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Submission in response to:

Discussion paper

Financial Wellbeing and Capability Activity

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**Care Inc. Financial Counselling Service**

**Submission in response to the**

**Discussion Paper Financial Wellbeing and Capability Activity**

**Service information**

Care Inc. Financial Counselling Service and The Consumer Law Centre of the ACT (Care) has been the main provider of financial counselling and legal assistance on consumer credit matters for low to moderate income and vulnerable consumers in the ACT since 1983. Care’s core service activities include the provision of information, financial counselling, legal advice and advocacy for consumers experiencing problems with credit and debt. Care also has a Community Development and Education program, provides gambling financial counselling as part of the ACT Gambling Counselling and Support Service (AGCSS) in partnership with lead agency Relationships Australia; makes policy comment on issues of importance to its client group and operates the ACT’s first No Interest Loans Scheme which was established in 1997. Care also provides outreach services in partnership with St Vincent de Paul, Kippax Uniting Care, Karralika Programs, Lanyon Community Centre and at the Alexander Maconochie Centre (AMC). Across Care’s service delivery programs, the agency responds to over 2000 new requests for assistance every year.

We thank you for the opportunity to provide a submission in response to the discussion paper.

**General background**

Care works with low income, disadvantaged and vulnerable members of the ACT and region community, from young adult to the elderly. The primary reason people contact Care for assistance is when they are experiencing financial hardship or financial difficulty and are unable to meet their commitments as they fall due. The majority of our clients are unsure of the options and remedies available to them. They may be struggling to pay credit facilities such as personal loans, credit cards or mortgages and also day to day expenses such as rent, utilities, medical costs, transport, mortgages, education and food. Along with an inability to meet their financial commitments, many clients will be experiencing a range of complex personal circumstances.

Care has been operating in the ACT and region for over thirty years and in that time has seen the profile of our client group become increasingly complex in both financial and personal terms. It is the norm nowadays to see clients experiencing high levels of stress, mental and physical ill-health, relationship breakdown, unemployment, family violence, addictions and the effects of past trauma. These issues are often inextricably linked to the client’s financial circumstances and require a sensitive and professional approach tailored to the needs of each client.

**Questions for discussion**

* 1. **What impacts do you expect restricting eligibility criteria in the manner proposed**

**will have on your service?**

For many years, financial counselling as a profession has used a highly effective triage system relevant to their local area that ensures all clients receive information, support and /or advocacy appropriate to their needs. At Care we differentiate between clients needing immediate assistance, those requiring casework and others who need information but not ongoing support from our agency. This allows access to preventative information for people with a concern about a family member’s finances even though they themselves may fall outside our threshold[[1]](#footnote-1) for ongoing casework.

We acknowledge the need for targeted services for clients in financial difficulty particularly where there are limited resources available. However limiting access to only those who are ‘in imminent risk of not being able to pay their debts’ means that cases where deterioration may have been prevented by giving timely information to a third party (not eligible for our service) will not occur, potentially placing people in greater financial hardship. Many families provide support to family members struggling financially, as do workers from other services and community members generally.

Clients who are trying to be pro-active about their financial situation would also seemingly be excluded under the proposed targeting. These are clients who have a need for some basic skills around financial management and who are trying to prevent financial difficulties from arising in the future. This cohort of clients is often younger and assistance from a service such as Care can help provide a more informed platform for them going forward enabling better money management, development of a financial safety net and preventing crises from developing. In our experience giving access to people before a crisis develops is essential in helping prevent both financial and other life stresses for clients.

Care provides financial counselling for detainees at the AMC. Many have financial commitments such as child support and rental payments or debts including fines, tax and personal loans that they are unable to repay whilst incarcerated. The assistance of a financial counsellor in communicating with creditors and putting repayments on hold can reduce the likelihood that a person will exit the detention facility in a worse financial situation. It is not clear whether this cohort would be regarded as meeting the ‘imminent risk’ criteria.

* 1. **What strategies can be employed to ensure that services are accessible for those who need them the most?**

Service providers should continue to utilise and refine the triage system within their local communities as they are best placed to determine the level and type of need for clients accessing their service. Area specific triage is important as clients in a regional or city based service may present with differing financial difficulties; differing cultures and ages will also present with slightly different needs and local area service providers with relevant expertise are best placed to judge this.

There should be available outreach services where clients are unable to attend a main office. At Care we provide several outreach services across the ACT each week to cover areas where clients are less mobile for a range of reasons including parenting, illness and imprisonment. We also provide a telephone service where clients cannot access an office at all, although this is a much slower way of working as documents need to be provided for examination by the financial counsellors and most of our clients need to post them in to us as they do not have a scanner to use.

Use of resources such as those on the National Debt Helpline phone and website and financial counselling toolkit service should be encouraged and supported. There is an ongoing need for consistent and updated resources for clients that include paper based information, video clips and DVDs and other web based information. Different formats appeal to different groups and resources should be developed with this in mind.

The National Debt Helpline already provides an effective triage with clients receiving information over the phone when they need it. Callers can ring multiple times to follow up and ask further questions to assist them manage their financial situation. Referrals to face to face services are made where ongoing support and advocacy is required. It is essential that there is adequate resourcing for face to face services so that the referral system works as intended.

**2.1 What would help you to strengthen cooperation with other services (e.g. family support services and job active/job network providers) in your community? What additional support would you need to achieve this?**

Care has a long history of strong cooperation with other services in the region. Our outreach services provide financial counselling within other services to parents, prison detainees, people undergoing drug and alcohol rehabilitation, aged people, refugees and people fleeing family violence. We maintain a network of links with other services where we may have mutual clients including legal, mental health, housing and emergency relief providers.

We feel that strategic cooperation and partnerships are valuable when built on the needs of the clients they serve and when they are adequately resourced. A constant challenge for Care is that although we receive requests to engage in more partnerships, we do not have the resources to always do this. We are mindful that spreading our services too thinly may lead to a reduction in quality so certainly increasing resourcing would help. Given the complex nature of financial counselling the provision of adequate resources would improve the capacity of organisations such as Care to continue to build and maintain connections with other services in the community.

**2.2 What effect will the requirement to formalise relationships with other organisations have on your service? How do you see these relationships working to maximise their effectiveness?**

As previously discussed, Care already has a range of relationships with other services, these are formalised with a memorandum of understanding as a minimum requirement to ensure quality of service delivery. Formalised relationships built on client needs can increase access to services and speed up entry points if referrals are made appropriately. However relationships such as these must always serve a clear purpose, noting that different jurisdictions will have different focusses or requirements and local knowledge will be integral to developing and maintaining these relationships.

Enforcement or prescription of particular arrangements could be problematic and reduce flexibility for working optimally with clients. Our experience is that clients who are participating in financial counselling as a result of enforced or mandated referrals are generally less engaged. Reasons for services working together and referring clients must be explicitly related to the client’s needs and wellbeing.

Service integrity is a vital component of building a strong financial counselling sector going forward and any relationship with other services must always maintain clear and distinct boundaries between each profession; there is a danger that too much integration can potentially blur the boundaries of expertise and dilute skills.

**2.3 Where is integration / collaboration of FWC microfinance services with other FWC services occurring across the country? Is there a way these relationships could be better supported?**

Collaboration between services working to meet the needs of their mutual clients can be valuable provided each service understands its role. Integration only works where there is a common basis and understanding for the work of each of the services involved. Clear boundaries around how each service works with the clients is essential, paying particular attention to potentially difficult areas, such as conflict of interest, and having in place guidelines and policies to deal with these if they arise.

At Care we have an integrated service including financial counselling, consumer credit legal advice, education, financial capability and microfinance services. Each is concerned with financial matters and in supporting clients to address issues of unmanageable debts, lack of financial skills or dealing with a life event such as job loss or relationship breakdown. Although each of our services has a slightly different focus, they all have a common theme and act where appropriate to support the client to be in a more stable financial position. This builds a base for the client to work towards developing skills that can then allow them to re-engage with their community; for some clients this could then mean referral to another agency such as a job network provider to assist them to look for work. As previously noted we have strong links with other specialist services in the community. Provision of outreach from within some of these services also increases our reach and capacity to meet clients’ needs in a more holistic manner.

Given the common element to all our services is one of financial difficulty of clients, we are able to maintain a pool of knowledge and resources for our workers to share across sections of the agency. Better resourcing of this is going to be important going forward as more clients present with complex needs.

**2.4 What elements would need to be present to ensure a hub model is successful in your community? What additional support would you need to establish a hub in your community?**

As discussed above, Care currently operates as a specialised hub service, providing financial counselling, legal advice and microfinance services. This allows us to see clients with a range of needs and to support them in a variety of ways that address their disadvantage and financial hardship and help them get back to a point where some of them may be able to return to or look for work. Our service is highly responsive to local needs within the community and we regard this as an essential component of a good service, along with good governance and adequate resourcing and funding.

Like many community agencies, as our services have expanded, we have struggled to accommodate new workers and provide requirements such as up to date technology. We have a current need for separation between legal and financial elements of the organisation (due to privacy concerns) and this is putting additional strains on accommodation and staff given limited resources.

As with many financial counselling and associated services, we would benefit from increased resources to fund more office space and more staff to meet the varied and increasing needs of our clients. Keeping our technology and computer systems up to date is also a constant challenge given the pace that these are evolving; these are essential for quality service provision and could also benefit from increased resourcing.

It is important to identify and acknowledge where different ‘hub’ models already exist rather than adopting any specific model that could potentially undermine the existence of already established integrated service delivery models.

**2.5 What elements and innovative practices would be particularly key in establishing a hub model in a rural and/or remote service delivery context?**

**n/a**

**2.6 How could Australian Government funding be used differently to better support integration of FWC services?**

Although an integrated service such as Care works well within our local community, integration of services may not always be possible or appropriate for organisations dependant on location and client base. In the ACT other financial counselling services exist that offer slightly different services, such as emergency relief (ER), that they perceive meets the needs of their particular client group. We may refer clients to them for ER and they refer to us for legal advice.

Having separate agencies with a range of services also allows clients to choose which service they attend dependent on how a service is structured and its philosophy. It also provides an avenue for referrals if a ‘conflict of interest’ situation arises; for example

a perpetrator and a victim of family violence can be referred to separate services for independent financial counselling, legal or microfinance support.

However where there are gaps in available services, identifying the gaps in service that exist and establishing whether there is in fact a need for those services in a particular location would allow for the most efficient implementation. Again we stress, it is vital that only services which complement each other and where attention is paid to ensure the quality of specialised services is not diluted by such a process should be considered for integration.

We do not regard for example, it to be the role of financial counsellors to assess whether a client is ready for work. Our role is to stabilise their financial situation so that they are on a sounder financial footing, without unmanageable debt, able to follow their budget and therefore feel better about their situation going forward. As a result they may feel able to return to work or look for a job, and while we would refer them to an appropriate agency we are not able to say whether they would be job ready. Our professional expertise is in the area of financial difficulty and maintaining boundaries around this protects the integrity of our profession.

**3.1 What strategies can you utilise to support a client to improve their financial and/or employment outcomes?**

Financial counsellors are expert in assessing the very complex cases that they see on a day-to- day basis. Financial issues arise for myriad reasons, including inadequate income, market failure (irresponsible lending, unconscionable contracts, targeting of high cost credit to low income consumers), mental and physical health, breakdown of relationships, family violence, past trauma or more generally life stages such as aging.

The financial issues require a range of responses including a level of sensitivity to a client’s situation that goes well beyond assessing their budget and potentially referring them on to a job agency. Gathering relevant documents, ascertaining the story and facts from the client, assisting the client to decide which option they regard as being in their best interests, then supporting the client and advocating with creditors to resolve debts can be a lengthy process.

As a result of financial counselling, legal support or provision of microfinance, there is often a reduction in stress and pressure placed on the client. This can have the flow on effect of allowing the client to re-engage with the workforce, study and other areas of their life. While our role is to help clients to resolve their financial situation, we do see some clients return to or engage with the workforce as a result. However there are clients we work with who for various reasons, including trauma or disability who will be unable to work and who nevertheless benefit from having a more stable and less stressful financial situation.

Research conducted by the University of Adelaide on The Wyatt Trust[[2]](#footnote-2) funded financial counselling services in 2014, demonstrates that there are several non-monetary benefits gained by those who have sought financial counselling. While they do not include being job ready, they increase the likelihood that a client may engage with the workforce. They also potentially reduce costs to the community through:

* improvements in financial literacy
* avoidance or curtailment of legal actions
* stabilised housing
* improvements in health and wellbeing, and
* access to Centrepay.

To further improve the prospects for people exiting financial counselling to obtain employment, potential gaps within existing job networks should be addressed to ensure those seeking assistance are able to access and receive the support and training they require to apply for jobs in their region.

**3.2 How does your service currently deal with clients who present to your service on multiple occasions? At what point should additional support and requirements apply to repeat ER clients? What form should this take? What barriers do you see in implementing these requirements with your clients? What support would you need to implement such a proposal?**

Care experiences a relatively low rate of return clients; once a client’s debts are under control and they have the confidence and information needed to manage their finances they generally have no need of further intervention or support. Many clients will also have achieved a level of financial competence through working with a financial counsellor and being supported to learn how to manage their money that means they will have more skills to call on in any future financial difficulties.

In the case of a returning client this is usually a positive sign as these clients tend to re-contact our service before things become really difficult again. In other words, they are being pro-active and seeking support at an earlier stage to prevent a real deterioration in their financial situation. These clients have usually overcome the issue that originally brought them to us but may be experiencing a different type of life crisis. They know from past experience that Care can be trusted to provide them with the support, advocacy or assistance they require to help them through their current situation.

Accessing the National Debt Helpline on multiple occasions is also a positive. It generally indicates that a client is engaged in the process of trying to resolve their financial difficulties and is seeking appropriate and relevant information to do this.

We do not have a comment on access to emergency relief as we do not provide this service.

**3.3 How can DSS better support early intervention and prevention opportunities?**

Care believes that allowing access to financial counselling systems by all members of the community ensures that those in the early stages of financial crisis seek help before reaching the point of being at imminent risk. As previously discussed, the provision of education material and advice to those proactively seeking help (or to their support people and family) in the early stages of a crisis should remain a priority for financial counselling services. Ultimately preventing deterioration in a client’s circumstances will help them return to a more stable situation and potentially be in a position to make good financial decisions and possibly secure employment in the future.

Since our clients are often the victims of irresponsible lending, unconscionable contracts, or the targeting of high cost credit to low income consumers, reform and enforcement of adequate consumer protection in these areas would be of benefit and would help would alleviate pressure on those trapped in cycles of debt.

Given the nature of the work and the need for professional staff, ensuring adequate resources to fund the operation of financial counselling services to meet the requirements of the communities they service is imperative.

**4.1 Do ER and CFC/FC workers need to build capacity? If so, how might this be done?**

Financial counselling as a profession has over many years developed capacity within already strained resources including development of the National Diploma of Financial Counselling. Initial training, as with any profession, combined with funded ongoing professional development is vital to ensure a robust workforce able to provide quality services.

In order to ensure employers prioritise these for their staff, specific resources for training and professional development should be allocated within Service Funding Agreements for:

* providing ongoing training to ensure workers are kept up to date in all areas
* national training providers to consult with the sector to ensure the training they provide is relevant to the industry and the workers
* Financial Counselling Australia to coordinate training for the financial counselling sector regardless of who is delivering the training.

**4.2 What ‘tools’ do you see as integral to the further development of the FWC services in Australia?**

Financial Counselling Australia currently produces a range of excellent tools for training and professional development including a ‘toolkit’ for the sector, however a lack of ongoing resourcing hinders the production of these tools to keep them up to date and ensure they are relevant and accessible.

Provision of an accessible platform for all workers to access and share relevant information via Financial Counselling Australia would facilitate the development of skills across the FWC services sector. This would include the opportunity to present webinars of interest and to network more readily with other service providers from around the country. As previously mentioned, up-to-date technology is a must for the sector to enable this skills development to occur and be maintained.

There is also a need to ensure all agencies and workers have equal opportunity to access professional development, training and clinical supervision. This should be a priority as workers face the challenges of increasingly complex cases; they deserve to be adequately supported to do their jobs.

**5.1 What do you see as the key issues involved in evaluating the FWC Activity?**

Client engagement in the evaluation process is the greatest issue for ensuring an accurate evaluation of FWC Activity can be captured. Current systems lack meaning for the client, they must be streamlined, situation specific but designed to extract similar information so that comparisons can be made across the sector.

There should be an ability to match service evaluation at a macro level with client evaluation, this provides a reference point for where services and client’s responses differ and allows examination of possible solutions.

**5.2 What would you like to see as the main focus of the evaluation?**

Outcomes obtained from clients should reflect the complexity of the issues they present with as narrowing the perspective will only serve to reduce the efficacy and relevance of the process. The evaluation should convey a picture of the actual work done; for some clients the outcome will be about their debts and finances but for others it may include levels of improvement the client feels in well-being or community engagement.

Financial Counselling Australia has already commenced work on developing evaluation tools, and support should be provided to allow the ongoing development of this work.

Whichever evaluation method is used it should reflect local situations and content but have enough streamlined responses to capture consistent data across the country to identify areas of need and to further develop the sector.

1. <https://www.afsa.gov.au/insolvency/how-we-can-help/indexed-amounts-0>

Care uses the Base Income Threshold Amount (BITA) for a client with no dependants or the Actual Income Threshold Amount (AITA) for a client with dependants as thresholds. [↑](#footnote-ref-1)
2. <http://wyatt.org.au/wp-content/uploads/2012/05/Wyatt-WISeR-Financial-Counselling-Cost-Benefit-FINAL.pdf>

Parvin Mahmoudi, Ann-Louise Hordacre & John Spoehr. 2014. Paying it forward: Cost benefit analysis of The Wyatt Trust funded financial counselling services. Australian Workplace Innovation and Social Research Centre, The University of Adelaide. [↑](#footnote-ref-2)