

31 January 2019

Submitted via The Treasury Consultation Hub

Hon Stuart Robert MP
Assistant Treasurer
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Assistant Treasurer

2019-20 Pre-Budget Submission

The Consumer Action Law Centre (**Consumer Action**) welcomes the opportunity to make this submission to The Treasury's 2019-20 Pre-Budget Submission process. We have focused this submission on two areas where budget action could make an immediate difference to give Australians access to fair consumer markets.

- Establish a taskforce to oversee and co-ordinate the implementation of the consumer-centred recommendations of *The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* (**Royal Commission**) final report.
- Increase funding for the financial counselling and community legal sectors to ensure victims of misconduct in financial and consumer markets have access to justice when and where they need it.

Our comments are detailed more fully below.

About Consumer Action

Consumer Action is an independent, not-for profit consumer organisation with deep expertise in consumer and consumer credit laws, policy and direct knowledge of people's experience of modern markets. We work for a just marketplace, where people have power and business plays fair. We make life easier for people experiencing vulnerability and disadvantage in Australia, through financial counselling, legal advice, legal representation, policy work and campaigns. Based in Melbourne, our direct services assist Victorians and our advocacy supports a just market place for all Australians.

1. Royal Commission Implementation taskforce

The Opportunity

The response to the Royal Commission from every day Australians has been extraordinary. Recognising that the issues that have been considered are systemic, the community expects the finance industry to be fixed. Consumers want a better deal from their banks, insurers and financial service providers, they want the

industry to be held to account for the misconduct that has left countless Australians with unmanageable debt or lost assets.

Consumer Action has submitted to the Royal Commission that enhanced consumer protection in the financial services sector is desperately needed to keep big banks and insurers honest. All reforms to the sector must consider the ultimate social purpose of banking and finance. This means promoting the financial wellbeing of all Australians, not just boosting profit margins.

Therefore, a planned and systematic process of implementation of reforms, with consumers at the heart of the process, is critical to implement the once-in-a-generation opportunity to reform this critical sector.

How it is delivered

The policy development and implementation process following the release of the Commission's final report must be independent and have consumers at its centre. We recommend the establishment and resourcing of an independent taskforce to oversee the policy-making process. We also recommend the establishment of an expert and funded Consumer Reference Panel, made up of consumer experts to inform policy development.

Consumer representation is critical to the success of industry Ombudsman schemes, where the board is typically an equal number of consumer and industry representatives¹, and this approach ensures that reforms speak to the experiences of victims of financial sector misconduct.

There is also the critical role of holding the government and government agencies to account for implementing the consumer-centred recommendations of the Royal Commission. The independent taskforce could report to Parliament and the community on the progress and effectiveness of the reforms. A similar function was established following Victoria's Royal Commission into Family Violence²

The investment

A guide to the investment required to adequately resource an independent taskforce can be seen in the Victorian Budget 2018/19 which allocated the Family Violence Implementation Monitor \$4.2 million over three years (\$1.4m in 2018-19)³. We consider that the cost of funding a Consumer Reference Panel would be a marginal addition to this.

Investment (\$ million) – forward estimates

ITEM	2019-20	2020-21	2021-22	2022-23
Royal Commission Taskforce (including Consumer Reference Panel)	\$2	\$2	\$2	\$2

¹ Australian Financial Complaints Authority, AFCA Board Directors, available at: <https://www.afca.org.au/about-afca/independence/the-afca-board/afca-board-directors/>

² State Government of Victoria, The Family Violence Reform Implementation Monitor, available at: <https://www.vic.gov.au/fvrim.html>

³ State Government of Victoria, Victorian Budget 18/19, Budget Paper No.3, pg.102



2. Increase Financial Counselling and Community Legal services

The Opportunity

Consumer Action recommends increased funding for the financial counselling and community legal sectors to ensure victims of misconduct have access to justice, and to participate in the policy-making process. Australians wanting to get their finances back on track should be able to get assistance from a financial counsellor or community lawyer when they need it. Financial counsellors are free, independent and help people to deal with money and debt problems. Demand is at record levels. Community lawyers can step in to provide access to justice and stop problems from escalating.

The Royal Commission has shown us, through the testimony of ordinary Australians and the ten thousand submissions received, that victims deserve access to a lawyer or financial counsellor when they need one to take on the big banks and insurers. The sector is woefully underfunded and too many people are being turned away.

A recent report from Financial Counselling Australia (FCA) has demonstrated significant unmet need for financial counselling. A sector survey demonstrated that for every five people who seek financial counselling, three people receive a service but two are turned away.⁴

Similarly, it has been estimated that at least 6.4% of the population (aged 15 or over), around 1.2 million people, will experience a credit or debt legal issue in any 12-month period. The figures would be higher if we included insurance matters. A conservative estimate would suggest that at least 20% of this group would be financially disadvantaged and therefore need access to free legal information and/or advice. This would equate to around 240,000 people⁵; while existing services can only meet a small proportion of this need.

In recent months, we have worked closely with key peaks including the National Association of Community Legal Centres (NACLCC) and FCA to develop an improved model of services for people affected by misconduct in the finance sector.

⁴ Financial Counselling Australia, The unmet need for financial counselling: a survey, December 2018, available at: <https://www.financialcounsellingaustralia.org.au/FCA/media/CorporateMedia/Unmet-Need-for-Financial-Counselling-2018.pdf>

⁵ Christine Coumarelos et al., Legal Australia-Wide Survey: Legal Need in Australia Access to Justice and Legal Needs vol 7. 2012, Law and Justice Foundation, 60. Also see Renouf, G & Porteous, P., Consumer Credit Legal Services in Australia, unpublished report to ASIC, 2011, Document 18 on ASIC FOI Disclosure Log 2011-2017, available at: <https://asic.gov.au/about-asic/freedom-of-information-foi/foi-disclosure-log/freedom-of-information-asic-disclosure-log-archive-2011-2017>



How it is delivered

To meet the demand and need for financial counselling and specialist community legal assistance in the community, we need a commitment from the Government to train, recruit and resource an army of workers to bring justice to those Australian families struggling under the weight of debt or financial sector misconduct.

We agree with the experts, including FCA and the NACLC, who recommend⁶:

- 1,000 additional financial counsellors working in the community;
- 200 additional community lawyers with debt and financial services expertise; and
- An additional \$1 million per annum for the National Debt Helpline to reach more Australians, including small businesses.

The investment

FCA and NACLC have costed the additional investment required at \$157 million per annum. However, FCA and NACLC have also suggested that expanding these critical services could be partly or wholly industry-funded either through an increase to the Major Bank Levy or by expanding the existing ASIC industry funding levy on financial institutions.

Investment (\$ million) – forward estimates

ITEM	2018-19	2019-20	2020-21	2021-22
<i>1,000 additional financial counsellors</i>	\$130	\$130	\$130	\$130
<i>200 additional community financial services lawyers</i>	\$26	\$26	\$26	\$26
<i>National Debt Helpline (additional investment)</i>	\$1	\$1	\$1	\$1

Please contact Katherine Temple on 03 9670 5088 or at katherine@consumeraction.org.au if you have any questions about this submission.

Yours Sincerely,

CONSUMER ACTION LAW CENTRE



Gerard Brody
Chief Executive Officer

⁶ FCA & NACLC, Funding financial counselling & legal services: Background brief, Nov 2018, available at: <http://www.naclc.org.au/resources/20181126%20FCA%20and%20NACLC%20Funding%20%20page%20brief.pdf>

