



MEDIA EXPLAINER

28 November 2018

Funding for financial counselling and legal services to support consumers of financial services

What are community financial counselling and legal services?

Community legal centres and financial counselling services have been at the frontline helping people who have been victims of financial misconduct for many years.

Community legal centres are free legal assistance services that provide legal information, advice, and ongoing support to people who cannot access / afford other legal services. *Generalist* legal centres provide legal assistance on a broad range of civil and family law issues to people living in a particular geographic community, while *specialist* legal centres provide state-wide legal assistance in a particular legal subject matter or to a particular client group.

There are a five specialist legal centres that provide state-wide advice in relation to consumer and financial services - Consumer Action Law Centre (Vic), Financial Rights Legal Centre (NSW), Consumer Credit Legal Service (WA), Consumer Credit Legal Service (SA), and Consumer Law Centre (ACT). These centres are skilled at identifying and advocating on systemic issues emerging through their frontline work, and frequently alert regulators of emerging issues experienced by consumers. One generalist legal centre, Hobart Community Legal Centre, provides advice on consumer credit legal issues to Tasmanians. Other generalist community legal centres also provide legal assistance to people about credit and debt within their local catchment area.

Financial counselling services are provided by a range of community and charitable organisations around Australia. Financial counsellors help people prioritise debts, negotiate with banks, lodge disputes with external dispute resolution bodies, access concessions and provide referrals to legal services in relation to more complex legal issues or for ongoing legal support.

Who are FCA and NACLC?

[Financial Counselling Australia](#) is the peak body representing financial counsellors across Australia, and the [National Association of Community Legal Centres](#) is the national peak body for approximately 180 independent community legal centres.

Our services are under-resourced and unable to help all those who need it

Community based financial counsellors assist approximately 125,000 clients a year, and the National Debt Helpline receives 170,000 calls a year, and struggles to keep pace with this demand.

Waiting times for financial counselling are generally more than four weeks, and many services have full waiting lists.

Community legal centres currently assist around 30,000 people a year with information services, legal advices, legal tasks, or representation services. However, modelling undertaken for the [NACLC & FCA Submission to the Royal Commission](#) has estimated that approximately 240,000 people are likely to be in need of legal advice in relation to a credit and debt legal issue.

Financial Services Royal Commission

The investigation of the [Royal Commission into Banking, Superannuation and Financial Services Industry](#) into the conduct of financial services, as set out its draft report, has revealed systemic misconduct in the finance sector. The [NACLC & FCA Submission to the Royal Commission](#) argues that there is an urgent need for increased funding to our organisations to support vulnerable consumers in their struggle with the financial services sector.

Senate Report into consumer protection in the banking, insurance and financial services sector

In November 2016 the Senate referred an [inquiry into consumer protection in the banking, insurance and financial sector](#) to the Senate Economics References Committee. The Committee's work was somewhat taken over by the establishment of the Financial Services Royal Commission a year later. However in the [Senate Economics References Committee Report](#) released on 15 November 2018, one of the Committee's three recommendations made was that **"the Commonwealth Government consider increased funding for community legal and financial counselling services dealing with victims of financial misconduct."**

The Committee reported on evidence provided to the inquiry about "under-resourcing of financial counselling and legal services", and how this impacted "vulnerable Australians, who often make use of these services and may be targeted by providers offering low-quality and/or low value for money products with high interest rates to the people who can least afford to repay them" [4.91].

In calling for increased resourcing for community legal and financial counselling services, the Committee recognised the "considerable toll that negative experiences with the banking, insurance and financial services sector have had on consumers' physical, emotional and mental health, in addition to the financial losses" [5.43]. The Committee stated that there was a need to protect and support consumers from "the endemic greed that has corrupted the financial services sector" [5.41].

The Australian Greens Dissenting Report (Senator Peter Whish-Wilson, Senator for Tasmania) agrees that funding for financial counselling and "advocacy" centres should be increased, arguing however the increase in funding should come from levies on the banking and financial services industry [1.117].

However Coalition Senators, led by Deputy Chair Senator Jane Hume, provided the following additional comments in relation to Recommendation 3: "the Commonwealth Government has already committed increased funding for community legal and financial counselling services dealing with victims of financial misconduct."

Have legal centres or financial counselling services received any additional funding for victims of financial misconduct?

The **National Association of Community Legal Centres** is unaware of any additional funding being provided to community legal centres to support victims of financial misconduct, or indeed for consumers of financial services more broadly. We are currently seeking more information from the Australian Government as to the funding to which the Coalition Senators refer in their Additional Comments.

In fact, until April 2017, the Federal Government was threatening to impose 30% funding cuts to community legal centres from July 2017 onwards. Thankfully, in the face of widespread criticism across the legal sector, the Government [did not proceed with these cuts](#).

Since 2017, the only announcements of additional federal funding for (a handful of) community legal centres have been as follows:

- In August 2018 the Government announced some additional funding for the network supporting [elder abuse services](#), and
- on 20 November 2018 the government announced a small amount of [additional funding under the Women's Economic Security Package](#) for domestic violence units and health justice partnerships to include financial support services such as advice, counselling and financial literacy to support women experiencing family violence.

Neither of these funding announcements assist people who have a dispute with a bank or are victims of unscrupulous behaviour or misconduct from those banks, except incidentally.

The Federal Government did announce in the 2018-19 budget that \$10m would be provided to a new non-profit financial literacy organisation, to improve women's financial capability, but no details have been provided as to whether this will include funding for financial counselling or legal support.

On the other hand, two of the specialist financial services legal centres, Consumer Action Law Centre and the Financial Rights Legal Centre, were advised in October 2018 they had lost their funding from the Department of Social Services to staff the National Debt Helpline in their states, resulting in fragmentation of the service, which is partially funded by the respective state governments. While the Government then announced that it would [work to provide continuity for the Helpline](#), this has simply meant that the two specialist legal centres, and the Helpline provider in WA, have [only had their funding extended to the end of 2019](#). There remains a lack of certainty about the service model and funding for the National Debt Helpline beyond that time.

Financial Counselling Australia is also unaware of any additional funding being provided for financial counselling to victims of financial conduct. The recent [Department of Social Services tender process](#) simply re-allocated funding between community agencies, and **did not involve increased funding**. This has resulted in some financial counselling services, including the community legal centre Prisoner's Legal Service Queensland, being defunded. Although once again the Government has agreed to [extend short-term funding by three months](#). However FCA remains concerned that new agencies may not have the resources to fill the gaps this will create.

What is required?

The National Association of Community Legal Centres and Financial Counsellors Australia are calling for increased funding for financial counsellors and community legal centres, given the damning evidence uncovered by the Royal Commission and provided to the Senate Economics and Legislation Committee about unscrupulous conduct within the financial services industry.

We believe that funding to support consumers of financial services should appropriately come from the industry which generates this need.

The Joint NACLC & FCA [submission to the Royal Commission](#) sets out the need for this increased funding, and the outcomes the increased funding will provide. A summary of this Background Brief is [also available](#).

For further information

Details about the work of financial counsellors are available on the [FCA website](#), and case studies showcasing some of the work undertaken by community legal centres in relation to financial services will also be provided over the coming months on [the NACLC website](#).

Further information can be provided by the national peak bodies:

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