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By email [FWC@dss.gov.au](mailto:FWC@dss.gov.au) & by website submission

Financial Wellbeing and Capability Policy Team  
Department of Social Services  
Tuggeranong Office Park  
GPO Box 9820  
CANBERRA ACT 2601

Dear Sir/Madam

**Response to Future Directions of the Financial Wellbeing and Capability Activity  
Discussion Paper January 2017**

The Consumer Action Law Centre (**Consumer Action**) welcomes the opportunity to comment on the discussion paper, *Future Directions of the Financial Wellbeing and Capability (FWC)*, released by the Department of Social Services in January 2017.

We generally support efforts to redesign service programs where the redesign ensures that quality services are provided and the effectiveness of services are improved. We also support the targeting of services, efforts to strengthen integration between services and a focus on building a strong workforce. A focus on supporting the capability outcomes of clients and measuring the outcomes of FWC services is also important.

However, we have some concerns about some of the proposals in the discussion paper. In particular, we are concerned that some of the directions outlined are simplistic, and do not fully comprehend the complex and structural issues inhibiting client wellbeing.

It is clear that employment is an important driver of financial wellbeing. However, despite the discussion paper stating that employment may not be possible for all, many of the strategies proposed relate to FWC services having a greater employment focus.

A dominant focus on employment issues in financial counselling is unlikely to be productive for two reasons:

- people will be seeking assistance from a financial counsellor around debt issues and a professional service will be one that assists with those issues and provides appropriate referrals to other services for other issues—requiring a financial counsellor to focus on employability risks weakening the substantial advice; and
- there is a need to recognise that focusing on employment is problematic where there are no or limited jobs available—rather than redesigning FWC programs with employment as

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a dominant focus, we believe that governments need to maintain and build on a multifaceted policy response to achieving financial wellbeing, including consideration of adequacy of welfare, as well as employment, wages and housing policies

## **About Consumer Action**

Consumer Action is an independent, not-for profit consumer organisation based in Melbourne. We work to advance fairness in consumer markets, particularly for disadvantaged and vulnerable consumers, through financial counselling (NDH Victoria), legal advice and representation, and policy work and campaigns. Delivering assistance services to Victorian consumers, we have a national reach through our deep expertise in consumer law and policy and direct knowledge of the consumer experience of modern markets.

Consumer Action operates NDH Victoria, the Victorian National Debt Helpline telephone financial counselling service. This service is partially funded by the Department of Social Services (25 percent) as well as the Victorian Government (75 percent). Consumer Action set up the Victoria-wide telephone financial counselling service in 2009. Since 2009 the financial counselling service has expanded so that we now provide a service to more than 15,000 clients each year

## **Strategies to improve the targeting of services**

The discussion paper proposes that ER and Commonwealth Financial Counselling (CFC) services would be restricted to those at imminent risk of not being able to pay their debts.

The impact of restricting CFC services to those at imminent risk of not being able to pay their debts will depend on the definition of “imminent risk”. If defined too restrictively, people who are vulnerable and who would benefit from help, but who are not at immediate risk of failing to pay, would not get a service, and therefore may get into a worse situation which may in the long term be more expensive for the community.

Clients who don't fit the eligibility criteria will be pushed to other services, for example state funded services, or services such as Lifeline. There may be a loss of an intervention point for clients who are in poverty but not in crisis.

NDH Victoria and all other Victorian state funded agencies prioritise services for people who are most in need. These agencies assess clients according to defined financially disadvantaged and vulnerability criteria to determine the level of service they are eligible for. For more information, see the Consumer Affairs Victoria (CAV) *Financially disadvantaged and vulnerable criteria—Financial Counselling Program* page.<sup>1</sup> NDH Victoria has been using the CAV prioritisation guidelines for the past three years and has found this to be a useful strategy to ensure that services are accessible for those who need them the most.

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<sup>1</sup> Consumer Affairs Victoria, Financial Counselling Program, available at: <https://www.consumer.vic.gov.au/clubs-and-not-for-profits/grants/financial-counselling-program/service-delivery-model-induction-tool/practice-elements/financially-disadvantaged-and-vulnerable-criteria>

## **Strategies to increase service integration**

### Within financial counselling sector

It is very important that there are effective service integration and referral arrangements between financial counselling services. Service integration can be assisted by concrete agreements between service providers about referrals. These can be brokered by funding agencies.

Effective referrals from NDH Victoria require cooperation from community-based financial counselling agencies. These agencies accept approximately 20 percent of our clients who need face to face support or intensive advocacy—a telephone only service is not enough to satisfy their needs.

State-funded financial counselling agencies have cooperated well in accepting referrals from us because the funding agency has brokered an effective system of cooperation. This system is reflected as commitments in funding agreements. Through these arrangements, state-funded agencies are required to subscribe to the same model of prioritisation and triage as referred to on the Consumer Affairs Victoria website.<sup>2</sup>

In contrast, NDH Victoria has not been able to achieve the same degree of cooperation with non-state funded agencies (despite significant effort). This is because the non-state funded agencies have sufficient clients of their own and are reluctant to accept additional referrals. We suspect that the funding body, in its role as system manager, could assist broker more effective referral relationships between agencies. To be effective, this would require significant consultation and commitment from affected agencies.

### Beyond financial counselling services

Job network providers (and other agencies, like family relationship centres) may be well placed to refer clients to the NDH, especially if they identify debt problems. We would be happy to liaise further with these agencies to ensure confidence in making referrals. We question the benefit, however, of financial counselling services like the NDH to always refer clients to job network providers. NDH clients that receive Newstart will already have an established relationship with a job network provider. Appropriate referrals depend on the particular needs of the client.

NDH Victoria does regularly refer clients to FWC microfinance services. These relationships can continue to be supported by sufficient funding for microfinance services to promote their products to workers and clients.

A common referral for financial counsellors is for further legal assistance, whether that is in relation to a consumer or credit issue, social security issue, or small business debt issue. Sometimes the problem is that there isn't any funded service that provides necessary assistance—for example, there are no free legal services that can provide assistance about a small business debt (including tax debt) matter. Members of this group can be quite vulnerable, because they will often be an unskilled person who has set up a small business that has failed.

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<sup>2</sup> ibid

## Hub models

NDH Victoria is part of a financial counselling/legal/policy hub. Our hub functions very well to optimise outcomes for clients. Financial counsellors from within NDH (and from other agencies in Victoria) submit questions arising from casework to the lawyers, and the lawyers provide information and advice as appropriate. Lawyers are in return informed by the issues arising from financial counselling casework and litigate or take other action where the outcome would affect a larger number of people in the community. The hub policy workers are also informed by the issues arising from the casework and use this information to respond to government requests for submissions on policy matters and to advocate for change where necessary.

In any redesign, we encourage DSS to consider increased linkages between community lawyers and financial counsellors, as well as services which address the underlying cause of debt problems (which may be lending practices, debt collection or problematic business models etc). Services that are well connected with key creditors, such as banks and utilities, are also likely to develop strategies to assist clients.

## Government support for service integration

Perhaps the most significant thing the Australian Government could do to support service integration is to develop closer and more coordinated relationships with other funders, such as state and territory governments. An ideal model would be for funders to delegate funding and reporting to one body so that one body has a deeper understanding of all the FWC services in each state and territory. This would also have the benefit that the FWC services themselves would be saved from the unnecessary red tape of negotiating integration with differently funded FWC-type services and the red tape of reporting to multiple funders.

## **Strategies to support client outcomes**

Prevention and early intervention is not just about providing education to at-risk groups or better promotion of services.

For debt issues, prevention is often about stopping poor business practices that lead to unsustainable debt or unnecessary personal stress. This could include lending practices by payday or other fringe lenders, debt collection conduct, or the practices of for-profit debt management firms. Early intervention might then involve working with industry to change practices, working with regulators to ensure industry compliance, or working with governments to strengthen laws. Any redesign by DSS should consider allowing for integration with systemic advocacy to ensure a fairer marketplace.

The discussion paper asks about clients that contact services on multiple occasions. A 2016 evaluation of NDH Victoria<sup>3</sup> found that there were improved client outcomes in cases where the client had made a second and/or third contact with the service. The evaluator was of the view that

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<sup>3</sup> Carolyn Bond Consulting, 'Telephone Financial Counselling Service—Evaluation of Service Quality and Outcomes', June 2016, available at: <http://consumeraction.org.au/telephone-financial-counselling-service-evaluation-service-quality-outcomes/>

clients who already felt in the initial call that the advice was likely to make a difference, were more likely to contact the service again.

It is our view that many clients will benefit from more than one contact. Many repeat callers are given information about industry hardship programs, and they then may require further assistance if their hardship request is rejected or they are still unemployed at the end of the business' maximum hardship period. While not all clients need more than one session, the service provided is likely to be more effective if clients feel confident to call back if they need to.

### **Strategies to build a strong workforce**

We strongly support the DSS funding to Financial Counselling Australia to support its work in strengthening the sector, including the development and implementation of workforce and training strategies, and the development of tools and resources for financial counsellors to use in their work. As noted above, we support there being coordinated funding between states and territories and also support greater integration between financial counselling peak bodies.

It can be difficult to recruit financial counsellors and so we particularly encourage efforts to support the availability and accessibility of the diploma. Consumer Action supports the diploma offered by RMIT University through delivering legal modules and supporting work placements.

Consumer Action also delivers substantial training to financial counsellors in Victoria, in coordination with the Financial & Consumer Rights Council and funded by Consumer Affairs Victoria. This training is closely linked to our worker advice service, which includes a growing bank of tools and resources for financial counsellors and other community workers. These include template letters and other kits to help resolve common problems.

Technology will offer a lot to the future development of training, as well as tools and resources. The ability to offer online training ensures that it is flexible for participants, while tools and resources have the ability to become more user friendly for workers and clients. Consumer Action has taken steps to build easy resolution services, such as the Demand A Refund website which assists people claim refunds relating to mis-sold add-on insurance.<sup>4</sup> Financial counsellors and other community workers have been high users of this service.

With efforts to increase the use of transaction data (see, eg, the Productivity Commission Inquiry into Data and Access), there will be in the future more opportunities for technological solutions to help people manage money and negotiate with creditors. There is an opportunity for governments to invest in the capability of services to make use of this technology, to better assist clients.

### **Strategies to strengthen evidence, improve practice and measure outcomes**

Any attempt to measure outcomes of the FWC activity must take into account the challenges of working with disadvantaged and vulnerable clients. Human services such as FWC services involve individual lives and impact on these lives in ways that can be beneficial or detrimental. Rather than assuming that the impact of FWC activity is simple, easy to measure and/or predictable in advance, the approach to measurement used in these circumstances must

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<sup>4</sup> See [www.demandarefund.com](http://www.demandarefund.com)

acknowledge the difficult and unpredictable nature of service delivery when complex work is undertaken for disadvantaged and vulnerable clients. This involves listening to, informing, conducting analysis with, responding to, interacting and communicating with a range of people engaged in this complicated work. Evaluators also need to be mindful that trying to aggregate results or being over-concerned with cost effectiveness can come at the cost of driving down quality and reducing effectiveness.

That said, we strongly support efforts to evaluate longer-term outcomes achieved by financial wellbeing services, noting the difficulty in this task. In addition, there is also a need for evaluation to focus on improved practice, and to ensure services are delivering intermediate outcomes for consumers. This is a key strategy of Consumer Action in the delivery of our services, and we do not agree with KPMG's conclusion that there is limited evidence underpinning FWC service delivery models (at least with respect to the NDH).

At Consumer Action, our evaluations of services focus on:

- how effective the service is in helping or enabling clients to self-help in a way that resolves, or improves, their issues;
- which elements of the service impact on effectiveness;
- how the service could improve in delivering quality outcomes for clients.

As noted above, in June 2016, Consumer Action published an evaluation report of our telephone financial counselling service. The evaluation was undertaken by a consultant, Carolyn Bond, who surveyed thirty-seven service users and listened to recordings of eleven client interviews.

Key findings from the evaluation include:

- Consumer Action's telephone financial counselling service provides valuable assistance to low-income and disadvantaged people that improves financial outcomes for them and their families.
- Clients who are able to act on their own (who don't require someone to advocate on their behalf) are appropriately identified and provided with advice that most of them act upon. The information and assistance provided to clients was accurate and applicable to the clients' circumstances.
- The service appears to be appropriately targeted. All clients surveyed were on low incomes. Most clients were in receipt of a Centrelink income and most had experienced a life event that had an impact on their financial situation. All but one client called because they were unable to pay bills or debts.
- The majority of clients who made contact with the service took action based on the advice provided. For those who took action based on the advice, there was some improvement in their financial situation. Even some of those who didn't take action reported that the service had helped them. Clients generally found the advice easy to understand and to follow.
- While a minority of clients said they would have preferred to have a face-to-face financial counselling session, most preferred the telephone or didn't have a preference. A client's preference for a face-to-face service didn't appear to relate to whether that could have resulted in a better outcome. The telephone financial counsellors' assessment that these clients could be assisted by telephone financial counselling (rather than a referral to a face-to-face service) was generally appropriate.

The evaluation also found that effective client engagement, through a quality interview, is a key determinant as to whether clients take action to improve their situation. The evaluation makes recommendations for the development of a more formal quality improvement process that focuses on interview structure and techniques. Consumer Action has now further embedded such a framework into the regular work of the service. To monitor effectiveness, we will also begin following up some clients in a way that improves the service for the client and provides some information to us about service outcomes.

This sort of evaluation not only informs our practice to client outcomes, but also serves as evidence of an effective service and hopefully provide a basis for governments to continue to fund service delivery.

Please contact Penelope Hill or Gerard Body on 03 9670 5088 or at [info@consumeraction.org.au](mailto:info@consumeraction.org.au) if you have any questions about this submission.

Yours sincerely

**CONSUMER ACTION LAW CENTRE**

A handwritten signature in black ink that reads "Gerard Brody". The signature is written in a cursive style with a large, sweeping initial 'G'.

Gerard Brody  
Chief Executive Officer