

Funding financial counselling & legal services

BACKGROUND BRIEF – NOVEMBER 2018



KEY POINTS

financial
counselling
australia



NACLCTM
National Association of
Community
Legal Centres

- The Banking Royal Commission has revealed systemic misconduct in the finance sector
- Hundreds of thousands—if not millions—of Australians are affected
- The Senate Economics References Committee has called for more funding for financial counselling and community legal services to help those affected
- Boosting financial counselling and community legal services, through a levy on industry in addition to existing Government funding, is an effective and fair way to ensure people can access help to assert their rights, get out of debt, and protect their livelihoods.

Misconduct in the finance sector

The Royal Commission into Banking, Superannuation and Financial Services has revealed serious and systemic misconduct in Australia's finance sector. Financial institutions have not complied with their own codes of practice, lent irresponsibly and pushed unnecessary products onto consumers.

These practices have affected hundreds of thousands—if not millions—of people across Australia.

The November 2018 Senate Inquiry into Consumer Protection in the Banking, Insurance and Financial Services System recommends increased funding to community lawyers and financial counsellors as essential in ensuring vulnerable consumers can protect their rights.

Increased access to financial counselling and legal services is urgently needed.

Existing services are limited (*see box*). We are calling for funding of \$157 million per annum to create a properly funded network of community financial counselling and community legal centres. This is composed of:

- \$1 million for the National Debt Helpline;
- \$130 million for 1,000 financial counsellors;
- \$26 million for an additional 200 community financial service lawyers located across Australia.

We estimate that this expanded network will **triple the number of people—increasing from 250,000 to 800,000 people a year**—who are able to access information, self-help resources, phone financial counselling services, face-to-face financial counsellors, legal advice, or other legal support to help them resolve their disputes, structure their debts, and negotiate with financial service providers.

How can this be funded?

This expanded service network can be funded either through an **increase to the Major Bank Levy or by expanding the existing ASIC industry funding levy on financial institutions**. This later funding model has been canvassed before, and is currently operating effectively in the UK. Its time has now come in Australia.

Financial counselling and community legal services

There are limitations to current services available to people who have debts or facing action from financial institutions. Existing services are:

- The National Debt Helpline is a phone financial counselling service and website. The helpline received 170,000 phone calls in 2017, an increase of 12% and call volumes continue to grow.
- Face-to-face financial counselling services, provided by various community and charitable organisations, assist around 125,000 people per year. Waiting times for financial counselling are generally more than four weeks and many services have full waiting lists.
- Community legal centres provide free legal services to people who cannot afford private lawyers. Most centres are generalist, helping people in their catchment area with a range of legal issues. There are also seven community legal centres providing state-wide services focusing on supporting consumers of financial services. All legal centres are struggling to meet demand.
- 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.

Further Information

NACLC and FCA have made a joint submission to the Royal Commission available http://www.naclc.org.au/cb_pages/submissions.php

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