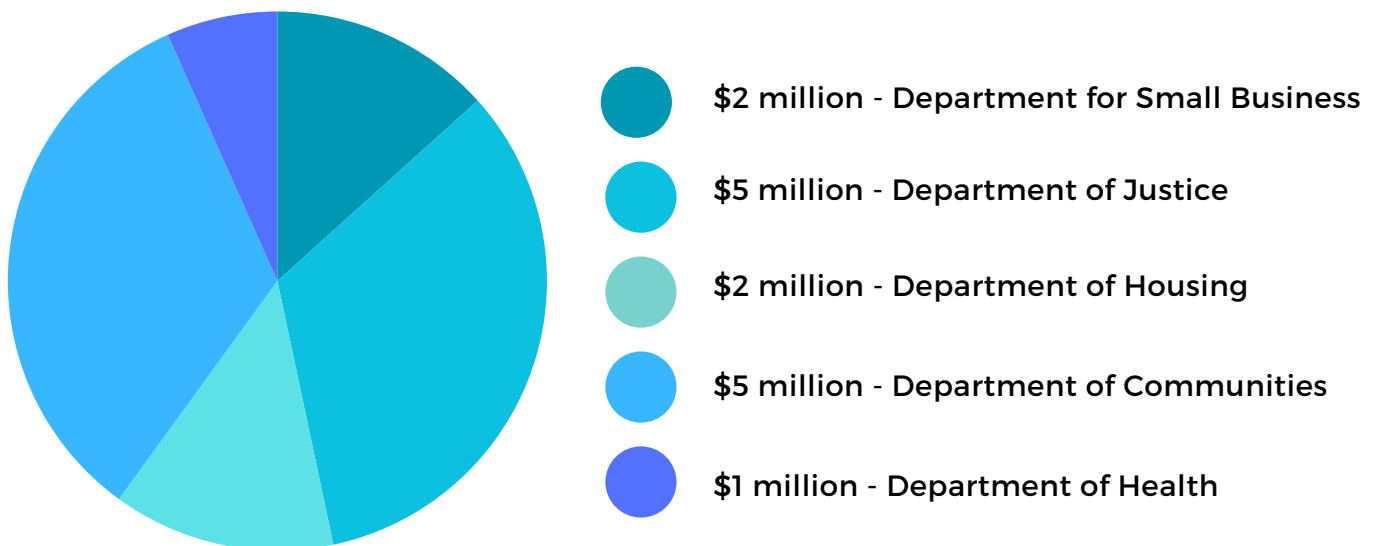
FCAQ is currently being challenged to meet the training needs of members due to increased demand for services, especially in specialised areas including gambling harm, small business, prisons, and domestic and family violence. As a peak body and professional association, FCAQ's role is to:

- set and maintain standards of the profession
- be critically engaged in workforce retention and increase sector professional development
- support financial counsellors and their agencies
- uphold the ASIC license exemption
- provide advice to government on key consumer issues and the profession, and
- advocate with industry stakeholders to improve their hardship response.

FCAQ is giving an opportunity for the Queensland State Government to reevaluate its investment in the Queensland financial counselling sector. FCAQ is advocating for funding responsibility to be shared by those Departments who benefit from the work of financial counsellors. The proposed funding will support the growth of financial counselling throughout Queensland and rejuvenate the sector to meet the increasing demand for financial counselling services.

FCAQ is calling for a sustainable funding investment to ensure all Queenslanders that need our sector's support can engage with a financial counsellor promptly. Complexities within the community require financial counsellors to undertake specialised training. Working with individuals experiencing gambling related harm, supporting small business owners, empowering victim survivors of domestic and family violence, and providing opportunities for incarcerated individuals presents nuances that require specialised and highly trained financial counsellors. FCAQ is a professional peak body well positioned to offer professional development opportunities, training and casework support to ensure our members can service the burgeoning demand.

Funding Disbursement



Case Study: A SCAMMED TEACHER

Helen, 44, a Queensland teacher, resides in a rural area in a caravan on a friend's property. Seeking extra retirement funds, she fell for a Facebook 'investment broker's' Bitcoin scheme promising to double her money. Coached by the broker, she fraudulently applied for a \$50,000 home loan on a non-existent property. Despite red flags, the lender approved the loan, and Helen's bank processed the dubious overseas transaction. Helen sought help from a financial counselor, who discovered that the lender and Helen's bank lacked proper safeguards against financial harm. The financial counsellor lodged a complaint with AFCA, resulting in manageable repayments for Helen but no refund of her lost money.



INVESTMENT PLAN

Commencement: 01/06/2024
Completion: 30/06/2029

TASK / ACTIVITY	DETAILS	TIMELINE
<p>Sector Re-establishment</p> <p>Objective: Address the increased demand for financial counselling services and enhance the professional capacity of financial counsellors in Queensland.</p>	<ul style="list-style-type: none"> • Implement specialised training programs for financial counsellors to assist clients with issues like problem gambling, domestic violence impacts, incarceration, and small business challenges. • Increase workforce retention through comprehensive professional development initiatives. • Advocate for regulatory support and industry engagement to improve hardship response. 	<p>Ongoing throughout the investment period.</p>
<p>Service Delivery and referral integration.</p> <p>Objective: Enhance service accessibility, quality, and coordination to provide holistic support to clients in financial distress.</p>	<ul style="list-style-type: none"> • Integrate financial counselling services with other community support agencies to streamline referrals and ensure comprehensive client care. • Implement technological solutions for efficient service delivery and remote assistance. • Develop standardised protocols for assessing client needs and coordinating multi-agency interventions. 	<p>Continuous improvement over the investment period.</p>

TASK / ACTIVITY	DETAILS	TIMELINE
<p>Project Reporting</p> <p>Objective: Establish transparent reporting mechanisms to monitor the effectiveness and impact of financial counselling interventions.</p>	<ul style="list-style-type: none"> • Implement data collection systems to track client outcomes, service utilization, and areas of emerging need. • Regularly analyse and report on key performance indicators to stakeholders, government agencies, and funding bodies. • Utilise feedback mechanisms to assess client satisfaction and identify areas for service enhancement. 	<p>Quarterly reporting cycles starting from Year 1.</p>
<p>Project Review</p> <p>Objective: Conduct periodic reviews and evaluations to assess the progress, challenges, and opportunities for continuous improvement.</p>	<ul style="list-style-type: none"> • Conduct comprehensive program evaluations at the end of each fiscal year to assess the impact of interventions on client outcomes and sector development. • Engage stakeholders, including financial counsellors, clients, government agencies, and community partners, in review processes to gather diverse perspectives. • Use review findings to adjust strategies, allocate resources effectively, and inform future investment decisions. 	<p>Annual review cycles starting from Year 2.</p>

FUNDING EXPENDITURE

Estimated Costs in Queensland’s Financial Counsellor Sector

FCAQ requests an investment of \$15 million dollars per annum from the Government for five years toward state based financial counselling services. The funding will be used to employ 75 full-time financial counsellors yearly, 25 of which will be identified as specialised positions.

Estimated Costs:

- Requesting \$15 million per annum for five years from the Government.
- Funding allocation: Employ 75 full-time financial counsellors yearly, with 25 specialised positions.
- Recurrent costs cover staffing, management overheads, FCAQ support, office operations, professional development, IT services, and travel expenses.

Total Funding:

- Year 1 to 5 - Recurrent staffing and operational costs at \$174,200 per annum, with CPI adjustments totalling \$25,500 over 5 years.
- Total funding over 5 years per 1 Full-Time Equivalent (FTE) is \$998,500 (excluding GST).

Estimated Costs in FCAQ

BUDGET ITEM	DESCRIPTION	ESTIMATED COST
Staffing	<ul style="list-style-type: none"> • Financial Counsellor • On-Costs @ 17% (12% super, 2% workers comp, 3% LSL provision) 	\$110,000 \$18,700
Management Overheads	<ul style="list-style-type: none"> • Overheads for management of staff and HR support - tenancy, utilities, payroll, and finance (approx.) 	\$20,000
Staffing	<ul style="list-style-type: none"> • Financial Counsellor • On-Costs @ 17% (12% super, 2% workers comp, 3% LSL provision) 	\$110,000 \$18,700
Management Overheads	<ul style="list-style-type: none"> • Overheads for management of staff and HR support - tenancy, utilities, payroll, and finance (approx.) 	\$20,000

BUDGET ITEM	DESCRIPTION	ESTIMATED COST
FCAQ Support	<ul style="list-style-type: none"> Costs for FCAQ to provide professional development support - case management support and accreditation for membership. 	\$10,000
Office Administration and Operations	<ul style="list-style-type: none"> Telephone and teleconferencing Professional Development Training - accredited and non-accredited Photocopying, printing/ stationery, and postage IT services and support Travel costs 	\$1,500 \$5,000 \$2,000 \$2,000 \$5,000
Recurrent Totals		\$174,200

TOTAL FUNDING	(5-YEAR PERIOD)	TOTAL
Year 1 to 5	<ul style="list-style-type: none"> Recurrent staffing and operational costs @ \$174,000 per annum. CPI adjustments \$25,500 over 5 years. 	\$199,700
Total funding over 5 years per 1 FTE		\$998,500 (exc. GST)

References

1. AFCA (Australian Financial Complaints Authority) (3 April 2024) AFCA Worried by rising complaints over handling of hardship [media release], Australian Financial Complaints Authority, accessed 3 April 2024. <https://www.afca.org.au/news/media-releases/afca-worried-by-rising-complaints-over-handling-of-hardship>
2. AFSA (Australian Financial Securities Authority) (2023) Bankruptcies and Temporary Debt Protections, accessed 12 March 2024. <https://www.afsa.gov.au/about-us/statistics/annual-administration-statistics/bankruptcies-and-temporary-debt-protections>
3. Baird, L 2024, (1 March 2024) 'Mortgage Stress Rates Hit Fastest Pace in at Least Two Years', Australian Financial Review, accessed 25 March 2024, www.afr.com/companies/financial-services/mortgage-stress-rates-hit-fastest-pace-in-at-least-two-years-20240228-p5f8i6.
4. Commonwealth Bank of Australia (2023) CommBank iQ: Cost of Living Insights Report, November 2023, accessed 13 March 2024. www.commbank.com.au/content/dam/caas/newsroom/docs/S861%20CommBank%20iQ%20Cost%20of%20Living%20Report%20printable.pdf
5. Financial Counselling Association (2024) Small Business Debt Helpline Insights Report: 1 July 2023 - 31 December 2023.
6. KPMG (2016) The Cost of Violence Against Women and their children in Australia, accessed 19 March 2024. www.dss.gov.au/sites/default/files/documents/08_2016/the_cost_of_violence_against_women_and_their_children_in_australia_-_summary_report_may_2016.pdf
7. Queensland Council of Social Service (QCOSS) (2022) Living Affordability in Queensland December 2022, QCOSS, accessed 12 March 2024. www.qcoss.org.au/publication/report-living-affordability-in-queensland-2022
8. Queensland Audit Office (QAO) (2024) Minimising Gambling Harm Report 9: 2023-24, QAO, accessed 28 March 2024. www.qao.qld.gov.au/reports-resources/reports-parliament/minimising-gambling-harm
9. Queensland Government (2023) Queenslanders asked to stop and think this Scams Awareness Week 30 November, Queensland State Government, accessed 12 March 2024. www.qld.gov.au/law/laws-regulated-industries-and-accountability/queensland-laws-and-regulations/fair-trading-services-programs-and-resources/fair-trading-latest-news/media-statements/2023/queenslanders-asked-to-stop-and-think-this-scams-awareness-week#:~:text=Queenslanders%20have%20been%20scammed%20out,November%20%E2%80%93%201%20December%202023

References

10. Roy Morgan Research (26 March 2024) Mortgage stress continued to increase in February to a new record high of 1.63 million; despite no RBA Rate Rise [media release], Roy Morgan Research, accessed 26 March 2024. www.roymorgan.com/findings/mortgage-stress-february
11. Ruddick B, Rigby M and Pollard E (20 March 2024) 'The Number of Queenslanders Facing Housing Insecurity Now Double the Population of Cairns', ABC News, accessed 12 March 2024. www.abc.net.au/news/2023-03-20/queensland-homelessness-up-22-percent/102113366?utm_campaign=abc_news_web&utm_content=link&utm_medium=content_shared&utm_source=abc_news_web%3E
12. Queensland Government, Queensland Revenue Office (2024) Statistics for Debts Registered with SPER 2024, Queensland Revenue Office, accessed 12 March 2024. <https://qro.qld.gov.au/sper/debt-stats/>
13. Queensland Government, Queensland Audit Office (2024) Minimising gambling harm (Report 9: 2023-24) Queensland Audit Office, accessed 5 March 2024. <https://www.qao.qld.gov.au/reports-resources/reports-parliament/minimising-gambling-harm>
14. Queensland Government, Queensland Small Business Commissioner (2023) Queensland Small Business Outlook – Beyond the pandemic, Queensland Small Business Commissioner, accessed 21 February 2024. <https://qsbc.qld.gov.au/beyond-covid/>



**FCAQ STAFF,
COMMITTEE &
MEMBERS
THANK YOU FOR
YOUR TIME AND
CONSIDERATION**

Appendix



ASIC
Australian Securities &
Investments Commission

**Australian Securities
and Investments Commission**

Office address (inc courier deliveries):
Level 7, 120 Collins Street,
Melbourne VIC 3000

Mail address for Melbourne office:
GPO Box 9827,
Brisbane QLD 4001

Tel: +61 1300 935 075

www.asic.gov.au

To: CEOs of all lenders

30 August 2023

Dear CEOs

Supporting consumers experiencing financial hardship

This letter is to advise you of ASIC's heightened focus on lenders' approach to financial hardship, and our expectations for lenders in this area.

ASIC is aware of increasing evidence suggesting that some consumer cohorts are experiencing financial distress and hardship due to increasing cost of living pressures. For example, there has been a 28% increase in calls to the National Debt Hotline in 2023 compared to this time last year, and surveys indicate that a growing number of consumers are reporting very high levels of financial stress. Delinquencies and hardship application volumes are also starting to increase, although from relatively low levels.

It is in this context that it is critically important that you prioritise ensuring that your organisation has appropriate arrangements to respond to and support consumers experiencing financial hardship.

ASIC's focus on financial hardship

Ensuring that lenders support consumers experiencing financial hardship is a priority for ASIC, and will be of increased focus during the next twelve months.

In the short term, we are commencing a data collection involving 30 large lenders. For each of those lenders, we will be collecting application-level information relating to financial hardship.

We are also commencing a review of 10 large home lenders to understand their approach to financial hardship. We will issue questionnaires, review documents, and meet with staff of the selected lenders. We will also review case studies and conduct a hypothetical applicant exercise to understand differences in lenders' approach to hardship.

We expect to publish the results and insights (including better practices) from this work in early to mid-2024.

Although your organisation is not directly involved in this work at this time, ASIC will be monitoring a range of data sources and will extend its work to other lenders as necessary.

ASIC's expectations of lenders

We take this opportunity to remind you of your organisation's obligations under section 72 of the *National Credit Code*, whereby you must consider varying a consumer's credit contract if a consumer notifies you that they are or will be unable to meet their credit obligations.

Your organisation must also do all things necessary to ensure that the credit activities authorised by your licence are engaged in efficiently, honestly and fairly.

Based on ASIC's early engagement with some lenders, we have identified several areas that are important for lenders to focus on to ensure they meet their obligations to consumers who are experiencing financial hardship. Our expectations are outlined in *Appendix A: ASIC's financial hardship expectations for lenders*, which accompanies this letter.

We expect that you will take action to ensure your organisation meets its obligations and operates consistently with the expectations outlined in Appendix A. Our work will consider, among other things, the extent to which lenders have acted to operate consistently with these expectations.

Next steps

We request that you:

1. Share this letter with your Board.
2. Discuss with your Board the steps that your organisation is taking to ensure it has appropriate arrangements in place to support and respond to consumers experiencing financial hardship.

If you have any questions about this letter, please contact us by email at ASICHardship@asic.gov.au.

Yours sincerely

Danielle Press
Commissioner

Appendix A: ASIC's financial hardship expectations for lenders

Under section 72 of the *National Credit Code* your organisation must consider varying a consumer's credit contract if a consumer notifies you that they are or will be unable to meet their credit obligations.

Your organisation must also do all things necessary to ensure that the credit activities authorised by your licence are engaged in efficiently, honestly and fairly.

To meet its obligations, we expect that your organisation will, among other things:

1. Proactively communicate to consumers about when and how they can seek hardship assistance and the options that may be available to them.
2. Make it easy for consumers to seek hardship assistance – including providing clear information about the process, and allowing consumers to seek assistance through multiple channels (e.g., by telephone as well as through digital contact).
3. Ensure that all customer-facing staff are trained and have procedures in place to help them identify consumers experiencing hardship, and know how to support and respond to those consumers.
4. Genuinely consider a consumer's request and individual circumstances, and, where possible, work with them to develop a sustainable solution to their financial hardship. You should tailor solutions for consumers where a standardised 'one-size-fits-all' approach may not meet a particular consumer need. For example, if a consumer has had their loan repayments deferred, you should ensure that how a consumer will catch up on missed repayments is manageable and offer alternatives.
5. Ensure all consumer communications are clear and provide consumers with sufficient information to make an informed decision about the available assistance. This should include details of how the assistance will affect the consumer's loan and repayments over the short and long term – including the effect of capitalising interest – and alternative options, where applicable.
6. Where a consumer's request for hardship assistance is declined, provide the consumer with written reasons that allow the consumer to understand why the assistance has been declined. You must ensure that consumers are aware of their other options, including to make a complaint to AFCA about the decision. Lenders should also encourage consumers to reach out to them to talk further about their options (including non-hardship arrangement options).

7. Check in with consumers throughout the period of assistance as needed to ensure that the assistance provided remains appropriate and continues to meet their needs.
8. Contact individual consumers as their period of assistance comes to an end, to understand their financial circumstances at that time, consider whether any further assistance is required, and ensure they understand what will happen next. This includes ensuring that consumers understand what they need to do in relation to any arrears that may exist at the end of the hardship assistance period.
9. Identify where consumers may be experiencing some form of vulnerability, and have processes in place to offer additional support to these consumers. This might include having these consumers supported by specially trained staff and/or ensuring the consumer is aware of other support services that might exist.
10. Have the resources available to respond to consumers seeking financial hardship assistance in a timely and effective manner, including the ability to scale to accommodate potential increases in volumes. To support this, your staffing models should be flexible and you should be undertaking both short and long-term forecasting of application volumes and staffing needs. In doing so, you should also take into account both new applications and the need to support consumers that have ongoing hardship arrangements in place.
11. Have appropriate governance and oversight arrangements in place to ensure your organisation is meeting its obligations. This includes ensuring that there is someone with end-to-end responsibility for hardship, that periodic reviews are undertaken, there are effective quality assurance/hindsight reviews that operate on an end-to-end basis, and that there is reporting that focuses on consumer experience and outcomes
12. Have adequate systems to support your organisation in meeting its obligations. For example, you should ensure that your organisation has the systems in place to respond within the required timeframes when a consumer gives notice of hardship.