



# **NATIONAL AUSTRALIA BANK SUBMISSION**

Financial Wellbeing and Capability  
Activity Discussion Paper

31 March 2017

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Ms Barbara Bennett  
Deputy Secretary Families & Communities  
Department of Social Services  
GPO Box 9820  
Canberra ACT 2601

## FINANCIAL WELLBEING AND CAPABILITY ACTIVITY DISCUSSION PAPER

Dear Ms Bennett,

National Australia Bank (“**NAB**”) welcomes the opportunity to provide comment on the Government’s Financial Wellbeing and Capability Activity discussion paper. We have chosen to respond to those questions that are particularly relevant to our involvement with the Financial Wellbeing and Capability Activities.

Since 2003, NAB has partnered with Good Shepherd Microfinance and the Australian and State Governments to establish and deliver Australia’s leading microfinance program. We have provided more than 150,000 products to help more than 440,000 Australians. This partnership has unlocked access to \$130 million in capital that would otherwise have been unavailable to those on low incomes in the form of the No Interest Loans Scheme (“**NILS**”) and the StepUP Loan program, providing significant benefit to not only individuals but also the economy. For more details on NAB’s approach to Financial Inclusion and Resilience see Appendix 1.

At NAB we want to help build a stronger and more resilient Australia, where everyone has access to appropriate and affordable financial products and services. We also know that financial shocks can happen to anyone at any time, and that we must help our customers and those financially excluded to understand and take control of their situation with the right support.

For customers in financial difficulty we assist by advising them on payment plan options; providing on-the-spot hardship assistance such as waiving fees and charges or suspending payments, and referring them to other support services. NAB Assist (NAB’s business unit which supports those experiencing financial hardship) has led the way in partnering with organisations and programs such as Kildonan Uniting Care’s “CareRing”, an innovative program that provides holistic support services and referrals to customers.

Should you wish to discuss this submission further, please contact Vanessa Curtain, Manager, Government Affairs and Public Policy at [Vanessa.L.Curtain@nab.com.au](mailto:Vanessa.L.Curtain@nab.com.au) or 0400 697 625.

Yours Sincerely,



Jodi Geddes  
General Manager, Corporate Responsibility

## NAB's Response to the Financial Wellbeing and Capability Activity Discussion Paper

### *1. Strategies to improve targeting of services*

NAB is supportive of the Government investment into Financial Wellbeing and Capability (“**FWC**”) activity and believes that there is a need for these services amongst those who are most vulnerable.

Results from research conducted by the Centre for Social Impact for NAB<sup>1</sup> indicated that around 2 million Australians experience severe or high financial stress/vulnerability. This means that more than 1 in 10 adults in Australia are likely to be facing financial issues such as:

- limited economic resources resulting in problems paying debts and/or meeting cost of living expenses;
- low or very low levels of financial products and services such as limited access to or unmet demand for credit or insurance;
- limited financial knowledge and confidence; and
- low levels of social support in times of crisis.

People who are unemployed and underemployed (i.e. they want more paid working hours) have the lowest resilience scores (2.69 and 2.82 respectively; below the population score of 3.06). This shows that having a job is not necessarily a guarantee that the individual will not be in financial stress/vulnerability if the hours or income is insufficient to meet that individual's needs.

We understand that with limited resources available there is a need to target the most vulnerable, however restricting the eligibility criteria may result in many who are in casual or part-time incomes not being able to access these services in times of need. This could potentially have the unintended consequence of delaying support to individuals until they are at a more severe level of financial hardship or crisis, delaying preventative early intervention.

We believe that there are additional mechanisms that the Government can employ to increase the reach of the limited resources. Specifically, taking a preventative approach to provide support services for people who are starting to indicate early signs of financial stress (pre-crisis) has significant positive downstream impacts on the number of people reaching crisis level. Our experience indicates that if financial stress is evident it can often be a symptom of more serious non-financial issues. If assistance is received at the right time it can potentially prevent serious hardship.

NAB Assist has partnered with Kildonan Uniting Care and joined the Kildonan CareRing program. CareRing is a service that provides assistance to customers above and beyond financial difficulty needs. Common types of aid include family support services, social workers, counselling, men's behavioural change programs, financial counselling, connection to housing support, and drug and alcohol dependence support. While the program provides support for the non-financial issues in a customer's life, NAB continues to work with the customer to assist them in getting back on their feet financially. For more details on NAB Assist see Appendix 2.

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<sup>1</sup> Muir, K, Reeve, R, Connolly C, Marjolin A, Salignac F and Ho K (2016) Financial Resilience in Australia 2015, Centre for Social Impact (CSI) – University of New South Wales, for National Australia Bank.

There is a role for the private sector in identifying these indicators and to better connect people to the right services before they are in financial crises. The Vulnerability Round Table discussions led by Yarra Valley Water in November 2016<sup>2</sup> is one example where opportunities exist for the private sector to work together to better target support for vulnerable individuals and households. We strongly support further cross sector collaborative discussions on how vulnerability and financial stress could be addressed.

## *2. Strategies to improve service integration*

NAB is supportive of greater service integration across the FWC activity and more broadly across other support services and government departments.

Whilst better referrals between existing organisations will support better outcomes, we also believe that there is a need to develop a skilled and specialist triage service to play the role of intermediary/introducer to the variety of specialist services that exist. Financial stress/vulnerability is often a symptom of a number of challenges that are faced by the individual or household, which then requires a coordinated approach. This would go beyond an FWC hub approach and need to connect the various levels of Australian and State government support services.

Our experience indicates that it can be difficult for individuals to know where to get assistance and for organisations like NAB to provide qualified referrals due to the variety of organisations, the geography of the individual and the various eligibility, pathways and levels of assistance available.

A triage service would:

- enable qualified handovers and referrals between services;
- reduce the stress and burden on the individual to re-introduce themselves and their situation to different organisations;
- assist with identifying and prioritising the needs of individuals, greatly improving the user experience of accessing services;
- increase the right referrals being received by organisations first time around; and
- improve the allocation of scarce resources.

Other considerations to improve service integration include:

- the need to develop funding models to encourage organisations to refer to each other and provide an integrated experience for individuals;
- the need for formal relationship agreements to be well thought through and developed in a way that does not increase paperwork or red tape. They would also need to ensure that the individual is referred to the right organisation or service and in some instances this might not be an organisation or service which has an agreement in place; and
- preventing the loss of economies of scale where organisations or individuals are attempting to do many tasks that require a variety of skillsets. Changes underway to the NILS operating model will simplify the tasks undertaken. It will enable the majority of organisations to focus on the face-to-face support whilst a smaller number of organisations will deliver the loan book management and administrative tasks.

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<sup>2</sup> Yarra Valley Water (2016). Vulnerability Roundtable Report. Retrieved from: <https://www.yvw.com.au/about-us/reports/vulnerability-roundtable-report>

### *3. Strategies to support client outcomes*

NAB believes the FWC activity plays a significant role in building the financial resilience of vulnerable Australians. In particular NILS and StepUP helps individuals in receipt of welfare and those in part-time or casual employment to cope with financial shocks by providing income smoothing capability.

These initiatives can and do, support individuals to secure and maintain employment, for example, through access to car repairs for the vehicle that allows them to get to and from work. They also in some cases provide the means to access study and education opportunities which can then indirectly lead to greater employment opportunities.

For a direct focus on better employment outcomes however, better integration with existing employment services, including the New Enterprise Incentive Scheme should be the focus of the FWC activity, rather than increasing the scope of the support that is provided by organisations providing FWC initiatives.

NAB is also supportive of repeat borrowers utilising NILS and StepUP as this is the only safe and affordable credit option that many consumers living on a low income are able to access. We believe that a self service capability should also be looked at to increase reach and efficiency. Whilst we understand this won't be appropriate for all, a proportion could be supported through remote and online processes freeing up access to the face-to-face services for first time and more vulnerable individuals.

To better support client outcomes:

- there is a role for the private sector in assisting to identify early indicators of financial stress when it is employment-related. This could include better connecting individuals to the right services at the right time before an individual is in severe financial hardship or crisis; and
- access to technology and digital capability are critical skills to enabling service access in more remote and regional areas. To scale initiatives without significant increases in funding requires innovative use of technology but this cannot be effective unless the technological capability of individuals is also supported.

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

NAB is supportive of the continuing efforts to build capability within FWC initiatives. We are proud to have been sponsoring events and gatherings that allow for the sharing of knowledge and best practice amongst workers delivering FWC initiatives for more than 14 years. This includes the Annual NILS Conference, StepUP worker training and the Financial Counselling Australia conferences.

We also support the focus on early intervention and preventative measures and reiterate the potentially negative impact that restricting access to these services would have on the ability for FWC initiatives to be preventative. In addition, if private sector organisations can better work to identify when someone is starting to show signs of financial stress and are able to refer them to appropriate services, this could also positively impact on the number of people needing crisis support.

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

NAB believes evidence-based approaches are important to delivering better outcomes for individuals and is supportive of continued efforts to improve the measurement of outcomes of FWC initiatives.

NAB has supported Good Shepherd Microfinance with the Centre for Social Impact to conduct research to understand the Social Return on Investment of both NILS and StepUP. In addition we have worked with the Centre for Social Impact since 2011 to define and measure financial exclusion in Australia. Building on this work in 2016, NAB supported the Centre for Social Impact to define and measure the financial resilience of Australians. This project included:

- conceptualising financial resilience;
- developing a methodology to measure financial resilience in Australia and identify vulnerable groups;
- determining people's levels of financial resilience in Australia; and
- developing a shared impact measurement tool to determine which interventions/ programs are most effective for different groups and to help inform resource investment.

Working with the Centre for Social Impact, NAB is using this framework to undertake an evaluation of NILS with Good Shepherd Microfinance and also evaluate NAB Assist. Through the framework we are hoping to both enable and encourage the use of a common measurement framework to measure outcomes for individuals and also measure the cumulative impact on the financial resilience of the population. We hope that the continued development of better frameworks and approaches will build deeper insights into how initiatives can make improvements to achieve even greater outcomes.

Whilst evaluations provide valuable insights there are considerations to be taken into account when designing and implementing them. These include:

- finding the balance between evaluating short term and long term outcomes amongst initiatives that may not in every case be about long term positive change (moving up the continuum) but may focus on supporting those most vulnerable to maintain their wellbeing rather than decline;
- assessing the user experience and not just the outcome as part of the evaluation;
- finding the balance between the need for data and impacting the user experience through gathering the same data numerous times or through an arduous collection processes;
- reducing the barriers to capturing data to allow organisations to increase the time spent delivering programs rather than reporting on them; and
- designing and implementing evaluations with the objective of supporting improvements to initiatives, not just to evaluating them.

## APPENDIX1: Additional Background Material on Financial inclusion and Resilience in Australia

### *NAB's approach to Financial Inclusion and Resilience in Australia*

Since 2003 NAB has played an active role in helping people who are excluded from mainstream banking to access fair and affordable financial products and services.

We have committed \$130 million in loan capital to our market leading microfinance programs and in partnership with Good Shepherd Microfinance, provided more than 150,000 products to help more than 440,000 Australians access no or low interest loans<sup>3</sup>. To make banking more inclusive and accessible we have removed a range of bank fees, increased our ATM network, and improved the way we look after customers in financial stress. We have also opened four Good Money retail stores to give thousands of Australians access to microfinance products, financial counselling and other community services in a comfortable and safe environment.

As a leader in financial inclusion we have invested in research to raise awareness of and to better understand financial exclusion in Australia. In 2016, with the Centre for Social Impact, we released new research which deepened our understanding of the challenges in building financial resilience and how to measure it. The research has supported public policy discussions and most importantly, we hope, encouraged community organisations, governments and other corporations to take up the challenge of addressing financial exclusion.

Our commitment focusses on the following four areas that have been the cornerstone of our work for the past decade:

#### **1. Making banking easier for our customers:**

As a bank our focus is – and needs to be – on our customers.

We strive to make it easy for our customers to do business with us, no matter how they choose to interact and bank with us. From ensuring the way we design and build our products is inclusive of people with a disability, to helping customers in financial hardship get back on track, to supporting survivors of family violence to become financially independent, we want to lead the way in being a bank that provides good quality products and services to all Australians.

#### **2. Developing and supporting microfinance programs for low income Australians:**

Life is full of events that can affect a person's finances such as job loss and changes to physical or mental health. As a major financial institution, we have a role to play in helping everyone to build their financial resilience to weather life's little and big financial shocks.

We support Australians, especially those most at risk, to have access to appropriate financial services they need to improve their lives. We help them take part in our nation's economy by providing basic, good quality banking products and services, helping them to access low or no interest loans, and providing financial counselling and referrals to support services.

These initiatives help customers make day-to-day transactions, safeguard their savings, invest in their business, plan and pay for recurring expenses, manage financial shocks and improve their overall wellbeing.

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<sup>3</sup> Numbers correct as at 30 September 2016 and found in the NAB Dig Deeper Report (2016). Retrieved from: [http://digdeeper.nab.com.au/assets/documents/2016%20Dig\\_Deeper\\_Report.pdf](http://digdeeper.nab.com.au/assets/documents/2016%20Dig_Deeper_Report.pdf)

### **3. Research and advocacy:**

NAB's commitment to addressing financial exclusion includes research and advocacy to better understand the problem. Through research we can provide a voice to people excluded from mainstream banking products and services and offer public policy insights and recommendations.

### **4. Continuous Innovation:**

NAB's next phase of growth is defined by ideas, creativity and execution. Our future lies in our ability to foster a culture of innovation. Across the bank, we are tapping into ideas and talent from both inside and outside the organisation, for the benefit of our customers.

We are using local and global knowledge insights to develop solutions to help tackle financial exclusion in Australia. From our plans to launch an online microfinance offering, to our support of Good Shepherd Microfinance to digitise the No Interest Loan Scheme, we continue to innovate our product design and delivery to support the development of safe, affordable and appropriate products and services for our customers and Australians on low incomes.

For more information on NAB's commitment to financial inclusion and resilience see our *Financial Inclusion Action Plan 2017*<sup>4</sup>.

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<sup>4</sup> NAB (2016). Financial Resilience Action Plan 2017. Retrieved from: <https://www.nab.com.au/content/dam/nabrwd/About-Us/corporate-responsibility/Shareholders/images/nab-financial-resilience-2017.PDF>



## **APPENDIX 2: Additional Background Material on NAB Assist**

### *Financial Hardship and NAB Assist*

#### **From Collections to NAB Assist**

NAB's hardship assistance program, which evolved to NAB Assist, was developed in 2009 in response to the number of NAB customers who were enduring financial hardship. These individuals were struggling to repay loans and mortgages and without assistance, they were at risk of default, eviction, and cycles of bad debt, potentially impacting them and their families for many years. Equally, for NAB, the threat of having customers default on loans, close accounts, or turn to alternative providers for banking services or access to credit, is always a core business concern.

For several years NAB Assist (then called NAB Collections) ran in a way that collections teams around the world operate. Hundreds of debt collectors call customers who are late with payments and ask them to catch up their missed payments. Like other collections businesses the focus was on collecting money, and performance was measured on how much money it collected.

In 2013, we reviewed the business based on listening to why our customers were struggling to make their payments and working with them to solve whatever the issue was. NAB partnered with Kildonan Uniting Care, an innovative community service organisation within one of Australia's largest welfare networks, Uniting Care Australia, to redesign NAB's approach to customers in financial hardship. This was when NAB Collections was transformed into NAB Assist and the customer was put at the heart of the process.

#### **NAB Assist today**

NAB Assist provides a one-on-one service to customers who are finding it difficult to keep up with their payments, or facing financial stress. The NAB Assist team are trained in assisting customers on payment plans, providing financial relief, connecting customers to external assistance, or prioritising critical payments to reduce the risk of default and triggering further financial hardship.

The options that are provided to customers are identified through having a conversation with the customer about what their situation is and what help they need to recover financially. A key part of this conversation is that it's non-judgemental and respectful. What led the customer to be in this situation is not important, what is important is the assistance they need to get back on track.

As the program continues to evolve, we are increasingly able to provide assistance covering both financial and non-financial causes. For non-financial causes such as mental health challenges or customers experiencing family violence or relationship breakdowns, the assistance provided might be access to counselling, social workers or specialist family violence programs through NAB's community partner, Kildonan Uniting Care.

With one in four women in Australia estimated to be subjected to family violence at some stage in their life, family violence is approaching epidemic proportions. A 2009 study estimated that the cost to the Australian economy of violence against women and their children was AUD\$13.6

billion<sup>5</sup>. In response to a growing number of customers sharing with NAB Assist that the cause of their hardship was family violence, a package of support was developed, including:

- a stand-alone bank account being opened in the customer's sole name. It is deliberately hidden in Internet Banking so the perpetrator of violence doesn't know about it. The customer can then divert their salary, welfare payments or save money into this account, which is a vital first step in financial independence;
- the customer being connected with a family violence worker or social worker to ensure they are receiving appropriate support such as counselling and help with a personal safety plan or escape plan; and
- a grant of up to AUD\$2,500 being provided to customers who want to leave the relationship but don't have the financial means to do so or don't have access to money.

We are currently looking at how to solve financial difficulty before it occurs. We have trialled subtle messaging on our website to customers who may be in financial hardship and we are shortly going to trial this approach with customers whose spending patterns have changed recently and indicate they may be about to experience financial hardship.

We are also looking at ways to help customers plan for life events, such as talking to a couple who are starting a family about making extra payments now so their financial situation is more secure when one of them takes time off work to be a baby's carer.

#### **NAB Assist results:**

The results of the NAB Assist program are strong<sup>6</sup>. They include:

- in 2016 alone, NAB Assist supported 21,303 customers (up from 5,141 in 2014);
- around 88% of customers are back on track with their financial commitments within 30 days, and approximately 93% are meeting their financial obligations within 90 days;
- awareness of the program is rapidly growing, and 1 in 5 customers now seek hardship assistance before missing a payment. Over 40% of NABs customers voluntarily seek advice before their circumstances escalate to a collections event;
- by preventing defaults, NAB Assist generated estimated business savings of \$70 million in 2016 alone; and
- there has been a 53% reduction in the number of hardship and debt collection complaints year on year.

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<sup>5</sup> The National Council to Reduce Violence against Women and their Children (2009). The Cost of Violence Against Women and their Children. Retrieved from:

[https://www.dss.gov.au/sites/default/files/documents/05\\_2012/vawc\\_economic\\_report.pdf](https://www.dss.gov.au/sites/default/files/documents/05_2012/vawc_economic_report.pdf)

<sup>6</sup> Numbers correct as at 30 September 2016 and found in the NAB Dig Deeper Report (2016). Retrieved from:

[http://digdeeper.nab.com.au/assets/documents/2016%20Dig\\_Deeper\\_Report.pdf](http://digdeeper.nab.com.au/assets/documents/2016%20Dig_Deeper_Report.pdf)